招商銀行
CHINA MERCHANTS BANK

招商銀行股份有限公司
CHINA MERCHANTS BANK CO., LTD.

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

(H Share Stock Code: 03968)

2022 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the "**Board**") of China Merchants Bank Co., Ltd. (the "**Company**") hereby announces the audited results of the Company and its subsidiaries for the year ended 31 December 2022. This announcement, containing the full text of the 2022 Annual Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of annual results. Printed version of the Company's 2022 Annual Report will be delivered to the H-Share Holders of the Company and available for viewing on the websites of Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk) and of the Company (www.cmbchina.com) in April 2023.

Publication of Results Announcement

Both the Chinese and English versions of this results announcement are available on the websites of the Company (www.cmbchina.com) and of Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk). In the event of any discrepancies in interpretations between the English version and Chinese version, the Chinese version shall prevail.

The Company has also prepared the annual report in Chinese in accordance with the PRC Generally Accepted Accounting Principles, which is available on the websites of the Company (www.cmbchina.com) and of Shanghai Stock Exchange (www.sse.com.cn).

By Order of the Board
China Merchants Bank Co., Ltd.
Miao Jianmin
Chairman

24 March 2023

As at the date of this announcement, the Executive Director of the Company is Wang Liang; the Non-executive Directors of the Company are Miao Jianmin, Hu Jianhua, Sun Yunfei, Zhou Song, Hong Xiaoyuan, Zhang Jian, Su Min and Chen Dong; and the Independent Non-executive Directors of the Company are Wong See Hong, Li Menggang, Liu Qiao, Tian Hongqi, Li Chaoxian and Shi Yongdong.

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Definitions

The Company, the Bank, CMB or China Merchants Bank:

China Merchants Bank Co., Ltd.

The Group:

China Merchants Bank and its subsidiaries

CBIRC:

China Banking and Insurance Regulatory Commission

CSRC:

China Securities Regulatory Commission

Hong Kong Stock Exchange or SEHK:

The Stock Exchange of Hong Kong Limited

Hong Kong Listing Rules:

The Rules Governing the Listing of Securities on the SEHK

CMB Wing Lung Bank:

CMB Wing Lung Bank Limited

CMB Wing Lung Group:

CMB Wing Lung Bank and its subsidiaries

CMB Financial Leasing or CMBFL:

CMB Financial Leasing Co., Ltd.

CMB International Capital or CMBIC:

CMB International Capital Holdings Corporation Limited

CMB Wealth Management:

CMB Wealth Management Company Limited

China Merchants Fund or CMFM:

China Merchants Fund Management Co., Ltd.

CIGNA & CMAM:

CIGNA & CMB Asset Management Company Limited

CMB Europe S.A.:

China Merchants Bank (Europe) Co., Ltd. (招商銀行(歐洲)有限公司)

CIGNA & CMB Life Insurance:

CIGNA & CMB Life Insurance Co., Ltd.

MUCFC:

Merchants Union Consumer Finance Company Limited

CMB YunChuang:

CMB YunChuang Information Technology Co., Ltd. with 100% equity interest held by the Company indirectly

CMB Network Technology:

China Merchants Bank Network Technology (Shenzhen) Co., Ltd. with 100% equity interest held by the Company indirectly

Deloitte Touche Tohmatsu Certified Public Accountants LLP:

Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership)

SFO:

Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

Model Code:

Model Code for Securities Transactions by Directors of Listed Issuers of Hong Kong Stock Exchange

Significant Risk Warning

The Company has disclosed herein the major risks involved in its operations and the adopted risk management measures. Please refer to Chapter III for the details in relation to risk management.

Important Notice

1. The Board of Directors, the Board of Supervisors, Directors, Supervisors and senior management of the Company confirm that the contents in this annual report are true, accurate, and complete and have no false representations, misleading statements or material omissions, and they will severally and jointly accept legal responsibility for such contents.
2. The 15th meeting of the Twelfth Session of the Board of Directors of the Company was convened at the Shenzhen Training Centre on 24 March 2023. The meeting was presided by Miao Jianmin, Chairman of the Board of Directors. 14 out of 15 eligible Directors attended the meeting in person. Due to business engagement, Su Min, Non-Executive Director, was absent from the meeting and appointed Zhang Jian (Non-Executive Director) as her proxy to attend the meeting. 9 Supervisors of the Company were present at the meeting. The convening of the meeting complied with the relevant provisions of the Company Law of the People's Republic of China and the Articles of Association of China Merchants Bank Co., Ltd..
3. Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu (both being auditors of the Company) have separately audited the 2022 annual financial report prepared in accordance with the PRC Generally Accepted Accounting Principles and International Financial Reporting Standards, and have separately issued standard auditing reports with unqualified opinions.
4. Unless otherwise stated, all monetary sums stated in this report are expressed in RMB.
5. Miao Jianmin, Chairman of the Company, Wang Liang, President, Chief Executive Officer and Secretary of the Board of Directors, Peng Jiawen, Executive Assistant President and Chief Financial Officer and Li Li, the person in charge of the Finance and Accounting Department, hereby make representations in respect of the truthfulness, accuracy and completeness of the financial statements in this report.
6. The Board of Directors of the Company recommended the payment of a cash dividend of RMB1.738 (tax inclusive) for every ordinary share for the year of 2022. The implementation of the profit appropriation plan is subject to consideration and approval at the 2022 Annual General Meeting. In 2022, the Company did not transfer any capital reserve into share capital.
7. We have included in this report certain forward-looking statements with respect to the financial position, operating results and business development of the Group. We use words such as "will", "may", "expect", "try", "strive", "plan", "anticipate", "aim at", and similar expressions to indicate forward-looking statements. These statements are based on current plans, estimates and projections. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we give no assurance that these expectations will turn into reality or prove to be correct. Therefore, they should not be deemed as the Group's commitments. Investors should not place undue reliance on such statements and should pay attention to investment risks. You are cautioned that such forward-looking statements are related to future events or future financial position, business, or other performances of the Group, and are subject to a number of uncertainties which may cause substantial differences from those in the actual results.

Chairman's Statement

The year 2022 unfolded in a monumental and uplifting way with the successful opening of the 20th National Congress of the CPC. It was also a year when CMB achieved remarkable accomplishments against headwinds. Against the backdrop of turbulent global environment, mounting domestic "triple pressures" (contracted demand, disrupted supply and weakened expectations) and the impact of a spate of unpredictable factors, CMB steadily fulfilled the requirements of "maintaining stability in four areas" (strategy, corporate governance mechanism, operation management and talent team) under the general keynote of making steady progress, and brought about dynamically balanced development in respect of "Quality, Efficiency and Scale". In terms of effective quality improvement, the return on average equity (ROAE) attributable to the Bank's ordinary shareholders continuously rose to a high level of 17.06%. The non-performing loan ratio remained below 1% and the allowance coverage ratio was 450.79%, demonstrating our strong risk compensation ability. In terms of reasonable scale growth, we recorded total assets exceeding RMB10 trillion, retail assets under management (AUM) exceeding RMB12 trillion, and deposits increment of more than RMB1 trillion. Our customer base was further consolidated as the number of retail customers increased to 184 million and corporate customers increased to 2,526,100.

Pursuing progress, we maintained high-quality growth that transcended economic cycles. The acceleration of major changes unseen in a century, the norms to embrace uncertainties and instabilities in the global political, economic and financial landscape, the divergence of monetary policy cycles between the United States and China, the shift of China's economy from rapid growth stage to high-quality growth stage, and the restructuring and upgrading of industries have all exerted profound impacts on the banking industry. In the face of cyclical fluctuations, we maintained our strategic determination by building our "Malik Curve" for transformation and development, expanding our capital-light business and strengthening our capital-heavy business. We enlarged our "circle of friends" by further increasing access to our wealth management platform, and propelled our extensive wealth management flywheel, leading to steady growth in our asset management, investment banking and custodian businesses. We maintained our advantage in low-cost liabilities, and continuously optimised asset allocation, allowing the Bank to become resilient in terms of net interest margin. We made every effort to build a "Six All" comprehensive risk management system to enhance our cyclical risk prevention and control capabilities, which allowed us to effectively control risks in key areas and attain significant breakthroughs in unified risk management.

Blazing new trails, we relied on innovation as the core driver of development. High-quality growth is, in essence, innovation-driven. Carrying with the "China Merchants Inheritance, Hailiao Spirit (海遼精神) and Shekou Gene", we are committed to market-oriented mechanisms and innovation in products, services, technology and business models. The sci-tech finance service system has been put in place. We piloted sci-tech finance sub-branch in branches to provide professional services for enterprises pursuing technology and innovation, with a balance of nearly RMB300.0 billion in loans extended to technology enterprises[1], representing a 45% growth. With our continuous investments in Fintech, we took another lead in the industry in terms of Fintech as we successfully completed a full-scale cloud deployment on the basis of non-interruption of operation, non-shutdown of machines and no impact on clients. We empowered business expansion and improved management quality and efficiency through digitalisation. We also exported technological capabilities to serve clients' digital transformation. Thanks to the application of our AI-powered intelligent customer service and other technologies, we relieved our staff from repetitive, time-consuming work equivalent to a workload of over 12,000 individuals.

Aspiring for good, we are committed to serving the real economy and fulfilling our corporate social responsibility. We care for society, and leverage the strategic opportunity of the government's initiative for expanding domestic demand in China to provide financial services for the high-quality growth of the real economy and people's needs for better livelihoods. We vigorously supported the high-quality growth of the manufacturing industry, which was demonstrated by the fact that our loans to the manufacturing industry grew by 39%, including a 55% increase in medium- and long-term loans. We established the inclusive finance departments in our Head Office and branches so that our financial services become more accessible and inclusive, thus contributing to "an increase in both loans and clients" under the inclusive finance segment. The Bank as a whole has been actively engaged in social welfare, and as a part of our commitment to "continuously offering support to households relieved from the poverty", we have been assisting impoverished households in Wuding and Yongren counties in Yunnan province for 23 years in a row, during which we have been actively involved in social welfare projects and have been carrying out public welfare donations and volunteer service activities. We care for

[1] Represents loans granted to technology enterprises such as "specialised, competitive, distinguished, and innovative (專精特新)" enterprises, high-tech enterprises and technology-based SMEs by the Company.


Miao Jianmin
Chairman

our clients with the original aspiration of "being customer-centric and creating value for customers". We iterated the "CMB TREE Asset Allocation Service System" to enhance client companionship and focused on improving customer experience of their long-term holding of wealth management products amid the complex and volatile market environment. We care for our staff by adopting strict as well as caring attitude in management, under the people-oriented mechanism and the "Six Can-do" mechanism. CMB was selected as one of the top three best employers in China by Zhaopin.com in 2022. We are environment-friendly as we formulated the "Green Development Plan of CMB " (《招商銀行綠色發展規劃》) and fully implemented the ESG concept. In 2022, our green loans increased by 35%, significantly higher than the overall growth rate of loans. Our MSCI ESG rating for 2022 was "A", maintaining the best level among publicly listed banks in the domestic market.

"Our performances look like low-hanging fruits but are actually hard-earned results". Having withstood major internal and external challenges and undergone market pressure tests, we navigated through 2022 with greater stability and pragmatism in development, greater prudence and consistency in risk control, and greater determination in improving modern corporate governance with the Chinese characteristics and pursuing professional and market-oriented development. A grand blueprint has been unveiled to promote the great rejuvenation of the Chinese nation through a Chinese path to modernisation. Keeping in mind the strategic vision of "building the best value creation bank with innovation-driven development, leading model and distinguished features", we will better integrate ourselves into the overall development of the country with our own high-quality growth to serve the real economy and guard the risk bottom line, thus contributing our efforts to the Chinese path to modernisation.

— **Focusing on value creation.** We are determined to pursue business success and committed to creating value for our customers, employees, shareholders, partners and society. By creating value for our customers, employees, partners and society, we will ultimately create value for our shareholders. We will further our commitment in investor communications in order to attract more investors, and we will arouse more market interest towards the Chinese market, Chinese assets and CMB.

— **Accelerating the transformation of business model.** We will strengthen capital-heavy business while expanding capital-light business, aiming to strike a balance between them. We will strengthen capital-heavy business by improving asset structure, optimising asset allocation and enhancing asset pricing capabilities in order to promote the rapid development of sci-tech finance, green finance and inclusive finance. We will also expand capital-light business by developing extensive wealth management. We will improve on-boarding and risk management to develop a high-value business cycle chain involving "wealth management – asset management – investment banking". By highlighting that capital-heavy business is the foundation of capital-light business, we will have an industry-leading business model through the balanced development between these two businesses.

— **Pursuing innovation-driven development.** We have been willing, passionate and able to pursue innovations. As we did in the past, we dare to break new grounds. We vigorously promote the development of sci-tech finance, and accelerate the launching of sci-tech finance sub-branches and the integration of investment banking business and commercial banking business to create a full life-cycle sci-tech finance service system, thus facilitating the virtuous cycle of "technology –industry – finance". We will continue to enhance Fintech input and accelerate the full application of Fintech to support business transformation and enhance operational efficiency.

The year 2023 marks the beginning of the full implementation of the spirit of the 20th CPC National Congress and is crucial for the implementation of "the 14th Five-Year Plan". We will make sure that our strategic insights penetrate looming mirage, our strategic determination weathers disturbing noises, and our strategic implementation overcomes ups and downs. Bearing in mind that "in vain talks a country languishes, on solid work it flourishes", we will embrace innovation and live up to the times and move forward with courage. With our passion and incessant innovation, we will write a new legendary chapter of high-quality growth of CMB and achieve further success in the Chinese path to modernisation.

China Merchants Bank Co., Ltd.

Chairman

24 March 2023

President's Statement

In 2022, in the face of the complicated and volatile operating environment at home and abroad, the management of the Bank resolutely pursued the strategic objectives set by the Board of Directors, adhered to the dynamically balanced development of "Quality, Efficiency and Scale", and maintained strategic determination, overcame the impact arising from many adverse factors, and achieved a stable operation by"stabilising our strategies, mechanisms and workforce", thereby achieving the expected operating objectives.

We continued to consolidate the fortress-style balance sheet and achieved good operating results. As of the end of 2022, total assets of China Merchants Bank amounted to RMB10.14 trillion, reaching a new milestone of RMB10 trillion; net operating income amounted to RMB344.740 billion, representing a year-on-year increase of 4.02%; and net profit attributable to shareholders of the Bank amounted to RMB138.012 billion, representing a year-on-year increase of 15.08%; ROAA and ROAE were 1.42% and 17.06%, representing a year-on-year increase of 0.06 and 0.10 percentage point, respectively; asset quality remained stable with a non-performing loan ratio of 0.96% and an allowance coverage ratio of 450.79%, demonstrating our risk compensation capability remaining strong; the core Tier 1 capital adequacy ratio and capital adequacy ratio under the Advanced Measurement Approach were 13.68% and 17.77%, up by 1.02 and 0.29 percentage point from the end of the previous year, respectively, maintaining an endogenous capital growth.

We resolutely implemented the development strategies determined by the Board of Directors and vigorously advanced high-quality growth. We further consolidated the dominant position of retail finance. The number of our retail customers reached 184 million, and net operating income from retail businesses accounted for 55.52%; our wealth management capability was further enhanced as we took the "Original Aspiration Plan" as a carrier to fully promote the "CMB TREE Assets Allocation Service System". Total assets under management (AUM) from retail customers amounted to RMB12.1 trillion, and the number of customers holding wealth management products exceeded 43.00 million and the number of private banking customers surpassed 130,000. Moreover, we further improved and strengthened the businesses of corporate finance, investment banking and financial markets, and asset management, deepened the corporate customer service system featuring segmentation and classification-based management and strengthened our capabilities in industry professionalisation and investment banking and commercial banking integration services. As a result, the number of our corporate customers reached 2,526,100; the balance of aggregate financing products to corporate customers (FPA) was RMB5.12 trillion; the total value of bonds with the Bank as the leading underwriter reached RMB675.001 billion; the trading volumes on behalf of the corporate customers amounted to USD221.980 billion; the total assets under custody business stood firm at RMB20 trillion, and total amount of asset management business[2] reached RMB4.41 trillion. We adhered to the business logic of the value creation chain of "volume growth – revenue growth – efficiency growth – value growth". We achieved a reasonable growth in volume and effective quality improvement, promoted value creation and achieved high-quality growth by putting pricing, costs, risks and capital under control. We adhered to the core values of "being customer-centric and creating values for customers" and continuously improved our customer service capabilities. We embraced long-termism and abandoned commercial opportunism without compromising long-term development for short-term interests. We increased efforts to enhance the three major capabilities of "wealth management, Fintech and risk management" and forged our sustainable development capability. We pushed forward comprehensive operations and international management. In addition, we proactively put into practice of the strategic vision of "building the best value creation bank with innovation-driven development, leading model and distinguished features".

We thoroughly conducted management reforms and constantly improved operation management. We continued to consolidate risk management foundation, established the risk concept of "equally emphasising risk control, risk management and risk operation", optimised the risk management organisation structure, and established the risk management system covering "all customers, all assets, all risks, all institutions, all processes and all factors". We also fostered the compliance culture of "compliance first, compliance creates value and compliance starts at the top", and built a fortress-style overall risk and compliance management system. Our capacity for refined management was further improved. We enhanced standardised management, improved systems, optimised processes, and established the management rules which are open, transparent, widely recognised, systematically complete and effective. We also strengthened data-based governance, maintained a strong information base, optimised system functions for more accurate and scientific decision-makings. We enhanced differentiated management, unleashed the development vitality of different management bodies, and tapped on the growth potential in key areas and niche fields. Our cost management efficiency kept improving. We kept optimising cost structure by retaining necessary expenses and reducing those with lower priority to formulate a more efficient input-output structure, resulting in "two consecutive drops" in cost-income ratio. Furthermore, we improved performance management, practiced the value-oriented performance guidance, optimised the full-process performance management system, and improved the accuracy, scientificity and effectiveness of performance evaluation.

[2] Refers to the total asset management business of several subsidiaries of the Company, namely CMB Wealth Management, China Merchants Fund, CIGNA & CMAM and CMB International Capital.

We accelerated digital transformation to create a "digital bank". We successfully completed the three-year cloud migration project, and initially constructed a new Fintech infrastructure consisting of "one cloud and two middle offices (data office and technology office)", which consolidated the Bank's foundation for digital transformation and injected a strong impetus to the innovation-driven initiatives. Focusing on online, data-based, intelligent, platform-based and ecological operation, we promoted digital reshaping in respect of customers, channels, businesses, products and management, in an effort to create a "digital bank". We continued to enhance the "people + digitalisation" capability in retail finance. The online operation rate of wholesale finance was improved significantly, empowering the digital transformation of corporate customers with Fintech offerings such as treasury management cloud and Xin Fu Tong (薪福通). The efficiency of management and operation was improved significantly, with the AI-powered technologies and other technologies relieving our staff from repetitive, time-consuming work equivalent to a workload of over 12,000 individuals. We further invested in Fintech with the accumulative information technology expenses reaching RMB14.168 billion during the year, representing a year-on-year increase of 6.60%; and we also strengthened the building of a talent pool which hosted 10,800 technology talents at the end of the year, up by 8.00% from the end of the previous year.

We continued to build up talent pool and promote the CMB culture. Inheriting the good tradition of "running bank with expertise", we always respect experts and cherish talents. We strengthened the "Six Can-do" mechanism (六能機制, management staff can be promoted or demoted; remuneration can be increased or decreased; qualified talents can be recruited and those unqualified can be dismissed). We attracted talents with career prospects at CMB, improved the standardised multi-level talent development and training system, enhanced the professional capabilities of our employees and fostered a broad platform for employees to realise their career aspirations. We inspired our employees with the CMB culture, promoted the "people-centred" culture of "respect, care and sharing", strengthened the work style of "service, enterprising spirit, pragmatism, innovation and incisiveness", and further boosted the strength, cohesion and unity of the whole bank.

We proactively implemented the ESG concept and demonstrated CMB commitments. We have established the responsibility system of "environment, society and governance", and strove to create greater social value and facilitate high-quality growth in economy and society while pursuing commercial value. As a result, we ranked among domestic top players in both the MSCI and S&P ESG ratings. We were keen to explore sustainable developments in green finance, sci-tech finance and inclusive finance, and bolstered the virtuous cycle of "technology, industry and finance", resulting in a higher growth in green finance, sci-tech finance and SME inclusive finance loans when compared to the average of all loans of the Bank at the end of the year. We gave full play to the advantages of Fintech and retail businesses to promote people's livelihood. We improved the work mechanisms for protecting consumers' rights and interests, and focused on the traceability and rectification of issues that customers most frequently complain about, so as to improve customer satisfaction. We kept giving back to society with a loving heart and donated a total of RMB94.76 million to society in the year.

2022 marks the 35th anniversary of the establishment of CMB. Over the past 35 years, China Merchants Bank has grown into one of the top-tiered banks in the world from having only one outlet with an initial capital of RMB100 million and 34 employees. Such impressive achievement was attributable to the great reform and opening-up initiatives through which China has developed into the world's second largest economy. It also benefited from CMB's "five insistences", that is, unswervingly insisting on the "Two Consistent Principles", insisting on the path of marketisation and professionalisation, insisting on the innovation-driven development, insisting on the differentiated development strategies and insisting on the prudent risk management philosophy. Moreover, it was also the result of generations of CMBers inheriting "China Merchants Inheritance and Shekou Genes" and practicing the strong call of "In vain talks a country languishes, on solid work it flourishes" in the great era.

2022 is also the 20th anniversary of A-share listing of CMB. China Merchants Bank has achieved a qualitative leap through two listings of A shares and H shares in which it has greatly improved its corporate governance and management level, accelerated the process of aligning with international standards, and improved its market influence and brand image. We maintained continuously rapid growth in both operating income and profit, and distributed a cumulative dividend of RMB259.6 billion, with a compound annual growth rate of 17.35% for the A-share price (after reversion) and 16.24% for the H-share price (after reversion), bringing lucrative returns to Shareholders and thus gaining long-term trust and support from various investors.

In 2022, under the strong leadership of the Board of Directors, we withstood internal and external challenges and the stress test in capital markets and maintained stable development momentum, demonstrated development resilience, and fully reflected our strengths in corporate governance, strategies, management and culture. We showcased our continuous efforts, and strived to achieve adequate communication, thus enabling us to continuously gain the trust from shareholders, investors and the market participants, and strong support from regulators, customers and all walks of life. All of this has further strengthened our confidence in creating a better future.

Wang Liang
President and Chief Executive Officer

Looking forward to 2023, the international and domestic business environment will remain severe and complex, while China's economic development seeks progress while maintaining stability, our risk pressure has been effectively alleviated. Under the background where the effectiveness and efficiency of fiscal policy has been enhanced and prudent monetary policy has been more precise and powerful, opportunities will outweigh the challenges in the banking development. "Those who do always succeed, and those who walk always arrive at destinations". We will adhere to the principle of seeking excellence while maintaining stability and making progress in excellence, proactively serve real economy, resolutely safeguard the bottom line of risks, and comprehensively improve management level, persist in the dynamically balanced development of "Quality, Efficiency and Scale" so as to bring stable return to investors in the long term.

Looking ahead, the banking industry in China is seeing changes in trend. Given that the progress of interest rate liberalisation and financing disintermediation has been accelerating, the extensive wealth management is in the ascendant and the integration of investment banking and commercial banking is gaining momentum, we must speed up the transformation to adapt to these trends and seize the opportunities. On the basis of further strengthening the efficiency of retail banking strategy and light-model banking strategy, we take value creation bank as our strategic objective so as to maximize the comprehensive value of customers, employees, shareholders, partners and the society. We insist on promoting the coordinated development of our four major sectors, namely retail finance, corporate finance, investment banking and financial markets, wealth management and asset management, strengthening our capital-heavy business, expanding our capital-light business and intensifying our existing advantages so as to create a new "Malik Curve" and open up a new chapter of high-quality growth.

China Merchants Bank Co., Ltd.

President and Chief Executive Officer

24 March 2023

Xiong Liangjun
Chairman of the Board of Supervisors

Company Information

1.1 Company Profile

1.1.1 **Registered Company Name in Chinese:** 招商銀行股份有限公司 (Abbreviated Name in Chinese: 招商銀行)
Registered Company Name in English: China Merchants Bank Co., Ltd.

1.1.2 **Legal Representative:** Miao Jianmin
Authorised Representatives: Wang Liang, Ho Wing Tsz Wendy
Secretary of the Board of Directors: Wang Liang
Joint Company Secretaries: Wang Liang, Ho Wing Tsz Wendy
Securities Representative: Xia Yangfang

1.1.3 **Registered and Office Address:** 7088 Shennan Boulevard, Futian District, Shenzhen, Guangdong Province, China

1.1.4 **Contact Details:**
Address: 7088 Shennan Boulevard, Futian District, Shenzhen, Guangdong Province, China
Postcode: 518040
Tel: +86 755 8319 8888
Fax: +86 755 8319 5109
E-mail: cmb@cmbchina.com
Website: www.cmbchina.com
Customer complaint hotline: 95555-7
Credit card complaint hotline: +86 400 820 5555-7

1.1.5 **Principal Place of Business in Hong Kong:** 31/F, Three Exchange Square, 8 Connaught Place, Central, Hong Kong, the PRC

1.1.6 **Share Listing:**
A Shares: Shanghai Stock Exchange
Abbreviated Name of A Shares: CMB
Stock Code: 600036
H Shares: SEHK
Abbreviated Name of H Shares: CM BANK
Stock Code: 03968
Domestic Preference Shares: Shanghai Stock Exchange
Abbreviated Name of Shares: Zhao Yin You 1 (招銀優 1)
Stock Code: 360028

1.1.7 **Domestic Auditor:** Deloitte Touche Tohmatsu Certified Public Accountants LLP
Office Address: 30th Floor, Bund Centre, 222 Yan'an Road East, Shanghai, China
Certified Public Accountants for Signature: Wu Lingzhi, Sun Weiqi
International Auditor: Deloitte Touche Tohmatsu
Office Address: 35th Floor, One Pacific Place, 88 Queensway, Hong Kong, the PRC

1.1.8 **Legal Advisor as to PRC Law:** JunHe LLP
Legal Advisor as to Hong Kong Law: Herbert Smith Freehills

1.1.9 **Registrar for A Shares:**
China Securities Depository & Clearing Corporation Ltd., Shanghai Branch
Address: 188 South-Yanggao Road, Pudong New Area, Shanghai, the PRC
Tel: +86 4008 058 058
Share Register and Transfer Office as to H Shares:
Computershare Hong Kong Investor Services Ltd.
Address: Shops 1712-1716, 17/F, Hopewell Centre,183 Queen's Road East, Wanchai, Hong Kong, the PRC
Tel: +852 2862 8555
Registrar for Domestic Preference Shares: China Securities Depository & Clearing Corporation Ltd., Shanghai Branch

1.1.10 **Newspapers and Websites Designated for Information Disclosure:**
The Chinese mainland: "China Securities Journal" (www.cs.com.cn), "Securities Times" (www.stcn.com), "Shanghai Securities News" (www.cnstock.com)
website of Shanghai Stock Exchange (www.sse.com.cn)
website of the Company (www.cmbchina.com)
Hong Kong: website of Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk)
website of the Company (www.cmbchina.com)
Place for maintenance of periodic reports: Office of the Board of Directors of the Company

1.2 Corporate Business Overview

Founded in 1987 with its Head Office in Shenzhen, China, the Company is a commercial bank with distinctive operating features and market influence in China. The Company mainly focuses on the market in China. The Company's branches primarily cover major cities in the Chinese mainland, as well as international financial centres such as Hong Kong, New York, London, Singapore, Luxembourg and Sydney. The Company was listed on Shanghai Stock Exchange in April 2002 and the SEHK in September 2006.

The Company provides customers with various wholesale and retail banking products and services, and maintains treasury businesses for proprietary purpose and on behalf of customers. Many innovative products and services of the Company have been well received by the market. Retail banking services include the "All-in-one"multi-function debit card, credit card account and payment settlement services, classified wealth management services including the "Sunflower Wealth Management" services and private banking services, retail credit services, CMB APP, CMB Life APP, "All-in-one Net", a comprehensive online banking service platform, and other online services. Wholesale banking services include payment and settlement, wealth management, investment and financing and digital services, cash management, sci-tech finance, green finance, inclusive finance, supply chain finance and cross-border finance services, asset management, asset custody and investment banking. The Company continues to tap further into the living and business circles of customers to provide customers with customised, intelligent and comprehensive solutions for their supply chains and investment chains.

The Company has continued to deepen its strategic transformation and come up with the strategic vision of "building the best value creation bank with innovation-driven development, leading model and distinguished features" based on the internal and external situation and its own development. In line with the trend of steady advancement of China's common prosperity initiative underpinned by the transformation and upgrading of traditional industries and the development and growth of emerging industries, the Company actively serves the real economy, helps people realise their dreams for a better life, and strives to create more value for customers, employees, shareholders, partners and the society. Over the past year, the Company achieved fruitful results, unleashed innovation vitality, optimised and upgraded business model, steadily enhanced the three major capabilities in wealth management, Fintech and risk management, implemented ESG concept, further reinforced its core competitiveness.

1.3 Development Strategies

Strategic vision:	We are committed to building the best value creation bank with innovation-driven development, leading model and distinguished features.
Strategic objectives:	Building a value creation bank. In light of the advantages of retail banking which is less cyclically relevant, and the advantages of endogenous growth of capital benefiting from the "Light-model Bank", the Company upholds the philosophy of win-win business and business for common good to grow into a value creation bank. The Company manages to maximise the comprehensive value of customers, employees, shareholders, partners and the society, as well as creating a new pattern of high-quality growth, aiming to become a world-class commercial bank.
Core Value:	Being customer-centric and creating values for customers.
Strategic focus:	Focusing on the building of three capacities of "wealth management, Fintech and risk management", we promote the evolution of organisational culture. Based on the needs of the country and enterprises and the ability of China Merchants Bank, we fully perform the ESG responsibilities, serve the real economy and meet the needs of people's livelihood to create a new stage for high-quality growth.

Expanding wealth management business and accelerating the transformation of the business model. With a cyclic customer chain formed by the entire customer base, we will improve our customer service system featuring segmentation and classification-based management and build a customer structure that is in line with the social development and national economic transformation. With a product portfolio chain based on all our products, we will establish a service system of integrating investment banking and commercial banking, and strive to be the principal bank for settlement and wealth management, the principal bank and the first-inquiry bank preferred by our customers. With the asset and capital organisation chain consolidated with the entire market as resources, we will combine internal and external efforts to enhance the systematisation of asset organisation, build all-market-oriented asset management capabilities, and strengthen the ability to circulate large amount of funds on and off balance sheet. With the goal of collaborative growth, we will build a regional development chain and promote multi-polarisation development to form a development landscape driven by both the whole bank integration and regional differentiation.

Optimising Fintech and accelerating comprehensive digital transformation. Focusing on online, data, intelligence, platform and ecology, we will comprehensively promote the digital reshaping of financial infrastructure and capability system, customers and channels, businesses and products, management and decision-making, in order to provide a strong impetus for building a value creation bank.

Strengthening risk management and building a fortress-style overall risk and compliance management system. Adhering to the prudent risk management concept, using Fintech as the tool, and taking a prudent risk appetite as a guarantee, we will create a "Six All" risk management system covering all customers, all assets, all risks, all institutions, all processes, and all factors to support operation of the value creation bank.

Pursuing the core values and building the cultural and organisational foundation for a value creation bank. Firstly, we will create a cultural system featuring openness, integration, equality and inclusiveness; secondly, we will establish an organising team for supporting our strategies and creating value together; thirdly, we will set up a social value system for the environment, society and governance.

1.4 Honors and Awards

In 2022, the Company received a number of honors and awards from organisations both at home and abroad, including:

- On the list of "The Top 500 Banking Brands 2022" released by The Banker (UK) in February 2022, the Company ranked 10th with a brand value of USD24.370 billion.
- In February 2022, in the selection results of the "2022 Private Banking and Wealth Management Survey" released by Euromoney, the Company was once again awarded the "Best Private Bank/Wealth Manager Overall of PRC", which also marked the Company's 12th time to win such an award.
- In May 2022, in the selection results of the second Annual Sustainable Finance Awards 2022 released by the US-based Global Finance magazine, the Company won the Award for "Outstanding Leadership in Sustainability Transparency in the Asia-Pacific Region".
- In June 2022, the Company was awarded the "Best Retail Bank in China" in "Asia Trailblazer Awards 2022" hosted by Retail Banker International.
- In June 2022, at the awards ceremony for the "2022 All-Asia Executive Team" held by the US-based Institutional Investor Magazine, the Company championed several awards, including "Honored Companies", "Best IR Company", and "Best ESG Company".
- In July 2022, the Company ranked 11th, in terms of Tier 1 Capital, on the list of "Top 1,000 World Banks 2022" released by The Banker (UK), up 3 places in terms of ranking from the previous year and remaining in top 20 for five consecutive years.
- In July 2022, the Company received the award of "Best Bank in China" at the "2022 Awards for Excellence" ceremony staged by Euromoney for the fourth consecutive year, which marked the first "4 Consecutive Championships" in its awarding history.
- The list of Fortune Global 500 was officially released in August 2022, on which the Company appeared for 11 consecutive years, ranking the 174th in terms of operating income.
- The results of "2022 International Excellence in Retail Financial Services Awards"announced by the Asian Banker Journal in August 2022, the Company was once again awarded "The Best Wealth Management Bank in China".
- In September 2022, in the latest rating of the "2022 Market Leaders" published by Euromoney, the Company received the highest ratings in four sectors, namely, corporate banking, corporate social responsibility (CSR), ESG and digital solutions.
- In September 2022, in the selection results of the " Global Finance's 15th Annual China Star" awards released by the US-based Global Finance magazine, the Company was honored with four awards, namely, "The Best Transaction Service Bank" "The Best Corporate Social Responsibility Bank" "The Best Wealth Management Bank" and "The Best Sustainable Investment Private Bank".
- In December 2022, the Company won "Top Three Best Employers", "Most Socially Responsible Employer" and "Most Admired Employer by Women" at the awards ceremony for the "Best Employer in China 2022" jointly organised by Zhaopin.com and Institute of Social Science Survey, Peking University.

Addressing customers' wide variety of needs is our top priority

Summary of Accounting Data and Financial Indicators

2.1 Key Accounting Data and Financial Indicators

(in millions of RMB, unless otherwise specified)	2022	2021	Changes +/-%
Operating Results			
Net operating income[1]	344,740	331,407	4.02
Profit before tax	165,113	148,173	11.43
Net profit attributable to shareholders of the Bank	138,012	119,922	15.08
Per Share (RMB)			
Basic earnings attributable to ordinary shareholders of the Bank[2]	5.26	4.61	14.10
Diluted earnings attributable to ordinary shareholders of the Bank	5.26	4.61	14.10

(in millions of RMB, unless otherwise specified)	31 December 2022	31 December 2021	Changes +/-%
Volume Indicators			
Total assets	10,138,912	9,249,021	9.62
of which: total loans and advances to customers[3]	6,051,459	5,570,034	8.64
Total liabilities	9,184,674	8,383,340	9.56
of which: total deposits from customers[3]	7,535,742	6,347,078	18.73
Total equity attributable to shareholders of the Bank	945,503	858,745	10.10
Net assets per share attributable to ordinary shareholders of the Bank (RMB)[2]	32.71	29.01	12.75

Notes:

(1) Net operating income is the sum of net interest income, net fee and commission income, other net income as well as share of profits of joint ventures and associates.

(2) The Company issued non-cumulative preference shares in 2017, and issued perpetual bonds in 2020 and 2021, all of which were classified as other equity instruments. In addition, the Company paid dividends on preference shares and interests on perpetual bonds in 2022. Therefore, when calculating the indicators such as basic earnings per share attributable to ordinary shareholders, return on average equity attributable to ordinary shareholders and net assets per share attributable to ordinary shareholders, dividends on the preference shares and interests on perpetual bonds have been deducted from "net profit attributable to shareholders of the Bank", while the preference shares and perpetual bonds shall be deducted from both the "average equity" and the "net assets".

(3) Unless otherwise stated, the balance of the relevant financial instrument items herein and set out below exclude accrued interest.

2.2 Financial Ratios

(%)	2022	2021	Changes
Profitability indicators			
Return on average assets attributable to shareholders of the Bank	1.42	1.36	Increased by 0.06 percentage point
Return on average equity attributable to ordinary shareholders of the Bank	17.06	16.96	Increased by 0.10 percentage point
Net interest spread(1)	2.28	2.39	Decreased by 0.11 percentage point
Net interest margin(2)	2.40	2.48	Decreased by 0.08 percentage point
As percentage of net operating income			
– Net interest income	63.30	61.53	Increased by 1.77 percentage points
– Net non-interest income	36.70	38.47	Decreased by 1.77 percentage points
Cost-to-income ratio(3)	32.89	33.11	Decreased by 0.22 percentage point

(%)	31 December 2022	31 December 2021	Changes over 2021 year-end
Capital adequacy indicators under the Advanced Measurement Approach (4)			
Core Tier 1 capital adequacy ratio	13.68	12.66	Increased by 1.02 percentage points
Tier 1 capital adequacy ratio	15.75	14.94	Increased by 0.81 percentage point
Capital adequacy ratio	17.77	17.48	Increased by 0.29 percentage point
Equity to total assets	9.41	9.36	Increased by 0.05 percentage point
Asset quality indicators			
Non-performing loan ratio	0.96	0.91	Increased by 0.05 percentage point
Allowance coverage ratio (5)	450.79	483.87	Decreased by 33.08 percentage points
Allowance-to-loan ratio (6)	4.32	4.42	Decreased by 0.10 percentage point

	2022	2021	Changes
Credit cost ratio (7)	0.78	0.70	Increased by 0.08 percentage point

Notes:

(1) Net interest spread = average yield of the total interest-earning assets – average cost ratio of total interest-bearing liabilities.

(2) Net interest margin = net interest income/average balance of total interest-earning assets.

(3) Cost-to-income ratio = operating expenses/net operating income. The numerator does not include taxes and surcharges, provisions for insurance claims and the depreciation charges on fixed assets under operating lease and investment properties and others.

(4) As at the end of the reporting period, the Group's Core Tier 1 capital adequacy ratio, Tier 1 capital adequacy ratio and capital adequacy ratio under the Weighted Approach were 11.52%, 13.25% and 14.68% respectively.

(5) Allowance coverage ratio = allowances for impairment losses/balance of non-performing loans.

(6) Allowance-to-loan ratio = allowances for impairment losses/total loans and advances to customers.

(7) Credit cost ratio = expected credit losses of loans and advances to customers/the average of total loans and advances to customers × 100%, the average of total loans and advances to customers = (total loans and advances to customers at the beginning of the period + total loans and advances to customers at the end of the period)/2.

2.3 Five-year Financial Summary

(in millions of RMB)	2022	2021	2020	2019	2018
Results for the year					
Net operating income	**344,740**	331,407	290,279	269,788	248,444
Operating expenses	**122,061**	116,879	102,814	91,497	81,110
Impairment losses	**57,566**	66,355	65,025	61,159	60,837
Profit before tax	**165,113**	148,173	122,440	117,132	106,497
Net profit attributable to shareholders of the Bank	**138,012**	119,922	97,342	92,867	80,560
(RMB)					
Per Share					
Dividend (tax inclusive)	**1.738**	1.522	1.253	1.20	0.94
Basic earnings attributable to ordinary shareholders of the Bank	**5.26**	4.61	3.79	3.62	3.13
Diluted earnings attributable to ordinary shareholders of the Bank	**5.26**	4.61	3.79	3.62	3.13
Year-end net assets attributable to ordinary shareholders of the Bank	**32.71**	29.01	25.36	22.89	20.07
(in millions of RMB)					
Year end					
Share capital	**25,220**	25,220	25,220	25,220	25,220
Total shareholders' equity	**954,238**	865,681	730,354	617,707	543,605
Total liabilities	**9,184,674**	8,383,340	7,631,094	6,799,533	6,202,124
Deposits from customers	**7,535,742**	6,347,078	5,628,336	4,844,422	4,400,674
Total assets	**10,138,912**	9,249,021	8,361,448	7,417,240	6,745,729
Total loans and advances to customers	**6,051,459**	5,570,034	5,029,128	4,490,650	3,933,034
(%)					
Key Financial Ratios					
Return on average assets attributable to shareholders of the Bank	**1.42**	1.36	1.23	1.31	1.24
Return on average equity attributable to ordinary shareholders of the Bank	**17.06**	16.96	15.73	16.84	16.57
Cost-to-income ratio	**32.89**	33.11	33.33	32.08	31.04
Non-performing loan ratio	**0.96**	0.91	1.07	1.16	1.36
Credit cost ratio	**0.78**	0.70	0.98	1.29	1.58
Core Tier 1 capital adequacy ratio under the Advanced Measurement Approach	**13.68**	12.66	12.29	11.95	11.78
Tier 1 capital adequacy ratio under the Advanced Measurement Approach	**15.75**	14.94	13.98	12.69	12.62
Capital adequacy ratio under the Advanced Measurement Approach	**17.77**	17.48	16.54	15.54	15.68

Technology boosts service efficiency without compromising our service standards

Management Discussion and Analysis

3.1 Analysis of Overall Operation

In 2022, adhering to the philosophy of achieving dynamically balanced development of "Quality, Efficiency and Scale", the Group carried out various businesses in a sound manner, whereby the scale of assets and liabilities and net profit have grown steadily, and the asset quality has been generally stable.

During the reporting period, the Group realised the net operating income of RMB344.740 billion, representing a year-on-year increase of 4.02%; realised a net profit attributable to shareholders of the Bank of RMB138.012 billion, representing a year-on-year increase of 15.08%; realised the net interest income of RMB218.235 billion, representing a year-on-year increase of 7.02%; and realised the net non-interest income of RMB126.505 billion, representing a year-on-year decrease of 0.77%. The return on average asset (ROAA) attributable to shareholders of the Bank and return on average equity (ROAE) attributable to ordinary shareholders of the Bank were 1.42% and 17.06%, up by 0.06 percentage point and 0.10 percentage point year-on-year, respectively.

As at the end of the reporting period, the Group's total assets amounted to RMB10,138.912 billion, representing an increase of 9.62% as compared with the end of the previous year. The total loans and advances to customers amounted to RMB6,051.459 billion, representing an increase of 8.64% as compared with the end of the previous year. Total liabilities amounted to RMB9,184.674 billion, representing an increase of 9.56% as compared with the end of the previous year. Total deposits from customers amounted to RMB7,535.742 billion, representing an increase of 18.73% as compared with the end of the previous year.

As at the end of the reporting period, the Group had a total of non-performing loans of RMB58.004 billion, representing an increase of RMB7.142 billion as compared with the end of the previous year. The non-performing loan ratio was 0.96%, representing an increase of 0.05 percentage point as compared with the end of the previous year. The allowance coverage ratio was 450.79%, representing a decrease of 33.08 percentage points as compared with the end of the previous year; the allowance-to-loan ratio was 4.32%, representing a decrease of 0.10 percentage point as compared with the end of the previous year.

3.2 Analysis of Income Statement

3.2.1 Financial highlights

During the reporting period, the Group realised a profit before tax of RMB165.113 billion, representing a year-on-year increase of 11.43%. The effective income tax rate was 15.64%, representing a year-on-year decrease of 2.81 percentage points. The following table sets out the changes in major income/loss items of the Group during the reporting period.

(in millions of RMB)	**2022**	2021	Changes
Net interest income	**218,235**	203,919	14,316
Net fee and commission income	**94,275**	94,447	(172)
Other net income	**29,705**	29,011	694
Operating expenses	**(122,061)**	(116,879)	(5,182)
Expected credit losses	**(56,751)**	(65,962)	9,211
Impairment losses on other assets	**(815)**	(393)	(422)
Share of profits of joint ventures and associates	**2,525**	4,030	(1,505)
Profit before tax	**165,113**	148,173	16,940
Income tax	**(25,819)**	(27,339)	1,520
Net profit	**139,294**	120,834	18,460
Net profit attributable to shareholders of the Bank	**138,012**	119,922	18,090

3.2.2 Net operating income

During the reporting period, the Group realised net operating income of RMB344.740 billion, representing a year-on-year increase of 4.02%, of which net interest income accounted for 63.30% and net non-interest income accounted for 36.70% with a year-on-year decrease of 1.77 percentage points in terms of share of the net non-interest income in net operating income.

3.2.3 Interest income

During the reporting period, the Group recorded an interest income of RMB353.380 billion, representing a year-on-year increase of 8.05%, mainly due to the increase in interest-earning assets. Interest income from loans and advances to customers continued to be the largest component of the interest income of the Group.

Interest income from loans and advances to customers

During the reporting period, the interest income from loans and advances to customers of the Group was RMB265.601 billion, representing a year-on-year increase of 5.96%.

The following table sets forth the average balance (daily average balance, same as below), interest income and average yield of each component of loans and advances to customers of the Group for the periods indicated.

(in millions of RMB, except for percentages)	2022			2021		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	2,250,662	86,754	3.85	2,095,664	80,575	3.84
Retail loans	3,089,371	168,174	5.44	2,869,358	159,124	5.55
Discounted bills	510,242	10,673	2.09	399,173	10,963	2.75
Loans and advances to customers	5,850,275	265,601	4.54	5,364,195	250,662	4.67

During the reporting period, from the perspective of the maturity structure of loans and advances to customers of the Group, the average balance of short-term loans was RMB2,184.862 billion with the interest income amounting to RMB105.009 billion, and the average yield reached 4.81%; the average balance of medium-to-long term loans was RMB3,665.413 billion with the interest income amounting to RMB160.592 billion, and the average yield reached 4.38%. The average yield of short-term loans was higher than that of medium-to-long term loans, which was mainly attributable to the higher yield of credit card loans and micro-finance loans in short-term loans and the higher proportion thereof.

Interest income from investments

During the reporting period, the interest income from investments of the Group was RMB65.808 billion, representing a year-on-year increase of 17.39%. The average yield of investments was 3.24%, representing a year-on-year decrease of 11 basis points, which was mainly attributable to the cumulative impact of the downward market interest rates in recent years.

Interest income from balances and placements with banks and other financial institutions

During the reporting period, the interest income of the Group from balances and placements with banks and other financial institutions was RMB13.489 billion, representing a year-on-year increase of 7.54%, and the average yield of balances and placements with banks and other financial institutions was 2.09%, representing a year-on-year increase of 16 basis points, which was primarily attributable to the year-on-year increase in yield of balances and placements with banks and other financial institutions denominated in foreign currencies because of the effect of the continuous rate hikes by the Federal Reserve.

3.2.4 Interest expense

During the reporting period, the interest expense of the Group was RMB135.145 billion, representing a year-on-year increase of 9.75%, mainly due to the increase in interest expense on deposits from customers.

Interest expense on deposits from customers

During the reporting period, the Group's interest expense on deposits from customers was RMB105.836 billion, representing a year-on-year increase of 25.50%, mainly due to the sustained rapid growth of deposits from customers as well as the increase in the cost ratio of deposits.

The following table sets forth the average balances, interest expense and average cost ratios of the deposits from corporate and retail customers of the Group for the periods indicated.

(in millions of RMB, except for percentages)	2022			2021		
	Average balance	Interest expense	Average cost ratio (%)	Average balance	Interest expense	Average cost ratio (%)
Deposits from corporate customers						
Demand	2,631,389	27,749	1.05	2,396,802	21,873	0.91
Time	1,755,394	46,698	2.66	1,485,640	39,854	2.68
Subtotal	4,386,783	74,447	1.70	3,882,442	61,727	1.59
Deposits from retail customers						
Demand	1,655,088	6,073	0.37	1,453,378	5,110	0.35
Time	913,786	25,316	2.77	637,653	17,495	2.74
Subtotal	2,568,874	31,389	1.22	2,091,031	22,605	1.08
Total	6,955,657	105,836	1.52	5,973,473	84,332	1.41

Interest expense on deposits and placements from banks and other financial institutions

During the reporting period, the interest expense on deposits and placements from banks and other financial institutions of the Group amounted to RMB16.309 billion, representing a year-on-year decrease of 9.81%, which was primarily due to the sound growth in deposits from customers and the decrease in demand for deposits and placements from banks and other financial institutions as well as the decline in cost ratios.

Interest expense on debt securities issued

During the reporting period, the interest expense on debt securities issued of the Group amounted to RMB9.662 billion, representing a year-on-year decrease of 22.90%, which was mainly due to the decrease in both daily average scale and cost ratio of interbank certificates of deposits issued.

3.2.5 Net interest income

During the reporting period, the Group's net interest income amounted to RMB218.235 billion, representing a year-on-year increase of 7.02%.

The following table sets out the average balances, interest income/interest expense and average yield/cost ratio of assets and liabilities of the Group for the periods indicated.

(in millions of RMB, except for percentages)	2022 Average balance	2022 Interest income	2022 Average yield (%)	2021 Average balance	2021 Interest income	2021 Average yield (%)
Interest-earning assets						
Loans and advances to customers	5,850,275	265,601	4.54	5,364,195	250,662	4.67
Investments	2,029,578	65,808	3.24	1,672,594	56,059	3.35
Balances with the central bank	557,031	8,482	1.52	533,863	7,792	1.46
Balances and placements with banks and other financial institutions	644,938	13,489	2.09	649,046	12,543	1.93
Total	9,081,822	353,380	3.89	8,219,698	327,056	3.98

(in millions of RMB, except for percentages)	2022 Average balance	2022 Interest expense	2022 Average cost ratio (%)	2021 Average balance	2021 Interest expense	2021 Average cost ratio (%)
Interest-bearing liabilities						
Deposits from customers	6,955,657	105,836	1.52	5,973,473	84,332	1.41
Deposits and placements from banks and other financial institutions	996,819	16,309	1.64	1,076,618	18,083	1.68
Debt securities issued	322,784	9,662	2.99	410,711	12,532	3.05
Borrowings from the central bank	122,194	2,828	2.31	276,773	7,635	2.76
Lease liabilities	13,408	510	3.80	13,977	555	3.97
Total	8,410,862	135,145	1.61	7,751,552	123,137	1.59
Net interest income	/	218,235	/	/	203,919	/
Net interest spread	/	/	2.28	/	/	2.39
Net interest margin	/	/	2.40	/	/	2.48

During the reporting period, the average yield of our interest-earning assets of the Group was 3.89%, representing a year-on-year decrease of 9 basis points; the average cost ratio of our interest-bearing liabilities was 1.61%, representing a year-on-year increase of 2 basis points; the net interest spread was 2.28%, representing a year-on-year decrease of 11 basis points and the net interest margin was 2.40%, representing a year-on-year decrease of 8 basis points. For the analysis of the reasons behind the decrease in the net interest margin, please refer to 3.9.1 "Net interest margin" in this Chapter.

The following table sets forth the breakdown of changes in interest income and interest expense due to changes in volumes and interest rates of the Group for the periods indicated. Changes in volume were measured by changes in average balances, while changes in interest rates were measured by changes in the average interest rates; the changes in interest income and interest expense due to changes in both volumes and interest rates have been included in the amount of changes in interest income and interest expense due to changes in volume.

	2022 compared to 2021		
	Increase (decrease) due to		Net increase
(in millions of RMB)	Volume	Interest rate	(decrease)
Interest-earning assets			
Loans and advances to customers	21,912	(6,973)	14,939
Investments	11,589	(1,840)	9,749
Balances with the central bank	370	320	690
Balances and placements with banks and other financial institutions	(92)	1,038	946
Changes in interest income	**33,779**	**(7,455)**	**26,324**
Interest-bearing liabilities			
Deposits from customers	14,933	6,571	21,504
Deposits and placements from banks and other financial institutions	(1,343)	(431)	(1,774)
Debt securities issued	(2,624)	(246)	(2,870)
Borrowings from the central bank	(3,562)	(1,245)	(4,807)
Lease liabilities	(21)	(24)	(45)
Changes in interest expense	**7,383**	**4,625**	**12,008**
Changes in net interest income	**26,396**	**(12,080)**	**14,316**

The following table sets out the average balances, interest income/interest expense and annualised average yield/cost ratio of assets and liabilities of the Group for the periods indicated.

	October to December 2022			July to September 2022		
(in millions of RMB, except for percentages)	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
Interest-earning assets						
Loans and advances to customers	6,004,655	67,485	4.46	5,928,303	66,912	4.48
Investments	2,209,149	18,044	3.24	2,067,350	16,742	3.21
Balances with the central bank	561,051	2,289	1.62	548,779	2,170	1.57
Balances and placements with banks and other financial institutions	601,940	3,771	2.49	604,711	3,106	2.04
Total	**9,376,795**	**91,589**	**3.88**	**9,149,143**	**88,930**	**3.86**

(in millions of RMB, except for percentages)	Average balance	Interest expense	Annualised average cost ratio (%)	Average balance	Interest expense	Annualised average cost ratio (%)
Interest-bearing liabilities						
Deposits from customers	7,292,633	28,485	1.55	7,081,701	27,560	1.54
Deposits and placements from banks and other financial institutions	1,008,086	4,395	1.73	990,687	3,954	1.58
Debt securities issued	236,036	1,841	3.09	279,947	2,176	3.08
Borrowings from the central bank	118,681	656	2.19	113,830	674	2.35
Lease liabilities	12,925	107	3.28	13,370	128	3.80
Total	**8,668,361**	**35,484**	**1.62**	**8,479,535**	**34,492**	**1.61**
Net interest income	**/**	**56,105**	**/**	**/**	**54,438**	**/**
Net interest spread	**/**	**/**	**2.26**	**/**	**/**	**2.25**
Net interest margin	**/**	**/**	**2.37**	**/**	**/**	**2.36**

In the fourth quarter of 2022, the net interest margin of the Group was 2.37% and its net interest spread was 2.26%, representing an increase of 1 basis point, as compared to the previous quarter.

3.2.6 Net non-interest income

During the reporting period, the Group recorded a net non-interest income of RMB126.505 billion, representing a year-on-year decrease of 0.77%. The components are as follows:

Net fee and commission income amounted to RMB94.275 billion, representing a year-on-year decrease of 0.18%. Among the fee and commission income, fee and commission income from wealth management amounted to RMB30.903 billion, representing a year-on-year decrease of 14.28%; fee and commission income from asset management amounted to RMB12.457 billion, representing a year-on-year increase of 14.75%; income from bank card fees amounted to RMB21.399 billion, representing a year-on-year increase of 10.44%; income from settlement and clearing fees amounted to RMB15.051 billion, representing a year-on-year increase of 8.26%; commission income from credit commitment and loan business amounted to RMB5.753 billion, representing a year-on-year decrease of 8.99%; commission income from custody businesses amounted to RMB5.791 billion, representing a year-on-year increase of 6.59%; and income from others amounted to RMB12.018 billion, representing a year-on-year increase of 15.82%. For analysis of the main reasons for changes in fee and commission income, please refer to "Net non-interest income" in 3.9.2 under this chapter.

Other net non-interest income amounted to RMB32.230 billion, representing a year-on-year decrease of 2.45%, of which net investment income amounted to RMB18.013 billion, representing a year-on-year increase of 1.07%, which was mainly due to the increase in spread income of transactions in the financial markets; net profit or loss from changes in fair value amounted to RMB-2.675 billion, representing a year-on-year decrease of RMB2.767 billion, mainly due to the decrease in fair value of bond investment and non-monetary fund investment; the net exchange gain amounted to RMB3.600 billion, representing a year-on-year increase of 7.43%, mainly due to the increase in exchange gains arising from the foreign currency-denominated monetary items; and other net income amounted to RMB10.767 billion, representing a year-on-year increase of 39.00%, mainly due to the increase in income generated from operating leasing business of CMB Financial Leasing, which amounted to RMB8.785 billion.

In terms of business segments, the net non-interest income from retail finance amounted to RMB60.026 billion, representing a year-on-year decrease of 3.45% and accounting for 47.45% of the Group's net non-interest income; the net non-interest income from wholesale finance amounted to RMB51.635 billion[3], representing a year-on-year decrease of 1.40% and accounting for 40.82% of the Group's net non-interest income; the net non-interest income from other businesses amounted to RMB14.844 billion, representing a year-on-year increase of 14.67% and accounting for 11.73% of the Group's net non-interest income.

(in millions of RMB, except for percentages)	2022	2021	Changes +/-%
Fee and commission income(note)	103,372	102,318	1.03
Fees and commissions from wealth management	30,903	36,053	-14.28
Fees and commissions from asset management	12,457	10,856	14.75
Bank card fees	21,399	19,377	10.44
Settlement and clearing fees	15,051	13,902	8.26
Commissions from credit commitment and loan business	5,753	6,321	-8.99
Commissions from custody businesses	5,791	5,433	6.59
Others	12,018	10,376	15.82
Fee and commission expense	(9,097)	(7,871)	15.58
Net fee and commission income	94,275	94,447	-0.18
Other net non-interest income	32,230	33,041	-2.45
Other net income	29,705	29,011	2.39
Net investment income	18,013	17,822	1.07
Net profit/(loss)from fair value change	(2,675)	92	N/A
Net exchange gain	3,600	3,351	7.43
Other net income	10,767	7,746	39.00
Share of profits of joint ventures and associates	2,525	4,030	-37.34
Total net non-interest income	126,505	127,488	-0.77

Note: Fees and commissions from wealth management include income from agency distribution of funds, income from agency distribution of insurance policies, income from agency distribution of trust schemes, income from agency sales of wealth management services, income from securities brokerage and income from agency distribution of precious metals. Fees and commissions from asset management mainly include the income from the issuance and management of various asset management products such as funds, wealth management and asset management plans of our subsidiaries, China Merchants Fund, CMB International Capital, CMB Wealth Management and CIGNA & CMAM. Commissions from custody businesses include income from basic asset custody services and value-added services. Others mainly include income from underwriting of debt and equity, income from service fees from securitisation of credit assets, income from consultancy and advisory services and income from other intermediate businesses. In 2022, the Group optimised the disclosure calibre of the breakdown items of "fees and commissions from wealth management" and "others", and adjusted the comparative data of the previous year in accordance with the same calibre.

3 Since 2022, the Group has adjusted CMB Financial Leasing to the wholesale finance business segment from other business segments, resulting in the adjustment to the comparative figures of the corresponding period of the previous year.

3.2.7 Operating expenses

During the reporting period, the Group's operating expenses amounted to RMB122.061 billion, representing a year-on-year increase of 4.43%, among which staff costs amounted to RMB70.657 billion, representing a year-on-year increase of 7.01%. Other operating expenses[4] amounted to RMB51.404 billion, representing a year-on-year increase of 1.09%. With the goal of shaping the Bank into "the Best Fintech Bank", the Group has maintained the scale of investment in Fintech development by continuously consolidating its technological foundation and accelerating the pace of digital transformation. At the same time, the Group adheres to cost refinement management. On the one hand, it continues to promote the transformation of scientific and technological innovation into productivity while strengthening the monitoring and control of input and output; on the other hand, by proactively optimising expenses, the Group has cut back on venue operating costs, streamlined daily expenses, and refined the allocation of expenses and resources so as to continuously improve cost efficiency. The cost-to-income ratio of the Group during the reporting period was 32.89%, representing a decrease of 0.22 percentage point as compared with the previous year.

The following table sets forth, for the periods indicated, the principal components of the operating expenses of the Group.

(in millions of RMB)	2022	2021
Staff costs	70,657	66,028
Depreciation, amortisation and rental expenses	15,720	14,519
Other general and administrative expenses	32,319	33,249
Allowances for insurance claims	360	311
Taxes and surcharges	3,005	2,772
Total operating expenses	122,061	116,879

3.2.8 Expected credit losses

During the reporting period, the expected credit losses of the Group were RMB56.751 billion, representing a year-on-year decrease of 13.96%.

The following table sets forth, for the periods indicated, the principal components of expected credit losses of the Group.

(in millions of RMB)	2022	2021
Loans and advances to customers	45,157	37,020
Financial investments	3,879	15,848
Amounts due from banks and other financial institutions	(3,284)	6,110
Expected credit losses relating to financial guarantees and loan commitments	7,112	5,639
Others	3,887	1,345
Total expected credit losses	56,751	65,962

The Group adopted the Financial Instruments Standards to prudently make allowances for credit risk losses while consistently consolidating the capability to offset risks in key areas by using the expected credit loss model and the risk quantification parameters such as the probability of customer defaults and the loss given defaults, after taking into consideration the adjustments in macro perceptiveness. During the reporting period, expected credit losses of loans and advances to customers of the Group were RMB45.157 billion, representing a year-on-year increase of RMB8.137 billion, which was mainly attributable to the additional allowances for expected credit risk losses on loans made by the Group after taking into account the slowdown in economic growth and further release of real estate customer risks; expected credit losses relating to financial investment was RMB3.879 billion, representing a year-on-year decrease of RMB11.969 billion, which was mainly due to the decrease of the allowances recognised during the reporting period as compared with the corresponding period of the previous year based on the specific credit risk profile during the reporting period and the previous allowance basis; expected credit losses relating to the amounts due from banks and other financial institutions amounted to RMB-3.284 billion, representing a year-on-year decrease of RMB9.394 billion, which was mainly due to, on the one hand, the significant decrease in the size of the amounts purchased under resale agreements as compared with the end of the previous year, which reversed the allowances for credit risk losses, on the other hand, relative stability of the asset quality of interbank financing business, resulting in reversal of partial allowances for credit risk losses based on their actual risk profiles during the reporting period. Other expected credit losses amounted to RMB3.887 billion, representing a year-on-year increase of RMB2.542 billion, which was mainly due to the prudent allowances for credit risk losses on lease receivable, fees receivable and other receivables during the reporting period.

4 Other operating expenses include depreciation, amortisation, leases, taxes and surcharges, allowances for insurance claims and various other administrative expenses.

3.3 Analysis of Balance Sheet

3.3.1 Assets

As at the end of the reporting period, the total assets of the Group amounted to RMB10,138.912 billion, up by 9.62% from the end of the previous year, which was mainly attributable to the increase in loans and advances to customers and bond investments of the Group.

The following table sets forth, as at the dates indicated, the components of the total assets of the Group. To maintain the figures comparable, the financial instruments in section "3.3.1 Assets" were still analysed on the statistical calibre excluding interest receivable, except for the following table, in which interest receivable calculated using the effective interest method was included.

	31 December 2022		31 December 2021	
(in millions of RMB, except for percentages)	Amount	Percentage of the total amount(%)	Amount	Percentage of the total amount (%)
Total loans and advances to customers	6,062,913	59.80	5,580,885	60.34
Allowances for impairment losses on loans	(255,759)	(2.52)	(245,494)	(2.65)
Net loans and advances to customers	5,807,154	57.28	5,335,391	57.69
Investment securities and other financial assets	2,815,204	27.77	2,224,041	24.05
Cash, precious metals and balances with the central bank	605,989	5.98	571,847	6.18
Inter-bank transactions(1)	631,598	6.23	799,372	8.64
Goodwill	9,999	0.10	9,954	0.11
Other assets(2)	268,968	2.64	308,416	3.33
Total assets	10,138,912	100.00	9,249,021	100.00

Notes:

(1) Including deposits and placements with banks and other financial institutions and amounts held under resale agreements.

(2) Including fixed assets, right-of-use assets, intangible assets, investment properties, deferred tax assets and other assets.

3.3.1.1 Loans and advances to customers

As at the end of the reporting period, total loans and advances to customers of the Group amounted to RMB6,051.459 billion, representing an increase of 8.64% as compared with the end of the previous year; total loans and advances to customers accounted for 59.69% of the total assets, representing a decrease of 0.53 percentage point as compared with the end of the previous year. For details of the loans and advances to customers of the Group, please refer to 3.4 "Analysis of Loan Quality" in this chapter.

3.3.1.2 Investment securities and other financial assets

The Group's investment securities and other financial assets consist of listed and unlisted financial instruments denominated in RMB and foreign currencies.

The following table sets forth the components of investment securities and other financial assets of the Group by line items.

(in millions of RMB, except for percentages)	31 December 2022 Amount	31 December 2022 Percentage of the total amount (%)	31 December 2021 Amount	31 December 2021 Percentage of the total amount (%)
Derivative financial assets	**18,671**	**0.67**	23,390	1.06
Financial investments at fair value through profit or loss	**423,467**	**15.19**	348,123	15.82
– Bond investments	**215,081**	**7.72**	176,764	8.03
– Others(note)	**208,386**	**7.47**	171,359	7.79
Debt investments at amortised cost	**1,536,397**	**55.13**	1,169,652	53.16
– Bond investments	**1,452,499**	**52.12**	1,078,888	49.03
– Non-standardised credit asset investments	**126,698**	**4.55**	129,851	5.90
– Others	**648**	**0.02**	620	0.03
– Less: allowances for impairment losses	**(43,448)**	**(1.56)**	(39,707)	(1.80)
Debt investments at fair value through other comprehensive income	**771,271**	**27.67**	628,355	28.56
Equity investments designated at fair value through other comprehensive income	**13,416**	**0.48**	6,995	0.32
Investments in joint ventures and associates	**23,844**	**0.86**	23,654	1.08
Total investment securities and other financial assets	**2,787,066**	**100.00**	2,200,169	100.00

Note: Including equity investments, investments in funds, wealth management products, long position in precious metal contracts and others.

Derivative financial instruments

As at the end of the reporting period, the major categories and amount of derivative financial instruments held by the Group are indicated in the following table. For details, please refer to Note 60(f) to the financial statements.

(in millions of RMB)	31 December 2022 Notional amount	31 December 2022 Fair value Assets	31 December 2022 Fair value Liabilities	31 December 2021 Notional amount	31 December 2021 Fair value Assets	31 December 2021 Fair value Liabilities
Interest rate derivatives	**1,543,237**	**6,428**	**(6,109)**	2,641,846	11,877	(11,991)
Currency derivatives	**874,230**	**11,376**	**(11,671)**	1,186,030	10,041	(14,054)
Other derivatives	**92,258**	**867**	**(856)**	139,931	1,472	(1,237)
Total	**2,509,725**	**18,671**	**(18,636)**	3,967,807	23,390	(27,282)

The above table shows the notional amount and fair value of the Group's derivative financial instruments by their remaining maturity on each balance sheet date. The notional amount refers only to the transaction volumes that have not yet been due or completed on the balance sheet date, and does not represent the value at risk.

During the reporting period, the two-way fluctuation of RMB exchange rate increased and the interest-rate derivatives market generally showed a range-bound feature. As an integrated market maker in the interbank RMB and foreign exchange market and a quote provider for derivatives in the local currency market, the Group was committed to improving the effectiveness of pricing for derivatives and proactively providing liquidity to the market. Meanwhile, by continuously leveraging its professional advantages in financial market derivative transactions, the Group kept up its effort in publicising the exchange rate risk-neutral management concept and method, helping customers carry out hedging transactions, and managing various market risks, as a result of which the number of customers served and transaction volumes continued to grow.

Financial investments at fair value through profit or loss

As at the end of the reporting period, the balance of the financial investments at fair value through profit or loss of the Group amounted to RMB423.467 billion, with bond and fund investments etc. being the major categories. The investments were made by the Group based on assessments of, among other factors, macroeconomic, monetary and fiscal policies, industrial policies and market supply and demand, so as to obtain investment income by capturing trading opportunities in the market. During the reporting period, funding was stable in general, bond yields fell, and interest rates rebounded at the end of the year. The Group aggressively increased its positions in high-coupon short- and medium-term PRC government bonds, and took profit at the end of the third quarter, achieving substantial returns. For details, please refer to Note 23(a) to the financial statements.

Debt investments at amortised cost

As at the end of the reporting period, the balance of the Group's debt investments at amortised cost amounted to RMB1,536.397 billion. Among them, the bond investments mainly involved bonds issued by the PRC government and policy banks. This type of investment was held on a long-term basis for the strategic allocation of assets and liabilities of the Group, based on the requirements of interest rate risk management of banking books and liquidity management, while taking into account returns and risks. For details, please refer to Note 23(b) to the financial statements.

Debt investments at fair value through other comprehensive income

As at the end of the reporting period, the balance of debt investments at fair value through other comprehensive income of the Group amounted to RMB771.271 billion, with interest rate bonds such as PRC government bonds and policy bank bonds and medium-to-high rating quality debenture bonds being the major categories. This type of investment was made by the Group based on research and analysis on the bond market, with the purpose of obtaining investment return by capturing investment and allocation opportunities in the market and constantly optimising asset allocation structure. For details, please refer to Note 23(c) to the financial statements.

Equity investments designated at fair value through other comprehensive income

As at the end of the reporting period, the balance of equity investments designated at fair value through other comprehensive income of the Group amounted to RMB13.416 billion. Such investments were mainly non-trading equity investments held by the Group in the investees over whom the Group had no control, joint control or significant influence. For details, please refer to Note 23(d) to the financial statements.

The composition of the Group's total bond investments classified by the issuing entities

(in millions of RMB)	31 December 2022	31 December 2021
Official authorities	1,600,274	1,205,718
Policy banks	494,628	390,387
Commercial banks and other financial institutions	232,923	168,483
Others	111,026	119,419
Total bond investments	2,438,851	1,884,007

Note: "Official authorities" include the Ministry of Finance of the PRC, local governments and the Central Bank, etc.; "Others" mainly refer to enterprises.

Investments in joint ventures and associates

As at the end of the reporting period, the Group's investments in joint ventures and associates amounted to RMB23.844 billion, up 0.80% from the end of the previous year. As at the end of the reporting period, the balance of allowances for impairment losses on investments in joint ventures and associates of the Group was zero. For details, please refer to Note 25 and Note 26 to the financial statements.

3.3.1.3 Goodwill

In compliance with the International Accounting Standards, at the end of the reporting period, the Group conducted an impairment test on the goodwill arising from the acquisition of CMB Wing Lung Bank, China Merchants Fund and other companies and determined that provision for impairment was not necessary for the reporting period. As at the end of the reporting period, the Group had a balance of allowances for impairment losses on goodwill of RMB579 million and the carrying value of goodwill was RMB9.999 billion.

3.3.2 Liabilities

As at the end of the reporting period, the total liabilities of the Group amounted to RMB9,184.674 billion, representing an increase of 9.56% as compared with the end of the previous year, which was primarily attributable to the faster growth in deposits from customers.

The following table sets forth, as at the dates indicated, the components of the total liabilities of the Group. To maintain the figures comparable, the financial instruments in section "3.3.2 Liabilities" were still analysed on the statistical calibre excluding interest payable, except for the following table, in which interest payable calculated using the effective interest method was included.

	31 December 2022		31 December 2021	
(in millions of RMB, except for percentages)	Amount	Percentage of the total amount (%)	Amount	Percentage of the total amount (%)
Deposits from customers	7,590,579	82.64	6,385,154	76.16
Inter-bank transactions[1]	945,624	10.30	1,081,328	12.90
Borrowings from the central bank	129,745	1.41	159,987	1.91
Financial liabilities at fair value through profit or loss and derivative financial liabilities	81,950	0.89	91,043	1.09
Debt securities issued	223,821	2.44	446,645	5.33
Others[2]	212,955	2.32	219,183	2.61
Total liabilities	9,184,674	100.00	8,383,340	100.00

Notes:

(1) Including deposits and placements from banks and other financial institutions and amounts sold under repurchase agreements.

(2) Including salaries and welfare payable, taxes payable, contract liabilities, lease liabilities, expected liabilities, deferred income tax liabilities and other liabilities.

Deposits from customers

As at the end of the reporting period, total deposits from customers of the Group amounted to RMB7,535.742 billion, representing an increase of 18.73% as compared with the end of the previous year. Deposits from customers, accounting for 82.05% of the total liabilities of the Group, were the major funding source of the Group.

The following table sets forth, as at the dates indicated, the deposits from customers of the Group by product type and customer type.

	31 December 2022		31 December 2021	
(in millions of RMB, except for percentages)	Amount	Percentage of the total amount (%)	Amount	Percentage of the total amount (%)
Corporate customer deposits				
Demand	2,762,671	36.66	2,652,817	41.80
Time	1,668,882	22.15	1,406,107	22.15
Subtotal	4,431,553	58.81	4,058,924	63.95
Deposits from retail customers				
Demand	1,983,364	26.32	1,557,861	24.54
Time	1,120,825	14.87	730,293	11.51
Subtotal	3,104,189	41.19	2,288,154	36.05
Total deposits from customers	7,535,742	100.00	6,347,078	100.00

In 2022, the percentage of daily average balance of the demand deposits to that of the total deposits from customers of the Group was 61.63%, representing a year-on-year decrease of 2.82 percentage points. Among these, the daily average balance of corporate demand deposits accounted for 59.98% of that of the corporate deposits, representing a year-on-year decrease of 1.75 percentage points; the daily average balance of retail demand deposits accounted for 64.43% of that of the retail deposits, representing a year-on-year decrease of 5.08 percentage points. Affected by the volatility of the capital market, customers increased investments in time deposit products, leading to a decrease in the percentage of demand deposits.

3.3.3 Shareholders' equity

As at the end of the reporting period, the Group's equity attributable to shareholders of the Bank was RMB945.503 billion, representing an increase of 10.10% as compared with the end of the previous year, among which retained profits amounted to RMB492.971 billion, representing an increase of 15.02% as compared with the end of the previous year; investment revaluation reserve amounted to RMB11.815 billion, representing a decrease of 21.48% as compared with the end of the previous year, mainly due to the decrease in the valuation of financial assets measured at fair value through other comprehensive income as compared to the end of the previous year; exchange difference on translation of foreign currency statement amounted to RMB2.009 billion, representing an increase of RMB4.153 billion as compared with the end of the previous year, mainly due to the fluctuations in RMB exchange rate.

3.4 Analysis of Loan Quality

3.4.1 Distribution of loans by 5-tier loan classification

The following table sets forth the 5-tier loan classification of the Group as at the dates indicated.

(in millions of RMB, except for percentages)	31 December 2022		31 December 2021	
	Amount	Percentage of the total amount (%)	Amount	Percentage of the total amount (%)
Normal	5,919,985	97.83	5,472,563	98.25
Special mention	73,470	1.21	46,609	0.84
Substandard	22,770	0.38	17,490	0.31
Doubtful	23,737	0.39	20,755	0.37
Loss	11,497	0.19	12,617	0.23
Total loans and advances to customers	6,051,459	100.00	5,570,034	100.00
Non-performing loans	58,004	0.96	50,862	0.91

Note: Under the 5-tier loan classification system, non-performing loans of the Group are divided into substandard loans, doubtful loans and loss loans.

During the reporting period, the Group insisted on strict classification of asset risks to truly reflect the asset quality. Affected by the slowdown in economic growth and the further release of risks from real estate customers, as at the end of the reporting period, the balance of our non-performing loans amounted to RMB58.004 billion, representing an increase of RMB7.142 billion as compared with the end of the previous year, with a non-performing loan ratio of 0.96%, representing an increase of 0.05 percentage point as compared with the end of the previous year. The balance of special-mentioned loans amounted to RMB73.470 billion, representing an increase of RMB26.861 billion as compared with the end of the previous year; the special-mentioned loan ratio was 1.21%, representing an increase of 0.37 percentage point as compared with the end of the previous year.

3.4.2 Distribution of loans and non-performing loans by product type

	31 December 2022				31 December 2021			
(in millions of RMB, except for percentages)	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-Performing loan ratio (%)(1)	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-Performing loan ratio (%)(1)
Corporate loans	2,375,616	39.26	29,961	1.26	2,150,938	38.62	26,732	1.24
Working capital loans	821,269	13.57	9,562	1.16	729,999	13.11	16,755	2.30
Fixed asset loans	864,880	14.29	14,123	1.63	821,259	14.74	7,267	0.88
Trade finance	289,605	4.79	330	0.11	257,428	4.63	397	0.15
Others(2)	399,862	6.61	5,946	1.49	342,252	6.14	2,313	0.68
Discounted bills(3)	514,054	8.49	–	–	431,305	7.74	–	–
Retail loans	3,161,789	52.25	28,043	0.89	2,987,791	53.64	24,130	0.81
Micro-finance loans	631,038	10.43	4,031	0.64	561,871	10.09	3,500	0.62
Residential mortgage loans	1,389,208	22.96	4,904	0.35	1,374,406	24.68	3,821	0.28
Credit card loans	884,519	14.62	15,650	1.77	840,371	15.09	13,846	1.65
Others(4)	257,024	4.24	3,458	1.35	211,143	3.78	2,963	1.40
Total loans and advances to customers	6,051,459	100.00	58,004	0.96	5,570,034	100.00	50,862	0.91

Notes:

(1) Represents the percentage of the non-performing loans in a certain category to the total loans of that category.

(2) Consists primarily of other corporate loans such as financial leasing, M&A loans and corporate mortgage loans.

(3) The Company will transfer discounted bills to corporate loans for accounting purposes once overdue.

(4) Consists primarily of general consumer loans, commercial housing loans, automobile loans, house decoration loans, education loans and other personal loans secured by monetary assets.

With regard to corporate loans, the Group steadily promoted improvement of the structure of customers, continuously strengthened the organisation and investment of high-quality assets, guided corporate credit resources to help bail out enterprises, thereby maintaining the quality of assets in a generally stable manner. As at the end of the reporting period, the balance of our corporate loans amounted to RMB2,375.616 billion, representing an increase of 10.45% as compared to the end of the previous year, with a corporate loan ratio of 39.26%, representing an increase of 0.64 percentage point as compared with the end of the previous year. As affected by significant risk exposure of some high-debt real estate enterprises and individual corporate customers with poor management, the balance of non-performing corporate loans amounted to RMB29.961 billion, representing an increase of RMB3.229 billion as compared with the end of the previous year; and the non-performing loan ratio of corporate loans was 1.26%, up by 0.02 percentage point as compared with the end of the previous year.

With regard to retail loans, the Group actively promoted the innovation of product and business model, ensured credit support for small- and micro-sized customers, gave priority to customers with rigid housing demand and upgraders, and maintained a reasonable and moderate growth in residential mortgage loans, while continuing to adhere to the principle of stability and prudence, focusing on quality channels with a steady development of credit card business by acquiring valuable customers. As at the end of the reporting period, the balance of our retail loans amounted to RMB3,161.789 billion, representing an increase of 5.82% as compared to the end of the previous year, with a retail loan ratio of 52.25%, representing a decrease of 1.39 percentage points as compared to the end of the previous year, of which micro-finance loans amounted to RMB631.038 billion, representing an increase of 12.31% as compared with the end of the previous year. During the reporting period, affected by the increased pressure of economic downturn, the non-performing loan ratios of micro-finance loans, residential mortgage loans and credit card loans all increased as compared with the end of the previous year. As at the end of the reporting period, the balance of non-performing retail loans amounted to RMB28.043 billion, representing an increase of RMB3.913 billion as compared with the end of the previous year, with a non-performing loan ratio of 0.89%, up by 0.08 percentage point as compared with the end of the previous year, of which the balance of non-performing credit card loans amounted to RMB15.650 billion, representing an increase of RMB1,804 million as compared with the end of the previous year; and the non-performing loan ratio of credit card loans was 1.77%, up by 0.12 percentage point as compared with the end of the previous year.

3.4.3 Distribution of loans and non-performing loans by industry

(in millions of RMB, except for percentages)	31 December 2022				31 December 2021			
	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-Performing loan ratio (%)(1)	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-Performing loan ratio (%)(1)
Corporate loans	2,375,616	39.26	29,961	1.26	2,150,938	38.62	26,732	1.24
Transportation, storage and postal services	492,248	8.14	948	0.19	445,603	8.00	2,945	0.66
Property development	375,980	6.21	15,348	4.08	401,704	7.21	5,655	1.41
Manufacturing	465,712	7.70	4,781	1.03	333,398	5.99	6,871	2.06
Production and supply of electric power, heat, gas and water	212,893	3.52	468	0.22	194,688	3.50	658	0.34
Leasing and commercial services	161,750	2.67	1,784	1.10	174,758	3.14	4,054	2.32
Wholesale and retail	180,709	2.99	1,836	1.02	147,272	2.64	3,726	2.53
Finance	112,114	1.85	440	0.39	95,333	1.71	90	0.09
Construction	105,770	1.75	435	0.41	120,934	2.17	569	0.47
Information transmission, software and IT service	89,858	1.48	406	0.45	65,994	1.18	235	0.36
Water conservancy, environment and public utilities	64,996	1.07	100	0.15	65,248	1.17	175	0.27
Mining	40,495	0.67	521	1.29	34,505	0.62	786	2.28
Others(2)	73,091	1.21	2,894	3.96	71,501	1.29	968	1.35
Discounted bills	514,054	8.49	–	–	431,305	7.74	–	–
Retail loans	3,161,789	52.25	28,043	0.89	2,987,791	53.64	24,130	0.81
Total loans and advances to customers	6,051,459	100.00	58,004	0.96	5,570,034	100.00	50,862	0.91

Notes:

(1) Represents the percentage of the non-performing loans in a certain category to the total loans of that category.

(2) Consists primarily of agriculture, forestry, animal husbandry, fishery, accommodation and catering, health and social work, etc.

The Group conscientiously implemented national policies and regulatory requirements, continued to improve the quality and efficiency of our financial services for the real economy, so as to help stabilise the macro economy, and further increase loans to relevant industries such as new growth engines, green economy, high-quality manufacturing industries, regional advantageous and characteristic industries, inclusive finance, sci-tech finance, as well as self-controllable industries to solidly promote the adjustment of the structure of customers and industries. As at the end of the reporting period, the balance of our loans extended to the manufacturing industry amounted to RMB465.712 billion, representing an increase of 39.69% as compared with the end of the previous year, accounting for 7.70% of the total loans and advances to customers, up by 1.71 percentage points as compared with the end of the previous year. At the same time, the Group closely tracked changes in internal and external situations, and enhanced risk prevention and control in key areas such as real estate, local government financing platforms and industries under classified management[5]. During the reporting period, the non-performing loan ratio of the Group in terms of the real estate industry, financial industry, agriculture, forestry, animal husbandry, fishery and information transmission, software and information technology service industries increased due to the risk exposure of high-debt real estate enterprises and individual corporate customers with poor management.

5 Industries under classified management is a term coined by the Company and refers to 12 industries, including coal, coal chemical, coal trade, iron and steel, steel trade, basic chemical industry, basic metal mining and processing, non-ferrous metal smelting and rolling processing, flat glass, textile and chemical fiber, chemical fertilizer manufacturing, synthetic material manufacturing.

3.4.4 Distribution of loans and non-performing loans by region

(in millions of RMB, except for percentages)	31 December 2022 Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-Performing loan ratio (%)[1]	31 December 2021 Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-Performing loan ratio (%)[1]
Head Office[2]	942,006	15.57	17,811	1.89	910,281	16.35	17,862	1.96
Yangtze River Delta	1,338,769	22.12	10,532	0.79	1,200,571	21.55	7,436	0.62
Bohai Rim	828,311	13.69	5,118	0.62	719,187	12.91	4,479	0.62
Pearl River Delta and West Side of Taiwan Strait	1,087,410	17.97	4,673	0.43	1,007,513	18.09	6,358	0.63
North-eastern China	169,566	2.80	2,020	1.19	168,974	3.03	2,354	1.39
Central China	641,554	10.60	8,048	1.25	569,787	10.23	5,766	1.01
Western China	633,129	10.46	5,468	0.86	581,820	10.45	4,275	0.73
Overseas	78,567	1.30	544	0.69	94,153	1.69	218	0.23
Subsidiaries	332,147	5.49	3,790	1.14	317,748	5.70	2,114	0.67
Total loans and advances to customers	6,051,459	100.00	58,004	0.96	5,570,034	100.00	50,862	0.91

Notes:

(1) Represents the percentage of the non-performing loans in a certain category to the total loans of that category.

(2) The Head Office includes Credit Card Centre.

The Group focused on serving national strategies and key areas and deepened its research on regional advantageous industries and sectors to enhance credit policy support and resource allocation for key construction projects in the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area and Central and Western China. Meanwhile, the Group continued to carry out research on regional development of "one bank, one policy" and list-based operation, formulated regional differentiation policies, and promoted the accelerated development of branches in key regions. As at the end of the reporting period, the percentage of the balance of the Group's loans extended to regions such as the Bohai Rim, the Yangtze River Delta and Central China increased. Affected by the risk exposure of some real estate customers and individual corporate customers with poor management, the non-performing loan ratio of the Group in Central China, the Yangtze River Delta, Western China, overseas and its subsidiaries increased as compared with the end of the previous year.

3.4.5 Distribution of loans and non-performing loans by type of guarantees

(in millions of RMB, except for percentages)	31 December 2022 Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-Performing loan ratio (%)[Note]	31 December 2021 Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-Performing loan ratio (%)[Note]
Credit loans	2,219,635	36.68	21,662	0.98	1,977,014	35.51	19,861	1.00
Guaranteed loans	836,550	13.82	16,698	2.00	752,744	13.51	13,272	1.76
Collateralised loans	2,132,337	35.24	14,246	0.67	2,075,639	37.26	12,684	0.61
Pledged loans	348,883	5.77	5,398	1.55	333,332	5.98	5,045	1.51
Discounted bills	514,054	8.49	–	–	431,305	7.74	–	–
Total loans and advances to customers	6,051,459	100.00	58,004	0.96	5,570,034	100.00	50,862	0.91

Note: Represents the percentage of the non-performing loans in a certain category to the total loans of that category.

As at the end of the reporting period, the balance of the Group's collateralised loans and pledged loans increased by 3.00% as compared with the end of the previous year; the balance of the guaranteed loans increased by 11.13% as compared with the end of the previous year, and the balance of the credit loans increased by 12.27% as compared with the end of the previous year. Among them, the non-performing loan ratio of credit loans decreased as compared with the end of the previous year, while the non-performing loan ratio of other guaranteed loans increased as compared with the end of the previous year.

3.4.6 Loans to the top ten single borrowers

(in millions of RMB, except for percentages)

Top ten borrowers	Industry	Loan and advance balance as at 31 December 2022	Percentage of net capital (under the Advanced Measurement Approach) (%)	Percentage of total loans and advances (%)
A	Finance	20,800	2.00	0.35
B	Transportation, storage and postal services	19,509	1.88	0.32
C	Transportation, storage and postal services	15,300	1.47	0.25
D	Transportation, storage and postal services	11,944	1.15	0.20
E	Property development	11,934	1.15	0.20
F	Transportation, storage and postal services	11,500	1.11	0.19
G	Property development	11,370	1.10	0.19
H	Transportation, storage and postal services	11,280	1.09	0.19
I	Property development	10,544	1.02	0.17
J	Transportation, storage and postal services	9,900	0.95	0.16
Total		**134,081**	**12.92**	**2.22**

As at the end of the reporting period, the loan balance of the Group's largest single borrower amounted to RMB20.800 billion, representing 2.00% of the Group's net capital under the Advanced Measurement Approach. The loan balance of the Group's top ten single borrowers totalled RMB134.081 billion, representing 12.92% of the Group's net capital under the Advanced Measurement Approach, 13.16% of the Group's net capital under the Weighted Approach, and 2.22% of the Group's total loans and advances, respectively.

3.4.7 Distribution of loans by overdue term

(in millions of RMB, except for percentages)	31 December 2022		31 December 2021	
	Loan and advance balance	Percentage of total loans (%)	Loan and advance balance	Percentage of total loans (%)
Overdue within 3 months	**37,207**	**0.61**	22,327	0.40
Overdue from 3 months up to 1 year	**26,669**	**0.44**	16,339	0.29
Overdue from 1 year up to 3 years	**9,810**	**0.16**	10,849	0.19
Overdue more than 3 years	**4,599**	**0.08**	7,911	0.14
Total overdue loans	**78,285**	**1.29**	57,426	1.02
Total loans and advances to customers	**6,051,459**	**100.00**	5,570,034	100.00

As at the end of the reporting period, overdue loans of the Group amounted to RMB78.285 billion, up by RMB20.859 billion from the end of the previous year and accounting for 1.29% of its total loans, representing an increase of 0.27 percentage point as compared with the end of the previous year. During the reporting period, the balance of loans overdue within 3 months increased by RMB14.880 billion as compared with the end of the previous year, with the percentage up by 0.21 percentage point as compared with the end of the previous year due to the impact of factors such as the risk exposure of real estate enterprises. Of the overdue loans, collateralised and pledged loans accounted for 28.08%; guaranteed loans accounted for 23.52%; and credit loans accounted for 48.40% (the majority of which were overdue loans of credit cards). The Group adopted prudent identification criteria for overdue loans, and the ratio of non-performing loans to the loans overdue for more than 90 days was 1.41, and the Company's ratio of non-performing loans to the loans overdue for more than 60 days was 1.25.

3.4.8 Restructured loans

(in millions of RMB, except for percentages)	31 December 2022		31 December 2021	
	Loan balance	Percentage of total loans and advances (%)	Loan balance	Percentage of total loans and advances (%)
Restructured loans[note]	12,076	0.20	16,517	0.30
Of which: restructured loans overdue more than 90 days	5,207	0.09	10,406	0.19

Note: Represents the restructured non-performing loans.

The Group imposed strict and prudent control over loan restructuring. As at the end of the reporting period, the percentage of the Group's restructured loans to total loans was 0.20%, down by 0.10 percentage point as compared with the end of the previous year.

3.4.9 Repossessed assets and impairment allowances

As at the end of the reporting period, the balance of repossessed assets (other than financial instruments) of the Group amounted to RMB612 million. After deducting the impairment allowances of RMB156 million, the net carrying value amounted to RMB456 million. The balance of repossessed financial instruments amounted to RMB4.543 billion.

3.4.10 Changes in the allowances for impairment losses on loans

The following table sets forth the changes in the allowances for impairment losses on loans of the Group.

(in millions of RMB)	2022	2021
Balance as at the end of the previous year	246,104	234,664
Charge/release for the period	45,157	37,020
Unwinding of discount on impaired loans and advances[note]	(386)	(247)
Recovery of loans previously written off	8,972	9,893
Write-offs/disposal for the period	(39,087)	(35,105)
Foreign exchange rate movements	716	(121)
Balance as at the end of the period	261,476	246,104

Note: Represents the amortised cost on impaired loans as a result of an increase in their present value due to the passage of time.

The Group continued to adopt a stable and prudent policy in respect of making allowances. As at the end of the reporting period, the balance of allowances for impairment losses on loans of the Group amounted to RMB261.476 billion, representing an increase of RMB15.372 billion as compared with the end of the previous year. The allowance coverage ratio was 450.79%, representing a decrease of 33.08 percentage points as compared with the end of the previous year; the allowance-to-loan ratio was 4.32%, representing a decrease of 0.10 percentage point as compared with the end of the previous year.

3.5 Analysis of Capital Adequacy

3.5.1 Capital adequacy ratio

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Group under the Advanced Measurement Approach were 13.68%, 15.75% and 17.77% respectively, representing an increase of 1.02, 0.81 and 0.29 percentage point respectively, as compared with the end of the previous year.

The Group

(in millions of RMB, except for percentages)	31 December 2022	31 December 2021	Increase/decrease at the end of the current year as compared with the end of the previous year (%)
Capital adequacy ratios under the Advanced Measurement Approach[1]			
Net core Tier 1 capital	**799,352**	704,337	13.49
Net Tier 1 capital	**919,798**	831,380	10.64
Net capital	**1,037,942**	972,606	6.72
Risk-weighted assets (without taking into consideration the floor requirements during the parallel run period)	**5,491,072**	5,037,500	9.00
Of which: Credit risk weighted assets	**4,823,836**	4,441,186	8.62
Market risk weighted assets	**89,200**	60,296	47.94
Operational risk weighted assets	**578,036**	536,018	7.84
Risk-weighted assets (taking into consideration the floor requirements during the parallel run period)	**5,841,685**	5,563,724	5.00
Core Tier 1 capital adequacy ratio	**13.68%**	12.66%	Increased by 1.02 percentage points
Tier 1 capital adequacy ratio	**15.75%**	14.94%	Increased by 0.81 percentage point
Capital adequacy ratio	**17.77%**	17.48%	Increased by 0.29 percentage point
Information on leverage ratio[2]			
Balance of adjusted on- and off-balance sheet assets	**11,569,842**	10,394,899	11.30
Leverage ratio	**7.95%**	8.00%	Decreased by 0.05 percentage point

Notes:

(1) The "Advanced Measurement Approach" refers to the advanced measurement approach set out in the "Capital Rules for Commercial Banks (Provisional)" issued by the former CBRC on 7 June 2012 (same as below). In accordance with the requirements of the Advanced Measurement Approach, the scope of entities for calculating the capital adequacy ratio of the Group shall include China Merchants Bank and its subsidiaries. The scope of entities for calculating the capital adequacy ratio of the Company shall include all the domestic and overseas branches and sub-branches of China Merchants Bank. As at the end of the reporting period, the Group's subsidiaries for calculating its capital adequacy ratio included CMB Wing Lung Bank, CMB International Capital, CMB Financial Leasing, CMB Wealth Management, China Merchants Fund, CIGNA & CMAM and CMB Europe S.A.. During the parallel run period when the Advanced Measurement Approach for capital measurement is implemented, a commercial bank shall use both the Advanced Measurement Approach and other approaches to calculate capital adequacy ratios, and comply with the capital floor requirements. The capital floor adjustment coefficients shall be 95%, 90% and 80% respectively in the first year, the second year, and the third year (i.e. 2017) and subsequent years during the parallel run period.

(2) Since 2015, the leverage ratio shall be calculated based on the "Measures for Management of the Leverage Ratio of Commercial Banks (Revised)" promulgated by the former CBRC on 12 February 2015. The leverage ratio of the Group was 8.00%, 7.64% and 8.07% respectively as at the end of the third quarter, the end of the half year and the end of the first quarter of 2022.

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Company under the Advanced Measurement Approach were 13.23%, 15.42% and 17.51% respectively, representing an increase of 1.08, 0.83 and 0.28 percentage point respectively, as compared with the end of the previous year.

The Company

(in millions of RMB, except for percentages)	31 December 2022	31 December 2021	Increase/decrease at the end of the current year as compared with the end of the previous year (%)
Capital adequacy ratios under the Advanced Measurement Approach			
Net core Tier 1 capital	**701,033**	617,403	13.55
Net Tier 1 capital	**817,387**	741,627	10.22
Net capital	**927,881**	875,859	5.94
Risk-weighted assets (without taking into consideration the floor requirements during the parallel run period)	**4,925,532**	4,530,952	8.71
Of which: Credit risk weighted assets	**4,330,955**	4,002,933	8.19
Market risk weighted assets	**69,000**	39,049	76.70
Operational risk weighted assets	**525,577**	488,970	7.49
Risk-weighted assets (taking into consideration the floor requirements during the parallel run period)	**5,299,237**	5,082,896	4.26
Core Tier 1 capital adequacy ratio	**13.23%**	12.15%	Increased by 1.08 percentage points
Tier 1 capital adequacy ratio	**15.42%**	14.59%	Increased by 0.83 percentage point
Capital adequacy ratio	**17.51%**	17.23%	Increased by 0.28 percentage point

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Group under the Weighted Approach were 11.52%, 13.25% and 14.68% respectively, representing an increase of 0.35, 0.06 percentage point and a decrease of 0.03 percentage point respectively as compared with the end of the previous year. The decrease in capital adequacy ratio was mainly due to the redemption of USD1 billion offshore preference shares by the Company during the reporting period.

The Group

(in millions of RMB, except for percentages)	31 December 2022	31 December 2021	Increase/decrease at the end of the current year as compared with the end of the previous year (%)
Capital adequacy ratios under the Weighted Approach(note)			
Net core Tier 1 capital	**799,352**	704,337	13.49
Net Tier 1 capital	**919,798**	831,380	10.64
Net capital	**1,018,678**	927,277	9.86
Risk-weighted assets	**6,941,350**	6,303,544	10.12
Core Tier 1 capital adequacy ratio	**11.52%**	11.17%	Increased by 0.35 percentage point
Tier 1 capital adequacy ratio	**13.25%**	13.19%	Increased by 0.06 percentage point
Capital adequacy ratio	**14.68%**	14.71%	Decreased by 0.03 percentage point

Note: The "Weighted Approach" refers to the Weighted Approach for credit risk, the Standardised Measurement Approach for market risk and the Basic Indicator Approach for operational risk in accordance with the relevant provisions of the "Capital Rules for Commercial Banks (Provisional)" issued by the former CBRC on 7 June 2012. Same as below.

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Company under the Weighted Approach were 10.97%, 12.79% and 14.22% respectively, representing an increase of 0.37, an increase of 0.06 and a decrease of 0.04 percentage point respectively as compared with the end of the previous year.

The Company

(in millions of RMB, except for percentages)	**31 December 2022**	31 December 2021	Increase/decrease at the end of the current year as compared with the end of the previous year (%)
Capital adequacy ratios under the Weighted Approach			
Net core Tier 1 capital	**701,033**	617,403	13.55
Net Tier 1 capital	**817,387**	741,627	10.22
Net capital	**908,572**	830,529	9.40
Risk-weighted assets	**6,390,196**	5,824,290	9.72
Core Tier 1 capital adequacy ratio	**10.97%**	10.60%	Increased by 0.37 percentage point
Tier 1 capital adequacy ratio	**12.79%**	12.73%	Increased by 0.06 percentage point
Capital adequacy ratio	**14.22%**	14.26%	Decreased by 0.04 percentage point

3.5.2 Balance of credit risk exposures

During the reporting period, the credit risk of the Company under the Internal Ratings-Based approach (IRB approach) was classified into six types of risk exposures: sovereign, financial institution, corporate, retail, shareholding and others. As at the end of the reporting period, the balances of various risk exposures were as follows.

		31 December 2022	
(in millions of RMB)	Type of risk exposure	Legal person	Group
Portion covered by the IRB approach	Financial institution	1,223,199	1,223,199
	Corporate	2,394,452	2,394,452
	Retail	3,693,448	3,693,448
	Of which: Residential mortgage	1,383,477	1,383,477
	Qualified revolving retail	1,703,749	1,703,749
	Other retail	606,222	606,222
Portion not covered by the IRB approach	On-balance sheet	3,983,915	4,489,602
	Off-balance sheet	207,840	226,091
	Counterparty	11,648	12,479

3.5.3 Measurement of market risk capital

The Group uses mixed approaches to calculate its market risk capital requirement. Specifically, it uses the Internal Model-based Approach to calculate the general market risk capital requirement of the Company (excluding overseas branches), and uses the Standardised Measurement Approach to calculate the general market risk capital requirement of overseas branches and subsidiaries of the Company as well as the specific market risk capital requirement of the Company and its subsidiaries. As at the end of the reporting period, the market risk-weighted assets of the Group were RMB89.200 billion, and the market risk capital requirement was RMB7.136 billion, of which the general market risk capital requirement calculated under the Internal Model-based Approach was RMB4.972 billion, and the market risk capital requirement calculated under the Standardised Measurement Approach was RMB2.164 billion.

The Group's market risk capital requirement under the Internal Model-based Approach was calculated using the market risk value based on 250 days of historical market data, a confidence coefficient of 99% and a holding period of 10 days. The following table sets forth the market risk value indicators of the Group as at the end of the reporting period.

		31 December 2022	
No. (in millions of RMB)	Item	Distressed market risk value during the reporting period	General market risk value during the reporting period
1	Average value	772	535
2	Maximum value	942	727
3	Minimum value	440	182
4	Value at the end of the period	849	468

3.6 Results of Operating Segments

The principal business segments of the Group include retail finance and wholesale finance. The following table summarises the operating results of each business segment of the Group for the periods indicated.

Items	2022		2021	
(in millions of RMB)	Profit before tax by business segments	Net operating income	Profit before tax by business segments	Net operating income
Retail finance	94,178	191,415	77,709	179,014
Wholesale finance	67,149	142,094	67,386	142,618
Other businesses	3,786	11,231	3,078	9,775
Total	**165,113**	**344,740**	148,173	331,407

Note: Since 2022, the Group has adjusted CMB Financial Leasing to the wholesale finance business segment from other business segments, resulting in the adjustment to the figure of the corresponding period of the previous year.

During the reporting period, profit before tax of retail finance business of the Group amounted to RMB94.178 billion, up by 21.19% year-on-year, accounting for 57.04% of the profit before tax of the Group, representing a year-on-year increase of 4.60 percentage points; net operating income amounted to RMB191.415 billion, up by 6.93% year-on-year, accounting for 55.52% of the net operating income of the Group, representing a year-on-year increase of 1.50 percentage points. During the reporting period, the cost-to-income ratio of retail finance business of the Group was 31.95%, representing a year-on-year decrease of 1.48 percentage points.

For the detailed figures of the Group's business and geographical segments, please refer to Note 56 to the financial statements.

3.7 Other Financial Disclosures under the Regulatory Requirements

3.7.1 Balance of off-balance sheet items that may have a material effect on the financial position and operating results and the related information

The Group's off-balance sheet items include derivative financial instruments, commitments and contingent liabilities. Commitments and contingent liabilities include credit commitments, leasing commitments, capital commitments, securities underwriting commitments, bonds redemption commitments, pending litigations and disputes and other contingent liabilities, among which the credit commitments are the primary component. As at the end of the reporting period, the balance of credit commitments of the Group was RMB2,575.130 billion. For details of the contingent liabilities and commitments, please refer to Note 58 to the financial statements.

3.7.2 Outstanding overdue debts

As at the end of the reporting period, the Group did not have any outstanding overdue debts.

3.8 Implementation of Development Strategies

During the reporting period, under the strategic vision of "building the best value creation bank with innovation-driven development, leading model and distinguished features", the Company focused on the value creation chain of "volume growth – revenue growth – efficiency growth – value growth", while striving to improve its capabilities in wealth management, risk management, and Fintech, so as to support the real economy with high-quality service, facilitate the people to embrace better life, and keep dedicated to creating value for customers, employees, shareholders, partners, and the society as a whole.

1. Realising dynamically balanced development of "Quality, Efficiency and Scale"

The Company adhered to the aforesaid value creation chain throughout the overall business development. First, priority was given to "volume growth" by adequate expansion of customer base and structural adjustment, thus forming scale effect and snowballing effect for business development. The second key step was achieving "revenue growth" by strengthening the deposit and loan pricing management and optimising the intermediary business structure to realise business growth into revenue recognised. Third, the Company consolidated the foundation of "efficiency growth" with firm adherence to the bottom line of quality, equally emphasising risk control, risk management and risk operation. Last, by keeping a close eye on the goal of "value growth", the Company continuously improved the efficiency of capital operation and boosted the level of capital return.

During the reporting period, the Company realised the dynamically balanced development of "Quality, Efficiency and Scale". In detail, it maintained stable asset quality, the leading position in risk compensation capacity, the satisfactory operating efficiency as expected, steady profit growth, and a relatively high level of capital adequacy ratio; the business scale grew steadily, and the customer base, assets and liabilities maintained reasonable growth in quantity and effective improvement in quality; the operational structure had obvious advantages, where profit contribution by retail finance business exceeded one-half and indicators such as proportion of demand deposits, proportion of net non-interest income and others maintained a relatively good level.

2. Continuing to promote the business development of extensive wealth management

In line with the explosive growth of residents' demand for wealth management and the long-term trend of narrowing net interest margin, the Company accelerated model transformation, actively promoted wealth management capacity building for the entire customer base, benchmarked against world-class banks, and expanded and strengthened the wealth management business.

The Company strived to become the main wealth management account for customers, and comprehensively promoted the "CMB TREE Asset Allocation Services System" by carrying out the "Original Aspiration Plan (初心計劃)" to improve customers' and employees' experience and systematically improve wealth management ability. As at the end of the reporting period, the Company's retail customers reached 184 million in total, representing an increase of 6.36% as compared with the end of the previous year. Total assets under management (AUM) for retail customers amounted to RMB12.12 trillion, representing an increase of 12.68% as compared with the end of the previous year; the number of customers holding our wealth management products reached 43,129,300, representing an increase of 14.14% as compared with the end of the previous year; the number of private banking customers exceeded 130,000, and total assets under management for private banking customers reached RMB3.79 trillion, representing an increase of 11.74% as compared with the end of the previous year.

Relying on an open platform to provide diversified products, the Company introduced high-quality asset management institutions throughout the market, and jointly served the diversified wealth management demands of retail customers, financial institution customers, and corporate customers. As at the end of the reporting period, the Company introduced quality products from a total of 10 wealth management subsidiaries of peer bank to customers, and 139 high-quality asset management institutions to the "Zhao Cai Hao (招財號)", an open platform in CMB APP. "Zhao Cai Hao" has 19.73 million followers, and during the reporting period, "Zhao Cai Hao" has provided wealth management-related information, interaction and activities to customers for more than 413 million times, providing professional investor education and companionship for customers on their investment journeys. During the reporting period, the Company's sales of third-party asset management products to financial institution customers through "Zhao Ying Tong (招贏通)" platform exceeded RMB770.0 billion[6], representing a year-on-year increase of 24.78% on the same calibre as compared with the corresponding period of the previous year.

The Company realised the synergetic "flywheel effect" through business integration and leveraged its comprehensive operational advantage and open as well as integrated organisational advantage to drive the retail "One Body" flywheel and the "One Body with Two Wings" flywheel so that the Group's flywheel revolves more effectively. The Company deeply promoted the integration of debit cards and credit cards in terms of customer acquisition and operation. As of the end of the reporting period, the customers holding both our debit cards and credit cards accounted for 64.10% of our credit card customers, up by 1.49 percentage points as compared with the end of the previous year. By deepening the integration of wholesale and retail finance, the Company acquired 155,000 new enterprise customers in its payroll business during the reporting period. As of the end of the reporting period, the coverage rate of private banking services for key enterprises[7] reached 33.55%. The Company relied on the extensive wealth management to effectively match the mutual needs of funds allocation and assets organisation among customer bases and gave full play to its driving effect on the Group's other segments. As of the end of the reporting period, the total scale of asset management business ranked among the top in the market, reaching RMB4.41 trillion, representing an increase of 2.32% as compared with the end of the previous year; the asset custody business volume historically broke through the RMB20 trillion benchmark, representing an increase of 3.08% as compared with the end of the previous year; and subsidiaries in total contributed RMB2.42 trillion in AUM balance to the Company.

3. Practically implementing the ESG concept and comprehensively enhancing the quality and efficiency of serving the real economy

Following the transformation and upgrading of the national economy, the Company focused on directions such as green economy, manufacturing industry, technological innovation, inclusive finance, etc., to continuously innovate its mechanisms, product systems and service models. The Company also improved the quality and efficiency of serving the real economy. The growth rates of green loans, loans extended to the manufacturing industry, loans extended to technology enterprises and SME inclusive finance loans all exceeded the overall growth rate of the loans of the Company.

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6 Given that the trading volume of fund investment advisory business is excluded since the current period, the data of the corresponding period of the previous year has been adjusted in accordance with the same statistical calibre.

7 Including strategic customers at Head Office and branches, listed company clients, and corporate customers such as new growth engines, green economy, high-quality track manufacturing industries, regional advantageous and characteristic industries, as well as self-controllable industries.

As at the end of the reporting period, the total number of corporate customers reached 2,526,100, representing an increase of 9.02% as compared with the end of the previous year; the balance of green loans was RMB355.357 billion, representing an increase of RMB91.515 billion or 34.69% as compared with the end of the previous year; the balance of loans extended to the manufacturing industry was RMB443.852 billion, representing an increase of RMB123.792 billion or 38.68% compared with the end of the previous year, of which medium- and long-term loans increased by 54.81%. The balance of loans extended to technology enterprises[8] was RMB295.608 billion, representing an increase of RMB91.547 billion or 44.86% as compared with the end of the previous year; the balance of SME inclusive finance loans was RMB678.349 billion[9], representing an increase of RMB77.249 billion or 12.85% as compared with the end of the previous year. The accounts with balance of SME inclusive finance loans totalled 990,700, representing an increase of 77,400 or 8.47% as compared with the end of the previous year.

4. Optimising the Fintech to build a "Digital CMB" in an all-round way

Focusing on the target of "online, data, intelligence, platform and ecology", the Company continued to promote the establishment of "Digital CMB" in terms of customer service, risk management, operational management and internal operation. During the reporting period, the information technology expenses amounted to RMB14.168 billion, up by 6.60% year-on-year and the ratio of the information technology expenses to the Company's net operating income was 4.51%. The Company continued to support construction of new capabilities and exploration of new models with the Fintech Innovation Project Fund. During the reporting period, 577 new Fintech innovation projects were launched, and 489 new projects were put into operation. As of the end of the reporting period, the number of the Bank's Fintech innovation projects launched and put into operation reached an aggregate of 3,242 and 2,450, respectively. Meanwhile, the talent structure was continuously improved to establish a talent system adaptable to a Fintech bank. As of the end of the reporting period, the number of R&D personnel of the Group reached 10,846, representing an increase of 8.00% as compared with the end of the previous year and accounting for 9.60% of the total number of employees of the Group.

In terms of retail customer service, the Company continued to improve service quality and efficiency of products, platforms and channels. The monthly active users (MAU) of the CMB APP and the CMB Life APP reached 111 million. The Company created an APP-centred self-service business model featuring complementary advantages and full coordination with other channels, enabling 24.3942 million customers to purchase "Zhao Zhao Bao (朝朝寶)", with a position amount of RMB205.568 billion at the end of the period. The digitalisation of private banking business accelerated, and the coverage rate of online process for family trust business reached 94.30%. With respect to retail credit business, the Company optimised the digitalised experience of customers, the total number of registered users of the CMB Zhao Dai (招貸) APP, an exclusive service platform for small- and micro-sized customers, reached 2.6843 million. During the reporting period, the credit facility of micro-finance loans applied and granted through the CMB Zhao Dai (招貸) APP reached RMB204.830 billion. The intelligent wealth engine provided the Bank's investment and research with services such as investment and research data support, algorithm analysis tool support and research results sharing, so as to improve the service efficiency for customers. The "Wealth Alpha+" platform, as an investment and research platform empowering the wealth management business across the Bank, has empowered 21,800 employees as of the end of the reporting period, and provided customers with more than 20 services including fund interpretation and perspective analysis of fund position, benefiting tens of millions of users on average per month, which continuously improved the professionalism of the wealth management service.

In terms of wholesale customer service, the Company accelerated the online migration process. The coverage rate of online basic services provided by the Company to corporate customers reached 95.65%. The percentage of online financing business increased from 67.26% to 82.14% and the percentage of online foreign exchange business increased from 33.30% to 65.49%. The Company facilitated industrial digitalisation with products such as Treasury Management Cloud (財資管理雲), Xin Fu Tong (薪福通), Invoice Cloud（發票雲）and Sale Cloud（銷售雲）. The Company released Xin Fu Tong (薪福通) version 4.0 which accumulatively served 695,000 enterprises in total; the number of Invoice Cloud customers was 278,900, representing an increase of 162.00% as compared with the end of the previous year.

In terms of risk management, the Company has made extensive use of Fintech to enhance its digital risk control capability. The intelligent risk control engine accumulated enterprise-level risk control capabilities in a modular manner, continuously expanded the coverage of risk control and improved the efficiency of risk identification, judgement and analysis. The intelligent risk control platform named "Libra" enhanced transaction risk management and control capabilities and guarded the asset security of customers with the digital technology. During the reporting period, the percentage of fraud and account takeover amounts by non-cardholders was

8 Refers to the loans granted by the Company to technology enterprises recognised as "specialised, competitive, distinguished, and innovative (專精特新)"enterprises, high-tech companies, and technology-based small- and medium-sized enterprises.

9 Refers to the small- and micro-sized enterprise loans + private industrial and commercial business operating loans + small- and micro-sized enterprise operating loans with a single account credit limit of RMB10.00 million, according to the appraisal calibre of the CBIRC, which is expressed in RMB on the domestic calibre and excludes bill financing.

lowered to 0.57 in ten millionths. The Company established a digital and intelligent monitoring and warning system to realise warning information sharing and joint risk prevention and control at the Group-level and continued to intensify access and application of internal and external data to enhance its capability of intelligent risk control. During the reporting period, corporate loans newly granted through the "online risk control platform" amounted to RMB197.650 billion.

In terms of operation management, the Company empowered its employees via data in various operational analysis tasks. The Company improved the employees' ability and experience of data access. The data application barrier has been further lowered, and the coverage rate of big data services has reached more than 50% of all employees in the Bank, efficiently empowering the employees to do various operation analysis. The Company continuously integrated and optimised the existing data products to create the "digital and intelligent retail (數智零售)", a scenario-based data platform for unified retail lines which conducts real-time monitoring of key businesses and continuously empowers the digital operation and management of the Company's extensive wealth management business. As of the end of the reporting period, the number of monthly active users on the platform reached 12,300.

In terms of internal operation, the Company continued to enhance the automation and intelligence of business processing. The Company promoted the optimisation of the credit process, which was reflected by an average of six hours per transaction saved for account managers through the remote loan granting, increasing the efficiency by 32% as compared to the traditional process. The intelligent operation engine, which is specialised in solving problems in the process and operation, makes full use of digitalisation to improve the automation and intelligence of operations and continuously facilitates to reduce labor costs and improve customer service experience. By leveraging the intelligent application in scenarios such as the intelligent customer service, intelligent process, voice quality inspection and the Conch RPA (Robot Process Automation), our staff were relieved from repetitive, time-consuming work equivalent to a workload of over 12,000 individuals during the reporting period.

Continuing to build a digital operation model, and further upgrading the new digital infrastructure for the future.

The Company has successfully completed cloud migration in three years, and stepped into the cloud era in an all-round way. The Company broke down the barriers across systems under the mainframe architecture, and comprehensively restructured the business system with "micro-services", so that new businesses and new ideas can be merged and verified promptly. At the same time, with capacity expansion and computing improvement, resilient resource supply can be arranged for the high-concurrency and high-traffic activities, thereby realising on-demand resource allocation anytime and anywhere. During the reporting period, the Company has completed the smooth and intact migration to the cloud for all retail customers and wholesale customers, and realised the full transition from "traditional technology architecture" to "cloud architecture".

The Company further deepened the construction of data middle-office and technology middle-office, and lowered the barriers to application development and data access, allowing technology to become the underlying capabilities well used by the Company's employees. The Company continuously optimised the data access environment and improved data access experience. The Company accelerated the promotion of open and shared technology, built a low-code development system, improved research and development efficiency, so as to quickly respond to business needs. As of the end of the reporting period, there were 4,655 shared components in the technology middle-office of the Company, and the cumulative number of applications released under the low-code development system exceeded 6,500.

5. Building a fortress-style overall risk and compliance management system

By building the "Six-All" risk management system covering "all customers, all assets, all risks, all institutions, all processes and all factors", the Company strengthened unified customer risk management and established the "four-in-one" concentration risk management system by integrating limit management, credit approval officer management for customers with large transaction value, risk management and control review, and risk monitoring so as to further optimize the exposure credit facility management over group customers. **Strengthening the risk management for extensive wealth,** the Company established rules and regulations, improved processes and enhanced management for underwriting, agency sales, custody, consultations, and customer transactions in financial market and other businesses which were closely related to customer investment and financing services. **Strengthening risk prevention and mitigation in key areas,** the Company took various approaches to reduce and dispose of risk assets, enhanced the risk compensation capacity and strengthened the ability to respond to non-credit risks such as foreign exchange-related risks, stakeholder risks, and reputation risks. **Strengthening construction of risk management capability,** the Company put forth efforts to enhance the ability of risk perception, the basic ability of "pre-loan investigation, loan review and post-loan inspection", and the capability to control risk in a digital manner and to dynamically adjust risk policies. **Strengthening internal control compliance,** the Company created a compliance culture of "compliance first, compliance creates value, compliance starts at the top", continuously strengthened management and control of sanction and money laundering risks, as well as implemented regulatory compliance requirements in a more proactive and efficient manner.

6. Thoroughly promoting organisational reform and cultural construction

The Company continued to promote organisational reform to better serve and create value for customers. The Company launched group financial services and explored the integration of wholesale and retail finance at a deeper level. The Company boosted and promoted the coordinated management of sub-branches with comprehensive functions, strengthened the construction of comprehensive capabilities, and combined the application of the comprehensively-functioned position mechanism to form integrated management and comprehensive service capabilities for corporate banking business, retail banking business, and operations at the branch level, and further released organisational vitality while improving operating efficiency. The Company strengthened and expanded sci-tech finance, serving the new development model featuring "technology + industry + finance". The Company has piloted sci-tech finance sub-branch building in six tier-1 branches of Beijing, Shenzhen, Shanghai, Nanjing, Hangzhou and Hefei and one tier-2 branch of Jiaxing so as to create the featured business focusing on sci-tech finance. The Company further improved the inclusive financial business system and promoted the development of inclusive financial business with new structure, new model, new connotation, and new mechanism. The Company optimised the organisational structure and functions of risk management across the Bank, strengthened comprehensive risk management capabilities, and consolidated the foundation for high-quality growth.

By consistent adherence to the core value of "being customer-centric and creating value for customers", the Company formulated the "CMB Customer Service Value Proposition" and "Negative List of Core Values" to improve the consensus, capability and effectiveness of the whole Bank in practising values from both positive and negative aspects. The Company vigorously promoted the CMB culture, polished the golden brand of service with a practical and powerful consumers' rights and interests protection mechanism, achieved a response rate of 98% within one hour of complaints, increased efforts to trace the source of rectification, and effectively solved the major issues that were mainly complained about by customers. The Company also strengthened the construction of work ethics emphasising "service, progress, pragmatism, innovation and agility", and promoted management enhancement with good spiritual outlook and working style.

3.9 Key Business Concerns in Operation

3.9.1 Net interest margin

In 2022, the Group's net interest margin was 2.40%, representing a decrease of 8 basis points year-on-year; the Company's net interest margin was 2.44%, representing a decrease of 9 basis points year-on-year. Such decrease in net interest margin was mainly due to the reasons below. On the asset side, in terms of pricing, firstly, due to the re-pricing of existing floating-rate loans and insufficient financing demand, loan yields have declined; secondly, market interest rates have been running at low levels for a long time, resulting in declined investment yields. In terms of structure, due to the weakened consumer sentiment, the growth of loans which had relatively high yields, such as credit card loans and residential mortgage loans, slowed down. On the liability side, corporate funds were insufficiently activated, and the growth of low-cost corporate demand deposits such as corporate settlement funds was restricted, coupled with shift of residents' investment to time deposits due to the disturbance in the capital market, leading to declined proportion of demand deposits.

Looking forward to 2023, the Group's net interest margin faces both opportunities and challenges. In terms of opportunities, the current economy continues to recover, effects of policies to stabilise growth are showing, market confidence and domestic demand are gradually picking up, and positive factors supporting the stable operation of net interest margin are increasing. In terms of challenges, the global economic growth has further slowed down, and the pressure of external demand has increased. The domestic economy still needs some time to recover, and the pricing of new assets investment is expected to remain under pressure. At the same time, the assets yield in 2023 still faces the pressure of existing loans' re-pricing. The Group will actively take measures to maintain the net interest margin at a relatively outstanding level in the industry. On the asset side, the Group will continue to prioritise assets allocation to promote the stable growth of credit scale and increase retail loans, while reinforcing the loan pricing management and constantly improving the comprehensive customer return. At the same time, the Group will strengthen its capability in forward-looking prediction of market interest rates, improve the capital utilisation efficiency, and moderately increase the allocation of bonds and interbank assets with high yields. On the liability side, the Group will insist on focusing on the growth of low-cost core deposits, strengthen the volume and price control of high-cost deposits and implement market-based adjustment mechanism for interest rates. Meanwhile, the Group will flexibly arrange market-oriented financing and reduce the overall cost of liabilities according to the trend of market interest rates.

3.9.2 Net non-interest income

During the reporting period, when faced with multiple shocks such as severe volatility in the financial markets, sluggish consumption and the continued weakening of external demands, the Group continued to consolidate its customer base, upgrade customer services, actively explore new growth in segments on the premise of improving its existing advantages, and strive to maintain the stability of net non-interest income. During the reporting period, the Group realised net non-interest income of RMB126.505 billion, representing a decrease of 0.77% year-on-year, accounting for 36.70% of net operating income, representing a decrease of 1.77 percentage points year-on-year. Among the Group's net non-interest income, net fee and commission income was RMB94.275 billion, representing a decrease of 0.18% year-on-year, accounting for 74.52% of the net non-interest income; other net non-interest income was RMB32.230 billion, representing a decrease of 2.45% year-on-year. During the reporting period, the Group's revenue contributed by extensive wealth management was RMB49.151 billion[10], representing a decrease of 6.10% on the same calibre as compared with the previous year.

The major items under the Group's net fee and commission income during the reporting period are analysed as follows. **Fee and commission income from wealth management** amounted to RMB30.903 billion, representing a year-on-year decrease of 14.28%, of which income from agency distribution of insurance policies amounted to RMB12.426 billion, representing a year-on-year increase of 51.26%, which was mainly due to the increase in customers' protective demand, leading to the Company's year-on-year increase in sales volume and premium rate of regular insurance business. Income from agency sales of wealth management products was RMB6.645 billion, representing a year-on-year increase of 5.61%, the growth rate of which has slowed down compared with the previous year, which was mainly due to the slowing down of the daily average balance growth of wealth management products and a decline in sales fee rate of wealth management products. Income from agency distribution of funds amounted to RMB6.599 billion, representing a year-on-year decrease of 46.41%, which was mainly due to the downward trend amid volatility of the capital market, resulting in the decline in sales scale of agency distribution of funds and the decrease in the proportion of high-fee equity funds. Income from agency distribution of trust schemes amounted to RMB3.979 billion, representing a year-on-year decrease of 47.24%, which was mainly due to the Company's suppression of financing trust product, resulting in the decreased sales volume and agency sales fee rate of agency trust. Agency securities transaction income was RMB903 million, representing a year-on-year decrease of 29.51%, which was mainly affected by the market conditions and trading activity of Hong Kong's capital market. **Fee and commission income from asset management** amounted to RMB12.457 billion, representing a year-on-year increase of 14.75%, which was mainly driven by the growth in the asset management business scale of subsidiaries of the Group. **Commission income from custody business** was RMB5.791 billion, representing a year-on-year increase of 6.59%, mainly due to the growth of custody business size and the continuous structural optimisation. **Income from bank card fees** amounted to RMB21.399 billion, representing a year-on-year increase of 10.44%, mainly driven by the increase in income from credit card transaction. **Income from settlement and clearing fees** amounted to RMB15.051 billion, representing a year-on-year increase of 8.26%, mainly due to the increase in e-payment income.

Looking forward to 2023, the Group will promote the high-quality growth of net non-interest income through the following measures. The first is to focus on the strategic mainstay and continue to improve the operation capability of extensive wealth management, seize the critical period when residents have increasing demand for wealth management to accelerate product line building and strengthen the synergy among wealth management, asset management and custody to promote the expansion and structural optimisation of total assets under management, asset management business scale and asset custody scale and drive the steady growth of the income from extensive wealth management. The second is to integrate resources across the Bank, consolidating the diversified service advantages of investment banking, commercial banking, private banking, technology and research based on satisfying customers' value needs to build an integrated service system covering customers' full-life cycle, so as to maximise the comprehensive value of customers. The third is to seize market opportunities and strive to tap the potential of traditional businesses to increase revenue. On the one hand, the Group centres on the dynamic changes in macro policies, as well as the core needs of key regions, industries and customers, deepens scenario operations and comprehensive services, and creates new advantages of businesses such as trade financing and cross-border settlement; on the other hand, the Group strengthens market research and judgement on exchange rates and interest rates, and enhances transaction capabilities in financial market and bill business. The fourth is to derive the benefits from national policies, accelerate the layout to create new advantages in key areas, actively promote the construction of the pension financial system, and build a unique pension financial service brand of CMB, while seizing the opportunity of consumption recovery, strengthening promotion efforts of card binding and transactions, expanding consumption installment scenarios, and increasing comprehensive contribution made by consumer finance; integrating business development into national economic restructuring and industrial upgrading, exploring innovations in green financial products and services, and developing new growth for non-interest income.

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10 The income from extensive wealth management includes the fee and commission income from wealth management, asset management and custody business.

3.9.3 Risk management and control in the real estate sector

The report to the 20th CPC National Congress made it clear that the real estate industry will adhere to the positioning of "houses are for living in and not for speculative investment", and accelerate the establishment of a housing system composed of multi-subject supply and multi-channel guarantee while encouraging both housing rental and purchase. Since 2022, at the policy level, the Group has not only provided credit support for guaranteeing delivery of housing in individual project, but also turned to provide credit support, bond issuance support and equity financing support for real estate enterprises. The Group implements policies based on the actual situation of the target cities, so as to support the commercial housing market to better meet the reasonable housing needs of home buyers, while promoting the stable and healthy development of the real estate market.

During the reporting period, the Group adhered to the overall strategy of "defining positioning, stabilising scale, improving access, focusing on regions, adjustment of structure, and strict management" in the real estate sector. In accordance with the principles of marketisation and commercialisation, the Group conducted business and managed risks, taking the actual situation of customers and projects into account. The Group strictly reviewed the cash flow, focused on selecting those residential projects with capacity to cover their debts and commercial sustainability, supported rigid and upgrading demand for housing, enhanced financial support for housing leasing, and further strengthened post-investment and post-loan management.

As at the end of the reporting period, the Group's total balance of real estate related businesses which were subject to credit risks, such as the actual and contingent credit, proprietary bond investments, and proprietary investment of non-standardised assets amounted to RMB463.334 billion, representing a decrease of 9.41% as compared with the end of the previous year. The total balance of the businesses for which the Group did not assume credit risks, such as wealth management fund financing, entrusted loans, agency distribution of trust schemes under the active management by cooperative institutions, and debt financing instruments with the Group as the lead underwriter amounted to RMB300.355 billion, representing a decrease of 27.11% as compared with the end of the previous year. In addition, as at the end of the reporting period, the Company's balance of loans granted to the real estate industry was RMB333.715 billion, representing a decrease of RMB22.262 billion as compared with the end of the previous year, accounting for 5.83% of the Company's total loans and advances to customers, representing a decrease of 0.95 percentage point as compared with the end of the previous year. As at the end of the reporting period, the customer and regional structure of the Company in respect of real estate related loans have remained sound, among which the balance of loans granted to customers featuring high credit-rating accounted for nearly 80%; in terms of regions where the projects were located, over 85% of the Company's balance of loans for real estate development was located in the urban areas of first-tier and second-tier cities. As at the end of the reporting period, the Company's non-performing loan ratio of real estate loans was 3.99%, representing an increase of 2.60 percentage points as compared with the end of the previous year.

In the future, the Group will continue to firmly implement relevant national policies on the real estate industry, support rigid and upgrading demand for housing, enhance financial support for housing leasing, maintain stable and orderly financing for the real estate sector, support the healthy development of the real estate market, and strengthen the forward-looking prediction of risk situation of real estate, reasonably identify risks of project's subsidiaries and the holding company, strengthen risk monitoring and analysis, strictly implement post-investment and post-loan management requirements for real estate loans, make sufficient provisions on a case-by-case basis according to the risk of specific projects. In accordance with the principles of compliance with laws and regulations, controllable risks and sustainable business, the Group will promote the marketisation of risk mitigation and disposal of real estate enterprises. Looking forward to 2023, with the support of relevant beneficial policies, it is expected that the tight liquidity of real estate enterprises will be mitigated, and the overall asset quality of the Group in the real estate sector will be controllable.

3.9.4 Fluctuations of net value of wealth management products

Since the introduction of comprehensive net-value management, the net value performance of wealth management products has gradually converged with the market. In the first 10 months of 2022, the overall scale of CMB wealth management products remained stable. In November 2022, the bond market experienced the sharpest decline in the past two years, causing fluctuations in the net value of bond funds and banking wealth management products, and affecting the overall banking wealth management business. Among them, the net value of some products fell back significantly in the short term, and the scale of wealth management products under management declined more or less in the industry. The balance of wealth management products under the management of CMB Wealth Management decreased by 4.88% and 5.60% month-on-month at the end of November and December 2022, respectively. In this regard, CMB Wealth Management successfully passed the significant fluctuation period of the bond market by improving the product provision level, enriching the products portfolio and strategies, and enhancing product information disclosure and the sales management on investors' appropriateness. During the reporting period, CMB Wealth Management fully met the customers' demand for redemption of various products without any payment risk. As for the decline-to-net-value products, as CMB Wealth Management has transformed at an early stage from investing in the net-value products to vigorously developing products with a relatively high proportion of equity assets, as at the end of the reporting period, based on the public data available, the decline-to-net-value proportions of the PR2, PR4, and PR5 products[11] of CMB Wealth Management were all lower than the average level of the industry, of which the withdrawal control of the PR4 and PR5 wealth management products with medium to high risk level was better than the average level of public offering funds, and only the decline-to-net-value proportion of PR3 wealth management products was higher than the average level of the industry.

In 2023, the momentum of domestic economic growth is expected to increase quarter by quarter. In terms of investment strategy of assets, the equity investment may embrace opportunity, bonds are expected to experience adjustment along with the economic recovery, and the scale of debt-linked wealth management products is expected to further shrink. In view of the fact that the bank wealth management market has experienced a tide of redemption, additional time is required for restoration of market confidence. It is expected that the scale of wealth management products of CMB Wealth Management throughout the year will be stable in 2023, with slight monthly fluctuations, and the specific changes are closely related to the overall market performance. CMB Wealth Management will uphold sound operation while focusing on risk control, stable growth, structural adjustment and diversified development. On the one hand, CMB Wealth Management will focus on high-quality assets in green finance, inclusive finance, sci-tech finance and other key sectors, and create financial products that meet investors' different risk preferences and objectives. On the other hand, CMB Wealth Management will also take value investment as the basis, adhere to development of independent investment research and technology platform, consolidate risk compliance, constantly improve the investment capability for standardised assets, and further realise assets preservation and appreciation for customers by its own value creation.

[11] The current risk level of wealth management products is divided into five levels: low (PR1), medium and low (PR2), medium (PR3), medium and high (PR4) and high (PR5).

3.9.5 Deposits from customers

As at the end of the reporting period, the balance of deposits from customers of the Company was RMB7,274.513 billion, representing an increase of RMB1,161.836 billion or 19.01% as compared with the end of the previous year, and the increase in deposits hit a record high. The main reasons for the rapid growth of deposits from customers of the Company were as follows: on the one hand, due to the active force of fiscal policies and the shifting of residents' demand for investment and consumption towards deposits, the national liquidity was relatively ample, and the growth rate of M2 increased, which provided an external environment for the growth of deposits; on the other hand, the Company continued to leverage its advantages in settlement services and wealth management services, enhanced customer base expansion and operational depth, and provided deposit products in a flexible and timely manner to meet customer needs. Meanwhile, the economy continued to face downward pressure; the liquidity activities of enterprises remained insufficient without obvious improvement, and deposit-generating activities of corporate demand deposits such as corporate settlement were restricted, coupled with the disturbance in the capital market and the demand for deposits from customers, especially demand for medium- and long-term time deposits further increased, resulting in a rapid growth of the Company's time deposits. The Company maintained a relatively outstanding level of deposit structure by taking various measures such as strengthening customer orientation, extending the deposit classification management mindset, optimising assessment rules and increasing capital retention through integrated operation. During the reporting period, the Company's average daily balance of core deposits[12] was RMB5,857.751 billion, representing an increase of RMB854.571 billion or 17.08% as compared with the previous year, accounting for 87.50% of the average daily balance of customer deposits, representing an increase of 0.24 percentage point as compared with the previous year. The average daily balance of demand deposits was RMB4,162.534 billion, representing an increase of RMB437.187 billion or 11.74% as compared with the previous year, accounting for 62.18% of the average daily balance of customer deposits, representing a decrease of 2.80 percentage points as compared with the previous year. As at the end of the reporting period, the balance of structured deposits of the Company amounted to RMB242.764 billion, representing a decrease of RMB23.553 billion as compared with the end of the previous year, accounting for 3.34% of the balance of deposits from customers and representing a decrease of 1.02 percentage points as compared with the end of the previous year.

Looking forward to 2023, with the joint force of various policy mixes and the resilience and recovery of the macro economy, the willingness of placing deposits by residents and enterprises is expected to experience marginal decline. At the same time, demand for investment and consumption will recover to a certain extent since the capital market turns to warm up, and M2 growth rate is expected to be lower than that in 2022. With the great pressure on commercial banks to grow their deposits and the increasingly fierce competition for deposits, the trend towards time deposits is likely to continue, therefore, it is expected that the Company will face challenges in both scale growth and cost control. In order to maintain high-quality growth of deposits, the Company will take the following measures. Firstly, the Company will continue to strengthen internal management, adhere to the dominant position in the growth of core deposits, and maintain a high proportion of core deposits; secondly, the Company will continue to leverage the advantages of settlement services and wealth management services to strengthen customer expansion and customer base management, and expand low-cost deposit-generating activities; thirdly, the Company will continue to strengthen the volume and price control of high-cost deposits to cope with the pressure of rising deposit costs.

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12 The core deposits represent the internal management indicator for the Company's deposits, excluding large-denomination certificates of deposit, structured deposits and other high-cost deposits.

3.9.6 Assets allocation

The Company allocated assets flexibly under the general principle of proper match between risk and return. In accordance with the general requirement for a dynamically balanced development featured with "Quality, Efficiency and Scale", the Company has taken a number of initiatives to make progress in a stable manner and to promote coordinated stable growth of corporate loans and retail loans by taking into account the internal and external conditions. In addition, the Company has appropriately increased the allocation for bonds issued by the PRC government, bonds issued by policy banks and medium to high grade credit bonds. As at the end of the reporting period, the Company's total loans and advances to customers amounted to RMB5,720.708 billion, representing an increase of 8.92% as compared with the end of the previous year, accounting for 60.15% of the total assets of the Company, representing a decrease of 0.22 percentage point as compared with the end of the previous year. Among them, retail loans were RMB3,109.737 billion, representing an increase of 5.74% as compared with the end of the previous year, accounting for 54.36% of the loans and advances to customers of the Company, representing a decrease of 1.64 percentage points as compared with the end of the previous year. Affected by the macroeconomic and market factors, the growth of residential mortgage loans and credit card loans slowed down. The growth of micro-finance loans and consumer loans both drove the steady growth of retail loans. Corporate loans amounted to RMB2,097.114 billion, representing an increase of 11.42% as compared with the end of the previous year, accounting for 36.66% of the loans and advances to customers of the Company, representing an increase of 0.82 percentage point as compared with the end of the previous year, which was mainly due to the Company's deep exploration of customer credit demands and the continual enhancement of the financial support to the real economy under the premise of adhering to risk pricing. The bonds investment amounted to RMB2,232.253 billion, representing an increase of 30.09% as compared with the end of the previous year, accounting for 23.47% of the total assets of the Company, representing an increase of 3.75 percentage points as compared with the end of the previous year.

Looking forward to 2023, the Company will continue to make reasonable credit assets and financial investment subject to the general constraints of capital endogenous capability and the general principle of a proper match between risk and return. In terms of credit assets, the Company will continue to consolidate and intensify its strength in retailing system while maintaining stable growth in total volume, and seize the favourable situation of economic recovery and strive to continue the trend of increasing retail market share in 2023. Specifically, the growth rate of retail loans is expected to increase as compared with that of 2022. The Company will further strengthen digital customer acquisition and product innovation, enhance joint cooperation between wholesale and retail finance, expand grant of residential mortgage loans, strengthen customer outreach in respect of second-hand houses, ride on the consumption restoration to promote growth of consumer loans and credit-card loans, and strive to realise steady growth on the premise of effective risk management. Corporate loans are expected to maintain a steady and healthy growth. The Company will actively seize market opportunities such as medium- and long-term investment in manufacturing industry, industrial green and low-carbon transformation, infrastructure construction, technological innovation and development, and focus on fields such as green economy, manufacturing industry, inclusive finance, and sci-tech finance, increase credit grant, continue to optimise the corporate credit structure, and further enhance service support for the real economy. The Company will rationalise the pace of financial investment and asset allocation structure in accordance with deposit growth, credit investment and changes in market interest rates, so as to increase comprehensive income under the premise of ensuring liquidity safety.

3.9.7 The formation and disposal of non-performing assets

During the reporting period, affected by the slowdown in economic growth and further release of real estate customer risks, the Company formed new non-performing loans of RMB62.975 billion, representing a year-on-year increase of RMB15.656 billion; the formation ratio of non-performing loans was 1.15%, representing a year-on-year increase of 0.20 percentage point. In terms of major business categories, the amount of newly formed non-performing corporate loans was RMB17.838 billion, representing a year-on-year increase of RMB6.862 billion. The amount of newly formed non-performing retail loans (excluding credit cards) was RMB8.315 billion, representing a year-on-year increase of RMB1.178 billion. The formation of non-performing loans of credit cards was RMB36.822 billion, representing a year-on-year increase of RMB7.616 billion. As for regions, the formation of the Company's non-performing loans was mainly concentrated in the Yangtze River Delta, central and western regions. In terms of industries, the formation of the Company's non-performing corporate loans was mainly distributed in the real estate industry, manufacturing industry, agriculture, forestry, animal husbandry and fishery. In terms of customers, the formation of the Company's non-performing corporate loans was concentrated in large- and medium-sized enterprises meeting national standards.

The Company has always adhered to value customer selection, optimised the asset portfolio allocation, made adequate risk compensation and has strong risk resistance ability. As of the end of the reporting period, the balance of the Company's allowances for impairment losses on loans was RMB253.413 billion, representing an increase of RMB14.228 billion as compared with the end of the previous year. The allowance coverage ratio was 467.43%, representing a decrease of 23.23 percentage points as compared with the end of the previous year. The allowance-to-loan ratio was 4.43%, representing a decrease of 0.12 percentage point as compared with the end of the previous year. During the reporting period, the credit cost ratio was 0.79%, representing a year-on-year increase of 0.06 percentage point.

During the reporting period, the Company played an active role in the disposal of non-performing loans, taking various approaches to reduce and dispose of risk assets. During the reporting period, the disposal of non-performing loans by the Company amounted to RMB57.986 billion, of which RMB24.252 billion was written off, RMB15.862 billion was securitised, RMB12.846 billion was recovered by cash collection, and RMB5.026 billion was disposed of by other means such as repossession, transfer, restructuring, upward migration and remission.

In 2023, the Company will closely monitor the changes in the macro situation, continue to promote the adjustment of customer structure and credit structure, improve the industry awareness and customer awareness, study key regions, industries and business areas, carefully study and prepare risk plans, strengthen the management of special-mentioned loans and overdue loans, strictly classify assets, make adequate allowance, actively promote risk resolution, take multiple measures to increase the disposal of non-performing loans and strive to maintain the overall stability of asset quality.

3.9.8 Asset quality in key areas

During the reporting period, the Company strengthened risk control over residential mortgage loans, consumer financing business, micro-finance loans, local government financing platforms, industries under classified management and other key areas, and the asset quality was generally stable. In 2023, the Company will actively respond to the changes in the external macro-economic situation, and continue to strengthen the research and judgement on the risk situation in key areas for better risk prevention and control. For details of the quality of real estate assets, please refer to 3.9.3 "Risk management and control in the real estate sector" in this chapter.

The following table sets out the asset quality of the Company's loans and advances by product type as of the date indicated.

	31 December 2022						
(In millions of RMB, except for percentages)	Balance of Loans and advances	Balance of non-performing loans	Non-performing loan ratio (%)	Balance of special-mentioned loans	Percentage of special-mentioned loans (%)	Balance of overdue loans	Percentage of overdue loans (%)
Corporate loans	2,097,114	26,205	1.25	21,515	1.03	25,852	1.23
Discounted bills	513,857	–	–	8	–	–	–
Retail loans	3,109,737	28,009	0.90	44,097	1.42	46,731	1.50
Micro-finance loans	629,628	4,027	0.64	2,515	0.40	4,567	0.73
Residential mortgage loans	1,379,812	4,898	0.35	10,409	0.75	6,956	0.50
Credit card loans	884,394	15,648	1.77	30,201	3.41	31,408	3.55
Consumer loans	202,225	2,191	1.08	862	0.43	2,544	1.26
Others(Note)	13,678	1,245	9.10	110	0.80	1,256	9.18
Total loans and advances to customers	5,720,708	54,214	0.95	65,620	1.15	72,583	1.27

	31 December 2021						
(In millions of RMB, except for percentages)	Balance of Loans and advances	Balance of non-performing loans	Non-performing loan ratio (%)	Balance of special-mentioned loans	Percentage of special-mentioned loans (%)	Balance of overdue loans	Percentage of overdue loans (%)
Corporate loans	1,882,161	24,666	1.31	10,456	0.56	18,912	1.00
Discounted bills	429,105	–	–	9	–	–	–
Retail loans	2,941,020	24,082	0.82	33,075	1.12	36,761	1.25
Micro-finance loans	560,565	3,488	0.62	1,792	0.32	3,076	0.55
Residential mortgage loans	1,364,518	3,806	0.28	4,928	0.36	3,782	0.28
Credit card loans	840,253	13,844	1.65	25,700	3.06	26,818	3.19
Consumer loans	155,984	1,595	1.02	502	0.32	1,727	1.11
Others(Note)	19,700	1,349	6.85	153	0.78	1,358	6.89
Total loans and advances to customers	5,252,286	48,748	0.93	43,540	0.83	55,673	1.06

Note: Primarily consists of commercial housing loans, automobile loans, house decoration loans, education loans, internet joint consumer loans and other personal loans secured by monetary assets. The increase in the non-performing loan ratio of other retail loans as compared with the end of the previous year was mainly due to the suppression of the scale of internet joint consumer loans.

Risk control over residential mortgage loans

The Company has always adhered to the positioning of "houses are for living in and not for speculative investment" in carrying out the business of residential mortgage loans, actively implemented the national and regional policy requirements and met the reasonable housing needs of homebuyers to promote a virtuous cycle and healthy development of the real estate industry. During the reporting period, the amount of residential mortgage loans newly granted by the Company in the first-tier and second-tier cities accounted for 88.12% of the total amount of residential mortgage loans newly granted by the Company, representing an increase of 0.48 percentage point as compared to the previous year. The closing balance of residential mortgage loans in the first-tier and second-tier cities accounted for 86.50% of the closing balance of the Company's residential mortgage loans, representing an increase of 0.46 percentage point as compared to the end of the previous year.

As of the end of the reporting period, the non-performing loan ratio of the Company's residential mortgage loans was 0.35%, representing an increase of 0.07 percentage point as compared with the end of the previous year. The special-mentioned loan ratio was 0.75%, representing a year-on-year increase of 0.39 percentage point as compared with the end of the previous year. The overdue loan ratio was 0.50%, representing a year-on-year increase of 0.22 percentage point as compared with the end of the previous year. Affected by the slowdown in economic growth, the non-performing loan ratio, special-mentioned loan ratio and the overdue loan ratio all increased as compared with the end of the previous year, and the increase in the special-mentioned loan ratio was mainly due to the correlation of external risk signals. Given that the weighted average loan-to-value ratio of residential mortgage loans at the end of the period was 32.59%, which represented a better ratio with 1.79 percentage points lower than that at the end of the previous year, and the collateral was sufficient and stable, and at the same time, the proportion of non-overdue residential mortgage loans in the balance of special-mentioned residential mortgage loans was more than 70%. Therefore, the overall risk of residential mortgage loans was controllable.

During the reporting period, due to multiple factors, the Company's prepayment of residential mortgage loans has increased significantly, which was caused by the principal reasons including that, firstly, residents preferred to reduce liabilities and interest costs as a result of expected lower income; secondly, the interest-rate spread between the existing and increased residential mortgage loans has been widening; thirdly, the expected return on asset side such as residents' wealth management products declined. During the reporting period, the prepayment of residential mortgage loans processed by the Company had increased significantly since June 2022 and reached a monthly prepayment peak in August 2022. At present, residents' savings continue to increase, and it is expected that the prepayment of residential mortgage loans of the Company will remain high for a certain period in 2023.

The Company attaches great importance to the protection of consumers' right, and will provide customers with prepayment services as agreed in contracts, support the needs of customers with rigid housing demand and upgraders, strive to explore business opportunities from them, and continue to provide comprehensive finance services for customers. At the same time, the Company will resolutely implement the national policy and adhere to the implementation of city-specific policy, pay attention to risk prevention and control, and make every effort to maintain the stable quality of residential mortgage loan assets.

Risk control over consumer credit business

During the reporting period, the Company insisted on focusing on the acquisition of value customers, exploring the upgrading consumption scenarios and the real comprehensive consumption scenarios of individuals or families encouraged by national policies in a deep-going way, and the consumer credit business maintained steady development. During the reporting period, the employment, income and consumption of residents were impacted, which affected the repayment ability and willingness of some customers. The non-performing loan ratio, the special-mentioned loan ratio and the overdue loan ratio of consumer credit business increased as compared with the end of the previous year. However, thanks to the continuous optimisation of the customer base and the asset structure and the application of various risk management strategies, the asset quality of consumer credit business was generally controllable.

As of the end of the reporting period, the non-performing loan amount of the Company's consumer credit business (including credit cards) was RMB17.839 billion, representing an increase of RMB2.400 billion as compared with the end of the previous year, and the non-performing loan ratio was 1.64%, representing an increase of 0.09 percentage point as compared with the end of the previous year. The special-mentioned loan ratio was 2.86%, representing an increase of 0.23 percentage point as compared with the end of the previous year. The overdue loan ratio was 3.12%, representing an increase of 0.25 percentage point as compared with the end of the previous year.

In 2023, against the backdrop of the internal and external uncertainties, it is expected that the asset quality of consumer credit business will still be under pressure. Subsequently, the Company will closely track the changes of the external environment, uphold prudent risk preference, continue to optimise the risk control strategy of consumer credit business, focus on value customer operation, take customer base and asset structure adjustment to the next level, improve the post-loan digital intelligent operation level, actively dispose of non-performing assets and strive to maintain the relatively stable quality of consumer credit business assets.

Control over the risks relating to micro-finance loan business

The Company adheres to the principle of "serving the real economy with finance", and improves the quality and efficiency of financial services for small- and micro-sized enterprises continuously. While adhering to risk compliance, the Company spares no effort to support the high-quality growth of small- and micro-sized enterprises and ensures small- and micro-sized enterprises credit resources through product creation and design, platform optimisation, channel expansion and other ways.

As of the end of the reporting period, the balance of retail micro-finance loans of the Company was RMB629.628 billion, representing an increase of 12.32% as compared with the end of the previous year, accounting for 11.01% of the total loans and advances, representing an increase of 0.34 percentage point as compared with the end of the previous year. During the reporting period, due to the impact of the increased pressure of economic downturn, small- and micro-sized enterprises faced great difficulties in production and operation, which brought some pressure and challenges to the control of micro-finance loan asset quality. However, the overall risk was under control. As of the end of the reporting period, the non-performing loan ratio, special-mentioned loan ratio, and overdue loan ratio of the Company's retail micro-finance loans were 0.64%, 0.40% and 0.73% respectively, representing an increase of 0.02, 0.08 and 0.18 percentage point as compared with the end of the previous year respectively.

In the future, the Company will keep on giving play to the value of Fintech, empower the construction of the "earlier stage, middle stage and later stage" whole process risk control system for micro-finance loans, make full use of digital tools in models and processes, combine the changes of market environment and regional differences, effectively conduct risk research in key areas and make judgements on them and strive to maintain the stability of the asset quality of micro-finance loans.

Control over the risks relating to local government financing platform business

The Company resolutely performs the relevant national requirements on the management of local government (hidden) debts, strictly implements various regulations and regulatory policies, actively prevents and prudently mitigates the risks arising from hidden debts of local governments, and earnestly fulfills legal procedures and adheres to the operation in accordance with laws and regulations. As of the end of the reporting period, the balance of the Company's local government financing platform business (calculated on the broad statistical calibre) was RMB263.639 billion (including businesses such as actual and contingent credit, bond investment, proprietary investments and fund investment of wealth management products), representing an increase of RMB1.958 billion as compared with the end of the previous year. Among them, the balance of loans from domestic companies was RMB132.564 billion, representing an increase of RMB9.038 billion as compared with the end of the previous year, accounting for 2.32% of the total loans and advances of the Company, representing a decrease of 0.03 percentage point as compared with the end of the previous year. The non-performing loan ratio was 0.14%, representing a decrease of 0.49 percentage point as compared with the end of the previous year.

In 2023, the Company will keep on following the overall strategy of "careful selection of regions, supporting according to qualifications, compliance operation and emphasising self-compensation". First, the Company will support the local government debt financing by "opening the front door and closing the back door", correctly understand the role and responsibility of the government in enterprises and projects, strictly implement various regulatory policies, resolutely eliminate the thinking that the government will take responsibility for everything and carry out credit extension in accordance with the principle of commercialisation on the basis of ensuring the compliance of the way of doing business. Second, the Company will give differentiated support according to local economic development level, fiscal revenue, government debt and population inflow and focus on supporting key planning and construction projects of the state, e.g. the "Belt and Road", the coordinated development of Beijing-Tianjin-Hebei, the regional integration of the Yangtze River Delta, Xiong'an New Area, Guangdong-Hong Kong-Macao Greater Bay Area. Third, the Company will strictly implement the national policies and requirements on government debt management, carefully check the hidden debt risk and require all business institutions to strictly prohibit the generation of new local government hidden debts or participate in the false resolution of such debts. Fourth, the Company will optimise business and focus on high-quality project assets according to the coverage ratio of the project and customer's operating cash flow to their own debts.

Risk control over the industries under classified management

During the reporting period, the Company continuously implemented classified management and total volume control for customers in 12 industries under classified management[13] that were greatly affected by supply-side structural reform, overcapacity or the "dual carbon" policy on the principle of "whitelist", general category and control category. Among them, for "whitelist" customers such as leading enterprises and regional quality enterprises in the industry, under the premise of controllable risks, appropriate increase of credit support was given. For "general category" customers with relatively stable risks and acceptable business conditions, by maintaining the existing customers and gradually replacing, the customer group structure was transferred to mid-tier customers in industries such as listed companies, core enterprises within the group and well-run enterprises, and the optimised allocation of customer and asset structure was achieved through total volume control, eliminating the inferior and preserving the superior. For "control category" customers, such as "zombie enterprises" and "zombie-like enterprises", highly leveraged and highly indebted enterprises, the Company will implement the single account limit management strategy.

[13] The 12 industries include: coal, coal chemical, coal trade, iron and steel, steel trade, basic chemical industry, basic metal mining and processing, non-ferrous metal smelting and rolling processing, flat glass, textile and chemical fiber, chemical fertilizer manufacturing, synthetic material manufacturing.

As of the end of the reporting period, the Company's full-coverage business financing exposure in industries under classified management was RMB140.292 billion, representing an increase of RMB22.817 billion[14] as compared with the beginning of the year, mainly invested in high-quality strategic customers and whitelist customers of the Head Office and branches. The non-performing loan ratio of the industries under classified management was 1.74%, representing a decrease of 1.92 percentage points as compared with the beginning of the year. Affected by the risk exposure of individual existing risk customers and the continuous decline of business scale, the non-performing loan ratio of the steel industry increased as compared with the beginning of the year, while the non-performing loan ratios of other industries decreased or remained the same compared with the beginning of the year.

In view of the fact that the basic customer groups of the industries under the Company's classified management are mainly strategic customers and whitelist customers of the Head Office and branches, who have obvious scale advantages, cost advantages, market advantages and relatively strong ability to resist external risks, it is expected that the risks in this field will be generally controllable in 2023. Subsequently, the Company will dynamically adjust credit policies in relevant fields according to national strategies such as "dual carbon" target planning and implementation path, industrial policies such as "dual control" of energy, financial supervision policies and actual market operation.

3.9.9 Capital management

The Company kept on optimising its business structure and strengthening capital management. The Company met various capital requirements of the CBIRC during the reporting period with sufficient capital buffer.

The Company adhered to the principle of prudence and stability and maintained the steady growth of risk-weighted assets under the premise of controllable risk. As of the end of the reporting period, the growth rate of risk-weighted assets under the Advanced Measurement Approach of the Company (having taken into consideration the bottom line requirements of the parallel run period) was 4.26%. Under the Advanced Measurement Approach, the ratio of risk-weighted assets (having taken into consideration the bottom line requirements of the parallel run period) to total assets was 55.72%. During the reporting period, the risk-adjusted return on capital (RAROC, before tax) under the Advanced Measurement Approach was 27.66%, significantly higher than the cost of capital. As of the end of the reporting period, the Company's core tier one capital adequacy ratio under the Advanced Measurement Approach and the Weighted Approach increased as compared with the end of the previous year, realising an endogenous growth of capital.

With the approval of the CBIRC, the Company successfully redeemed USD1 billion of overseas preferred shares on 25 October 2022, and successfully redeemed RMB11.7 billion of subordinated bonds on 28 December 2022. Please refer to the relevant announcements issued by the Company on Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company's website for details. The Company will keep on improving the level of shareholder returns by improving the efficiency of capital utilisation, optimising the asset-liability structure and other ways.

The Company adheres to the development strategy of marketisation, branding and internationalisation, keeps on promoting the innovation and development of asset securitisation business and further provides space for capital saving. During the reporting period, the Company issued five asset securitisation projects through the inter-bank market with a total scale of RMB4.117 billion. The underlying assets include installment loans for cars and non-performing loans.

Following the release of the "Assessment for Systemically Important Banks", in September 2022, the People's Bank of China and the CBIRC released the list of domestic systemically important banks in 2022. The Company was still in the third group of the list and still needed to meet additional regulatory requirements such as the additional capital adequacy ratio of 0.75% and the additional leverage ratio of 0.375%. At present, the Company's capital adequacy ratio, leverage ratio, liquidity and other operating indicators at all levels are maintained at a high level, which can meet additional regulatory requirements.

In recent years, regulators have attached great importance to banks' capital endogenous capability and capital adequacy ratio condition and promoted regulatory reform and the implementation of the final reform plan of Basel III. The Company will keep on optimising the capital allocation strategy and strengthening the asset-liability portfolio management. The Company will also improve the capital return management mechanism, adhere to the use of economic value added (EVA) and risk-adjusted return on capital (RAROC) and other value evaluation indicators to improve the efficiency of capital use. The Company will keep up with the progress of international capital regulatory reform, keep on implementing the internal capital adequacy assessment procedures (ICAAP), dynamically balance the capital supply and demand, adhere to the principle of taking capital endogenous accumulation as the main factor and being supplemented by external sources, comprehensively plan the use of various capital instruments and raise capital in numerous channels and ways to ensure the smooth operation of the capital adequacy ratio.

14 In 2022, the Company adjusted the statistical criteria of industries under classified management according to its management needs, and the data at the beginning of the year were adjusted according to the new criteria.

3.10 Business Operation

3.10.1 Retail finance business

Business overview

During the reporting period, the profit before tax from the retail finance business of the Company amounted to RMB92.706 billion, representing an increase of 20.48% as compared with the previous year. The net operating income from the retail finance business amounted to RMB188.474 billion, representing an increase of 6.29% as compared with the previous year and accounting for 60.01% of the net operating income of the Company. The net interest income from the retail finance business amounted to RMB129.338 billion, representing an increase of 11.51% as compared with the previous year and accounting for 68.62% of the net operating income from retail finance; the net non-interest income from the retail finance business amounted to RMB59.136 billion, representing a decrease of 3.57% as compared with the previous year while accounting for 31.38% of the net operating income from retail finance and 57.12% of the net non-interest income of the Company. During the reporting period, the fee and commission income from retail wealth management of the Company was RMB29.583 billion, accounting for 52.10% of the net fee and commission income from retail finance; the Company recorded a fee income of RMB21.266 billion from retail bank cards, representing an increase of 10.60% as compared with the previous year.

Retail customers and total assets under management for retail customers

During the reporting period, under the complex and severe external market environment at home and abroad, the Company restructured the asset allocation system, kept on promoting product creation and design and refined management, made full use of Fintech to improve operating efficiency and strengthened customer companionship. Customer group expansion and operation still achieved good results. The number of retail customers and the assets under management (AUM) from retail customers maintained stable growth.

As of the end of the reporting period, the Company had 184 million retail customers (including debit and credit card customers), representing an increase of 6.36% as compared with the end of the previous year, among which the number of Golden Sunflower and above customers (those with minimum daily average total assets of RMB500,000 for each month) reached 4,143,400, representing an increase of 12.84% as compared with the end of the previous year.

As of the end of the reporting period, the balance of total assets under management for retail customers of the Company amounted to RMB12,123.013 billion, representing an increase of 12.68% as compared with the end of the previous year. Among them, the balance of total assets under management for the Golden Sunflower and above customers amounted to RMB9,866.596 billion, representing an increase of 11.66% as compared with the end of the previous year. As at the end of the reporting period, the balance of deposits from retail customers of the Company amounted to RMB2,955.825 billion, representing an increase of 36.33% as compared with the end of the previous year. During the reporting period, the demand deposits accounted for 65.02% of the daily average balance of deposits from retail customers of the Company. As at the end of the reporting period, a total of 188,000,000 All-in-one Cards (including Class-II cards) had been issued by the Company for retail customers, up by 6.21% as compared with the beginning of the year.

Wealth management

During the reporting period, the number of customers who held our wealth products achieved a steady growth. As at the end of the reporting period, the Company had 43,129,300 customers who held our wealth products, representing an increase of 14.14% as compared with the end of the previous year. Under the background of slowing global economic growth, the Company took the initiative to address the market changes proactively and adjusted its business strategies in a timely manner. As at the end of the reporting period, the Company's balance of retail wealth management products amounted to RMB3,138.436 billion, representing an increase of 4.48% as compared with the end of the previous year. In 2022, affected by the market, the fluctuation of the net value of wealth management products exacerbated, which resulted in significant drop of risk appetite of customers and thus contributed to the slowing growth of the scale of wealth management products as compared to the previous year. The Company achieved the sales of agency non-monetary mutual funds of RMB335.058 billion, representing a decrease of 44.89% as compared with the previous year. The decrease was mainly due to the impact of the macroeconomic environment and the performance of the capital market, and the sales volume of equity fund products declined on a year-on-year basis. The Company recorded RMB112.521 billion in agency distribution of trust schemes, representing a decrease of 72.90% as compared with the corresponding period of the previous year mainly due to the fact that the Company actively adjusted its business direction under the policy background of "returning to the origin of finance", "reform of trust business classification", and other policy backgrounds. The Company recorded RMB72.389 billion in premiums from agency distribution of insurance policies, representing a decrease of 6.08% as compared with the previous year. The decrease was mainly due to the fact that the Company continued to optimise the product structure and increased the promotion of regular payment business with high value contribution, while the lump-sum payment business with high premium contribution slowed down. During the reporting period, the Company recorded a fee and commission income from retail wealth management business of RMB29.583 billion, among which income from agency distribution of insurance policies amounted to RMB12.159 billion, income from agency distribution of funds amounted to RMB6.855 billion, income from agency sales of wealth management services amounted to RMB6.354 billion, income from agency distribution of trust schemes amounted to RMB3.865 billion, and other income amounted to RMB350 million. For details of the reasons of changes in fee and commission income from wealth management, please refer to 3.9.2 "Net non-interest income" in this chapter.

During the reporting period, under the national goal of firmly promoting "common prosperity for all", the Company continued to strengthen the advantages of its wealth management professional services and online services, actively promote the platform of wealth management, assist customers in achieving asset preservation and appreciation, and make wealth management accessible to all people.

Firstly, the Company kept enriching the product shelves to satisfy the differentiated demands of the customers. It proactively expanded the partner circle with the newly admitted companies as follows: 3 public offering fund companies, 2 wealth management subsidiaries of peer bank, and 2 insurance companies; promoted the admission and agency sales of individual pension products which is the third pillar of the pension system. As at the end of the reporting period, the Company had admitted and performed agency sales of 121 individual pension fund products, 3 individual pension insurance products, and 10 individual pension wealth management products.

Secondly, the Company upgraded and launched "CMB TREE Asset Allocation Service System". During the reporting period, the Company focused on the customers' wealth management service journey to forge asset allocation service procedures, and based on the classification of customers, allocated large-scale assets and subclass assets, kept dynamic examination, and realised balance, in order to better satisfy the customers' demands of pursuing "safe, stable, and professional accompany" and make wealth management services professional and warm. As at the end of the reporting period, the Company had 8.127 million customers who conducted asset allocation under such system[15], representing an increase of 16.08% as compared with the end of the previous year.

Thirdly, the Company established a competitive online wealth product matrix preliminarily. In order to set a competitive light-model wealth product matrix, the Company started with the low-threshold products such as "Zhao Zhao Bao" and "Zhao Zhao Ying No.2", guided users to make progress in the investment demands, and explored upgrading operation models. By forging more comprehensible and acceptable online investment scenario, the Company formed a stable investment product matrix of non-monetary mutual funds with "month-quarter-half-year" brand series as the core. By creating a scenario-based matrix, the Company satisfied diversified investment demand of aggressive investment users. With the Internet insurance business preliminarily built the progressive product matrix of "Gift Insurance – Scenario Insurance – Value Insurance", the Company launched "Hui Min Bao (惠民保)" Service Platform among industry peers, realising the rapid growth of category and customer coverage. During the reporting period, the repurchase rate of wealth trading customers reached 54.61%, representing a year-on-year increase of 2.73 percentage points.

15 Refers to the Golden card and Golden Sunflower card holders who have two or more types of wealth management products out of the four types of wealth management products, namely, active money management, security management, prudent investment and aggressive investment.

Fourthly, the Company jointly established online operation ecology with partners and improved the comprehensive service capacity for wealth management. It provided partners with practical tools and function models including but not limited to pictures & texts, short videos, and live streaming services to promote and perfect the construction of the wealth ecology. As at the end of the reporting period, 139 asset management agencies with industrial representativeness settled in "Zhao Cai Hao", an open platform of wealth management business of the Company. "Zhao Cai Hao" had a total of 19,730,000 followers, and provided customers with services of over 413 million times during the reporting period.

Fifthly, the Company proactively addressed the fluctuation in the net value of the products caused by the market turmoil. On the one hand, the Company comprehensively enhanced special customer accompany work related to the fluctuation in the net value of wealth management to assist customers in acquiring correct investment acknowledgement; as at the end of the reporting period, the Company placed funds and wealth management accompany related contents in the APP's Income Centre, Positions and other pages, covering 98.40% of customers who held our wealth products. On the other hand, the Company focused more on customer experience in respect of product creation and supply. In order to better meet the needs of customers for allocation of stable products, the Company enabled the supply of stable wealth management products accounting for more than 70% throughout the year. Looking forward to 2023, the Company will adhere to the core philosophy of assets allocation, pursue diversified and balanced development and minimise market fluctuation risk. On the other hand, it maintains close attention to the market and customer changes and makes flexible adjustment to the corresponding strategies generally under the core operating idea of "pursue for solid growth of wealth management business, strengthen insurance business, and flexibly operate funds based on actual conditions (理財穩固增量、保險聚焦發力、基金依勢而動)"

Private banking

As at the end of the reporting period, the Company had 134,800 private banking customers (retail customers of the Company with minimum total daily average assets of RMB10 million per month), representing an increase of 10.43% as compared with the end of the previous year; total assets under management for private banking customers amounted to RMB3,792.436 billion, representing an increase of 11.74% as compared with the end of the previous year; total assets per account amounted to RMB28,133,800, representing an increase of RMB329,500 as compared with the end of the previous year. As of the end of the reporting period, the Company had 184 private banking centres in 92 domestic cities and 6 overseas cities, and the Company has established a three-dimensional service network for high-net-worth customers.

The Company continued to promote the transformation and upgrading of the private banking business, strengthened the comprehensive service capacity building of "individual, family, enterprise and society"[16] in private banking, and further increased the core competitiveness advantage of the private banking business. During the reporting period, the Company firstly strengthened the acquisition of customers. The Company enhanced business collaboration with subsidiaries and third-party cooperative institutions, and fully promoted the integration of wholesale and retail finance as the model for customer acquisition. Meanwhile, the Company identified potential customers empowered by digitalisation, and built a new growth curve for the private banking customer group. Secondly, the Company deepened customer operations and strengthened the construction of assets allocation capability. Under the background of sharp fluctuations in the capital market during the reporting period, the Company adjusted the asset allocation structure of customers, increased the introduction of stable wealth management products, and mitigated the impact of market fluctuations. Meanwhile, the Company promoted counter-cyclical allocation of equity products at proper times and increased the allocation value of customer assets. Thirdly, the Company strengthened the full-life cycle management of products. The Company further improved the management mechanism of pre-sale service, in-sale service and after-sale service of products, advanced the construction of product risk management system, and supported the development of business. Fourthly, the Company accelerated the digitalised transformation of private banking. The Company implemented digitalisation throughout the full process of customer acquisition, development, operation, management, and service and built an all-scenario and omni-channel online service system for private customers to comprehensively improve customer experience and business efficiency.

[16] "Individual, family, enterprise and society" specifically refers to the needs of individuals, families, enterprises and the society.

Credit cards

As of the end of the reporting period, the Company had issued an aggregate of 102.7093 million active credit cards, and there were 70.0016 million active credit card users[17]. The balance of credit card loans was RMB884.430 billion, representing an increase of 5.25% as compared with the end of previous year. During the reporting period, the credit card transactions of the Company amounted to RMB4,836.239 billion, representing an increase of 1.52% as compared with the previous year. Interest income from credit cards amounted to RMB63.974 billion, representing an increase of 7.26% as compared with the previous year. Non-interest income from credit cards amounted to RMB28.076 billion, representing an increase of 3.57% as compared with the previous year.

During the reporting period, the Company continued to promote the transformation strategy of "stable and low-volatility" for its credit card business, further optimising its customer base and asset structure and forming a more stable and robust asset portfolio. Meanwhile, the Company adhered to the principle of risk prudence, strictly implemented the asset classification policy which classified all credit card loans overdue for more than 60 days as non-performing loans. At the same time, the Company strengthened the collection efficiency and enhanced the risk resistance capacity. However, due to the impact of the macro environment, the risk indicators have fluctuated periodically. As of the end of the reporting period, the ratio of non-performing credit cards was 1.77%, representing an increase of 0.12 percentage point from the end of the previous year. Looking ahead, credit card risks will remain under pressure in the short term. Amid the stabilising economy, there will be room for credit card risks to decrease. The Company will prudently arrange various strategic deployments according to changes in the external risk situation. On the one hand, the Company will insist on focusing on value customer development, continue to deepen the adjustment of the customer base and the asset structure, and promote the high-quality growth of the credit card business; on the other hand, by firmly grasping the opportunity of consumption recovery, the Company will deploy consumer marketing activities in advance, including the operation in popular overseas destinations to facilitate the growth of credit card consumption and loans.

During the reporting period, the Company continued to promote credit card product innovation and service upgrading. Specific measures are as follows: Firstly, the Company consolidated the multi-channel integrated customer acquisition model and strengthened the acquisition of high-quality customers; gained deep insights into the interests and needs of the young customer base, launched Douyin co-branded credit card and Genshin co-branded credit card, which won wide recognition and love among young customers. Secondly, the Company applied a combination of measures to boost consumption. Under the growing momentum of online transactions, the Company improved customer payment experience through "One-click Binding" and other functions; combined consumption hotspots such as "Labour Day", "618", and "Double Eleven" to launch activities such as "Daily Consumption Voucher" and "Cashback Rebate for Mobile Payment" to facilitate consumption recovery. Thirdly, the Company strengthened the layout of auto installment products, expanded the depth and breadth of cooperation with new energy brand merchants, and created a new energy special section within the two major APPs of CMB Life APP and CMB APP under the theme of green and low carbon. The one-stop experience of viewing cars-selecting cars-test driving has achieved growth in business. Fourthly, the Company improved the level of intelligent services, upgraded from "customers looking for services" to "services looking for customers", continued to expand the boundaries of active service scenarios, and comprehensively advanced the service interaction efficiency, experience and value. Fifthly, the Company strengthened the Fintech infrastructure, launched the credit card core system 3.0, and realised cloud migration of the credit card host. Relying on the financial transaction cloud platform independently developed by the Company, the new system has better scalability and stability and offers customers a better experience such as "scenario-based limit" and "cardless delivery". In addition, the Company further deepened the operation of the CMB Life APP. For details of the CMB Life APP, please refer to 3.10.3 "Distribution channels" in this chapter.

17 After the upgrade of the Company's credit card core system, in order to further standardise account management, improve risk control and ensure the safety of customers' use of cards, the Company cleaned up some accounts and cards and adjusted the statistical criteria of credit cards and active credit card users.

Retail loans

As at the end of the reporting period, the total retail loans of the Company amounted to RMB3,109.737 billion, representing an increase of 5.74% as compared with the end of the previous year and accounting for 54.36% of the Company's total loans and advances to customers, down by 1.64 percentage points as compared with the end of the previous year. Among them, the total amount of the Company's retail loans (excluding credit card loans) reached RMB2,225.343 billion, representing an increase of 5.93% as compared with the end of the previous year, accounting for 38.90% of total loans and advances to customers of the Company and representing a decrease of 1.10 percentage points as compared with the end of the previous year.

As to business development, during the reporting period, due to the impact of factors such as the adjustment of the real estate market and other multiple factors, the demand for residential mortgage loans decreased. The Company actively implemented the national policies, adhered to the city-specific policy, supported the residents' reasonable needs for their own homes, and maintain the sound development of residential mortgage loan business. At the same time, while making efforts to control and manage risks and maintaining stable asset quality, the Company increased the inclusive loans granted to small- and micro-sized enterprises and consumer finance business. As to micro-finance loans business, the Company strictly implemented various regulatory requirements, relied on Fintech to accelerate product and service innovation, continuously improved the quality and efficiency of financial services for small- and micro-sized enterprises for better financial support to the real economy. As to consumer loans business, the Company insisted on identifying quality customers to meet the demand for consumer financing in a reasonable manner and supported the recovery and expansion of consumption. As at the end of the reporting period, the Company recorded a balance of residential mortgage loans of RMB1,379.812 billion, representing an increase of 1.12% as compared with the end of the previous year. The balance of micro-finance loans amounted to RMB629.628 billion, representing an increase of 12.32% as compared with the end of the previous year. The balance of consumer loans amounted to RMB202.225 billion, up by 29.64% as compared with the end of the previous year. As at the end of the reporting period, the Company had 12,140,500 retail loan (excluding credit card loans) customers, representing an increase of 24.02% as compared with the end of the previous year. The rapid expansion of customer base was mainly attributable to the light model of customer acquisition through online platform.

As to the quality of assets, during the reporting period, the Company continued to downgrade loans overdue for more than 60 days to non-performing loans, and adjusted all loans of the borrowers with overdue or other risk signals within and outside the Bank to the asset classification standards for special-mentioned loans in strict accordance with regulatory requirements. As at the end of the reporting period, the balance of the Company's retail special-mentioned loans (excluding credit cards) amounted to RMB13.896 billion, the ratio of special-mentioned loan was 0.62%, representing an increase of 0.27 percentage point as compared with the end of the previous year, among which the balance of non-overdue special-mentioned loans accounted for nearly 70%. As at the end of the reporting period, the balance of non-performing retail loans (excluding credit card loans) amounted to RMB12.361 billion, with the ratio of non-performing loan of 0.56%, representing an increase of 0.07 percentage point as compared with the end of the previous year. Excluding credit cards, the mortgage and pledged loans accounted for 65.28% of the Company's new non-performing retail loans formed during the reporting period, the loan-to-value ratio of the above mortgage and pledged loans as at the end of the reporting period was 38.34%. Given that the vast majority of such new non-performing retail loans were fully secured by collaterals, the risk was under control.

As to risk management, during the reporting period, the slowdown of economic growth and the adjustment of the real estate market brought challenges to the quality of retail credit assets. The Company continued to deepen the construction of the risk control system in combination with the changes in market conditions, effectively improved risk management capabilities, and maintained the overall stability of asset quality. Firstly, the Company timely adjusted the retail credit policies and management strategies in combination with the changes in market conditions, and continuously optimised the business structure. Secondly, the internal and external data mining was increased, the model elements were enriched, the strategy model was iterated, and the accurate identification ability of the model for various risk signals was improved. Thirdly, the Company strengthened the digital post-loan management, improved the full-life cycle dynamic monitoring and management for customers, so as to ensure stable asset quality. At the same time, the Company further strengthened the whole chain management of properties, cooperated with government and regulatory authorities to protect the rights and interests of housing consumers, and promoted the stable and healthy development of the real estate market.

3.10.2 Wholesale finance

Business overview

During the reporting period, the Company achieved profit before tax from wholesale finance of RMB62.394 billion, representing an increase of 1.70% as compared with the previous year. The net operating income from wholesale finance of the Company was RMB127.851 billion, representing a decrease of 2.51% as compared with the previous year, and accounting for 40.70% of the net operating income of the Company. Among them, net interest income of wholesale finance business amounted to RMB86.534 billion, representing a decrease of 0.99% as compared with the previous year, and accounting for 67.68% of the net operating income of wholesale finance; the net non-interest income of wholesale finance amounted to RMB41.317 billion, representing a decrease of 5.55% as compared with the previous year, and accounting for 32.32% of the net operating income of wholesale finance business, and 39.91% of the net non-interest income of the Company.

The Company contributed to the development of the real economy with its integrated service concept of "investment banking and commercial banking", transforming from a capital provider to a capital organiser and providing three-dimensional, all-round and multi-level financing support to corporate clients. As at the end of the reporting period, the Company's balance of aggregate financing products to corporate customers (FPA) was RMB5,117.981 billion[18], representing an increase of RMB382.112 billion over the beginning of the year, among which the balance of traditional financing[19] was RMB2,798.244 billion, representing an increase of RMB356.982 billion over the beginning of the year; the balance of non-traditional financing[20] was RMB2,319.737 billion, representing an increase of RMB25.130 billion over the beginning of the year. The balance of non-traditional financing accounted for 45.33% of the balance of FPA, representing a decrease of 3.12 percentage points over the beginning of the year, which was mainly due to the decrease of balance of financing wealth management business over the beginning of the year arising from the business structure adjustment and market conditions.

Wholesale customers

The Company has established a professional and focused corporate customer service system with segmentation and classification management for strategic customers, regional customers, institutional customers, inter-bank customers, cross-border customers and basic customers. During the reporting period, the Company kept on focusing on professional operations of strategic customers of the Head Office and branches, acquisition of high-quality corporate customers and in-depth operations of existing customers. As of the end of the reporting period, the total number of corporate customers of the Company was 2,526,100, representing an increase of 9.02% as compared with the end of the previous year. The number of newly acquired corporate customers during the reporting period was 376,300, contributing daily average deposits of RMB201.255 billion. Among them, 23,500 corporate depositors with daily average deposits of more than RMB500,000 were newly acquired, and such increase achieved a new high.

In terms of strategic customers, the Company optimised and upgraded its strategic customer service model, mobilised bank-wide resources, deepened its overall understanding of customers and their industries through systematic operation of the enterprise itself and its industrial chain and investment chain, promoted the acquisition of strategic customers and led to the innovation of the industrial service model and the breakthrough of business. As of the end of the reporting period, the Company had 340[21] strategic customers at the Head Office level, representing an increase of 14 as compared with the end of the previous year, the daily average balance of deposits was RMB1,028.06 billion, representing an increase of 10.91% as compared with the beginning of the year, and the balance of loans was RMB910.355 billion, representing an increase of 17.10% as compared with the beginning of the year. The number of strategic customers at the branch level was 6,829[22], the daily average balance of deposits was RMB700.799 billion, representing an increase of 11.13% as compared with the beginning of the year, and the balance of loans was RMB318.163 billion, representing an increase of 15.22% as compared with the beginning of the year.

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18 Since the general loans, letters of credit, proprietary non-standardised corporate investments, financing wealth management, matching transactions, and cross-border coordination financing included in the scope of FPA were adjusted in this period, the same-calibre adjustment was made to the data at the beginning of the period, with the opening balance of the adjusted FPA of RMB4,735.869 billion, of which amount of traditional financing amounted to RMB2,441.262 billion and amount of non-traditional financing amounted to RMB2,294.607 billion.

19 Traditional financing comprises general corporate loans and commercial bills discounting (including transfer-out of outstanding bills), acceptance, letters of credit, financial guarantees and non-financial guarantees.

20 The eight compositions of non-traditional financing include: asset operation, proprietary non-standardised corporate investments, financing wealth management, debt financing instruments with the Company as the lead underwriter, matching transactions, financial leasing, cross-border coordination financing and leading syndicated loans.

21 The number of strategic customers at the Head Office level is that of the group customers as the strategic customers at the Head Office level served by the Company.

22 The number of strategic customers at the branch level is the corporate customer number of strategic customers at the branch level served by the Company.

In terms of regional customers, the Company proactively responded to the nation's major regional development strategy and industrial cluster development strategy. By researching and tapping into the regional markets, the Company pushed forward the characteristic operation of 14 branches in key regions among the Yangtze River Delta, Greater Bay Area and Chengdu-Chongqing Region, expanded the coverage of quality customers in the regions and promoted the sustained growth and structural optimisation of the customer bases. The Company managed to meet the comprehensive financial needs of regional customers in terms of financing, settlement and corporate treasury management in virtue of the integrated service of "investment banking and commercial banking", especially increasing its support to customers from such fields as competitive industries with characteristics, green economy, quality manufacturing, old and new infrastructure, self-controllable industries in the regions so as to facilitate the development of regional customers. During the reporting period, the balance of corporate loans of the branches in the above key regions amounted to RMB687.544 billion, representing an increase of RMB106.183 billion from the end of the previous year, accounting for 32.79% of the total corporate loans. The increased loans accounted for 49.40% of the total incremental corporate loans.

With regards to its institutional customers, the Company actively served institutional customers at all levels and of all aspects, shouldered social responsibilities, implemented national policies, assisted in solving various livelihood focuses, social hot spots, and work deficiencies, continuously optimised product systems and user experience, and built the differentiated and integrated service capabilities. Relying on the platform role of institutional customers, the Company strived to build a value creation bank. With regards to serving the State-level government authorities, the Company deepened cooperation in terms of policies, qualifications, systems, data and other aspects, gave full play to the role of the general management platform, and promoted and empowered the integrated operation of the Company and its subsidiaries; with regards to serving the local governments and competent authorities, the Company provided comprehensive services of "financing of intelligence + financing of capital + financing of technology (融智+融資+融科技)", and focused on solving practical problems such as government investment and financing, planning consultation, housing security, labour security, convenient services, industrial structure optimisation, etc. As at the end of the reporting period, the Company had 48,500 institutional customers, with an average daily deposit balance of RMB1,034.548 billion.

With regards to its financial institution customers, the Company explored the platform value and financial value of financial institution customers and adopted the strategy of providing bank-wide services. The Company successfully explored the platform-based operation of financial institutions to help the development of retail and other wholesale businesses and the improvement of operation and management. Through the platform-based operation of customer groups such as securities traders, policy banks, and mutual funds, the Company helped the acquisition and operation of corporate customers, gave full play to the brand advantages of CMB, improved the distribution coverage of financial institution customers, and achieved the introduction of high-quality retail customers through the channels among financial institutions.

With regards to its cross-border customers, the Company has overcome many unfavourable factors in domestic and overseas markets, continuously improved the competitiveness of systematic operation of cross-border business under the main direction of customer operation and expansion, created new advantages in cross-border services with "domestic and overseas integration" and Fintech, reshaped the influence of cross-border finance brands with a new product system of "Cross-Border E Zhao Tong(跨境E招通)", and strengthened the construction of a compliant and stable foreign exchange policy and risk management system with long-termism. As at the end of the reporting period, the Company had 78,877 corporate customers in respect of international settlement, representing a year-on-year increase of 5.80%.

With regard to its basic customers, the Company has explored the corporate basic customer expansion model based on "people + digitalisation" to provide digital operation services for millions of micro-, small-, and medium-sized enterprise customers by establishing a centralised operation mechanism, a first-level operation paradigm and a digital operation system, effectively improving the customer service efficiency. The Company has innovated and explored the corporate real-time business opportunity capture and active service mode, optimised the multi-channel collaborative service process, achieved the system automatic recommendation of services and products, and improved the service breadth and efficiency. During the reporting period, the Company served 37.1319 million times for corporate customers through various online channels. During the reporting period, the Company had 1,075,600 corporate customers for withholding transactions, representing a year-on-year increase of 9.93%. The transaction amount was RMB2.01 trillion, representing a year-on-year increase of 34.00%.

Corporate customer deposits

During the reporting period, the Company focused on the capital diversion business opportunities in the key business sectors of the market, expanded low-cost capital source channels, and achieved high-quality and stable growth of corporate deposits. As of the end of the reporting period, corporate customer deposit balance was RMB4,318.688 billion, representing an increase of 9.49% as compared with the end of the previous year. The daily average balance was RMB4,259.198 billion, representing an increase of 13.10% as compared with the previous year. Demand deposits accounted for 60.55% of the average daily balance of corporate customers' deposits, representing a decrease of 1.74 percentage points as compared with the previous year. During the reporting period, the average cost rate of corporate customer deposits was 1.72%, representing an increase of 10 basis points as compared with the previous year.

Corporate loans

As of the end of the reporting period, the Company's total corporate loans amounted to RMB2,097.114 billion, representing an increase of 11.42% as compared with the end of the previous year, accounting for 36.66% of the Company's total loans and advances, representing an increase of 0.82 percentage point as compared with the end of the previous year. Among them, the balance of medium- and long-term loans of domestic companies amounted to RMB1,326.895 billion, representing an increase of 7.92% as compared with the end of the previous year, accounting for 65.70% of the total loans of domestic companies, representing a decrease of 2.98 percentage points as compared with the end of the previous year. The non-performing loan ratio of the corporate loans was 1.25%, representing a decrease of 0.06 percentage point as compared with the end of the previous year.

As of the end of the reporting period, the balance of loans to national standard domestic large enterprises was RMB931.503 billion, representing an increase of 13.46% as compared with the end of the previous year, accounting for 46.13% of the loans to domestic companies, representing an increase of 0.27 percentage point as compared with the end of the previous year, and the non-performing loan ratio was 0.90%, representing a decrease of 0.24 percentage point as compared with the end of the previous year. The balance of loans to national standard domestic medium-sized enterprises was RMB556.005 billion, representing an increase of 3.39% as compared with the end of the previous year, accounting for 27.53% of the loans to domestic companies, representing a decrease of 2.51 percentage points as compared with the end of the previous year, and the non-performing loan ratio was 2.06%, representing an increase of 0.62 percentage point from the end of the previous year. The balance of domestic national standard small- and micro-sized enterprise loans was RMB386.882 billion, representing an increase of 20.40% as compared with the end of the previous year, accounting for 19.16% of domestic corporate loans, representing an increase of 1.21 percentage points as compared with the end of the previous year, and the non-performing loan ratio was 1.00%, representing a decrease of 0.25 percentage point as compared with the end of the previous year. The balance of other domestic loans classified based on national standards[23] was RMB145.123 billion, representing an increase of 31.78% as compared with the end of the previous year, accounting for 7.19% of domestic corporate loans, representing an increase of 1.04 percentage points as compared with the end of the previous year, and the non-performing loan ratio was 1.38%, representing a decrease of 1.70 percentage points as compared with the end of the previous year.

During the reporting period, the Company actively responded to the national policy guidance, steadily optimised the corporate loan structure, focused on the high-quality manufacturing industry, green economy, technology innovation, inclusive finance and other fields to increase financial support and investment and actively expanded the loan business under the scenarios of state-owned enterprises' mixed-ownership reform and listed companies' refinancing. The Company adhered to the positioning of "houses are for living in and not for speculative investment" and steadily and orderly promote the development of real estate business. For the key regulatory areas such as local government financing platforms, the loan release control was strictly implemented in accordance with the regulatory guidance. As of the end of the reporting period, the balance of the corporate loans extended to the manufacturing industry was RMB443.852 billion, representing an increase of RMB123.792 billion as compared with the end of the previous year, accounting for 21.16% of the total corporate loans. The balance of green loans was RMB355.357 billion, representing an increase of RMB91.515 billion as compared with the end of the previous year, accounting for 16.95% of the total corporate loans. The balance of loans to strategic emerging industries was RMB302.323 billion, representing an increase of RMB83.169 billion as compared with the end of the previous year, accounting for 14.42% of the total corporate loans. For loans in key areas such as real estate and local government financing platforms, please refer to Chapter 3.9.

Bill business

During the reporting period, the Company actively responded to market changes, put forward new ideas for the development of bill business, vigorously strengthened its ability to operate bills and serve customers, and realised a comprehensive transformation from product-oriented to customer-oriented comprehensive services. During the reporting period, the number of customers of bill business of the Company was 143,369 with a year-on-year increase of 1.77%, among which over 100,000 were micro-, small- and middle-sized customers, accounting for over 70% of the total. The volume of direct bill discounting business was RMB1,518.742 billion, representing a year-on-year increase of 21.42%, ranking second in the market (data from the China Banking Association), of which the volume of commercial acceptance bill discounting business was RMB174.077 billion, ranking first in the market (data from the Commercial Bank Bill Business Association). During the reporting period, the number of customers of online bill discounting business of the Company was 22,918 with a year-on-year increase of 27.07%, of which small- and medium-sized enterprises accounted for 95.94%. The online bill discounting business volume was RMB419.376 billion, representing a year-on-year increase of 32.30%. As of the end of the reporting period, the Company's bill discounting balance was RMB513.857 billion, representing an increase of 19.75% as compared with the end of the previous year.

[23] Such loans include loans made by domestic institutions to overseas and offshore customers, domestic non-enterprise customers and individual industrial and commercial households.

The Company keeps on strengthening the investment and research integration mechanism and the trading strategy of flow management and market timing and optimises the trading mechanism of Head Office and branch cooperation and discounting and inter-bank discounting linkage. During the reporting period, the discounted bills transferred to other financial institutions amounted to RMB1,450.794 billion, representing a year-on-year increase of 16.17%, ranking second in the market (data from the China Banking Association).

The Company keeps on implementing the rediscounting policy of the People's Bank of China, actively supports enterprise financing and serves the real economy through rediscounting. During the reporting period, the business volume of bill rediscounting amounted to RMB206.654 billion, representing a year-on-year increase of 16.63%. As of the end of the reporting period, the Company's rediscounting balance was RMB82.472 billion, representing an increase of 26.08% as compared with the end of the previous year, ranking first in the market (data from the China Banking Association).

Transaction banking business

During the reporting period, the Company adhered to the three business scenarios of corporate treasury management, sales and procurement, focused on the actual needs of enterprises in digital transformation and delivered the achievements of its Fintech innovations to enhance its capability to serve customers.

The Company also actively explored the integrated digital services for enterprises under the scenario of "integration of business and finance", and provided services such as account management, billing management, investment, and wealth management, budget management, financing management, and international business through the CBS + treasury management open platform of the Company, to meet the medium- and large-sized enterprises' demands for finance management upgrading and digital transformation. Through the "Cloud-based Direct Connect (雲直聯)" mode, the Company speeded up the connection between its business systems and the ERP, OA, expense control system, and supply chain financial platform applied in the business operations, so as to facilitate enterprises to directly use the Company's financial services. As at the end of the reporting period, the number of active users of Cloud-based Direct Connect reached 128,700, representing an increase of 27.80% as compared with the end of the previous year. In response to the demand for digital upgrade of corporate finance and taxation and informatisation management of files, the Company provided non-financial services such as contract management, invoice management, and intelligent reviewing, and leveraged its Fintech capabilities to help enterprises improve their management efficiency. As at the end of the reporting period, the number of Invoice Cloud customers reached 278,900, representing an increase of 162.00% as compared with the end of the previous year.

With respect to the corporate sales, the Company helped enterprises collect capital through multiple-channels and manage their capital after collection by creating a "Corporate Cashier (企業收銀台)". The Company provided standardised and personalised account services, capital collection, and reconciliation services based on different sales models; The Company actively carried out the service for group-based management, franchise, and platform enterprises, and it also continued to promote the collection service program named "One Entire Bank for One Customer (全行服務一家)". During the reporting period, the customers of corporate collection products reached 62,700, representing a year-on-year increase of 71.69%; The accumulated transaction amount of corporate collection products was RMB4.25 trillion[24], representing an increase of 17.06% as calculated on the same basis of the previous year.

In respect of the procurement payment and short-term financing needs of corporate customers, the Company continued to optimise online payment products and the letters & certificates issuance business, enhance the convenience of online operation, enrich the "Shan Dian Series" products of domestic trade financing, and improve the efficiency of financing and lending. During the reporting period, the letters & certificates issuance business transactions of the Company amounted to RMB405.255 billion, representing a year-on-year increase of 41.32%; the domestic trade financing business volume amounted to RMB930.068 billion, representing a year-on-year increase of 19.75%.

Cross-border finance business

During the reporting period, the Company continued to enrich the connotation of cross-border finance services, delivered the product service system from the perspective of customers, and highlighted the five-in-one comprehensive service advantages of "domestic and foreign, local and foreign currencies, offshore and onshore, online and offline, and investment and commercial banking" around the full-life operation cycle and full scenario needs of customers. As at the end of the reporting period, the Company's corporate international settlement amounted to USD408.236 billion, representing a year-on-year increase of 10.38%.

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[24] Due to the increase in the withholding business of water, electricity and gas for corporate collection products in the current period, the year-on-year data were adjusted based on the same calibre.

The Company enhanced the operation of characteristic customers and key scenario operations in cross-border finance business, made full use of both domestic and foreign markets and resources, continued to build a full-licence operation system for three types of non-resident accounts, focused on overseas trade, investment and financing, entity operation and treasury platforms for customers "going global", and strengthened the operation of high-quality customer groups in the capital market with overseas listed companies as the core. Through scenario-based special research, list-based marketing, and project-based operation, the Company provided a package of comprehensive customer management plans.

By further promoting digital operation and management, the Company has greatly improved the online rate of cross-border finance business, built full-scenario online services of cross-border settlement, transaction, and trade financing through the iterative optimisation of product functions, and made every effort to build an "international business zone" for online enterprise banking, to expand customer groups in a "people + digitalisation" service mode. The efficiency, quality, and experience of customers in handling business have been comprehensively improved. During the reporting period, the number of corporate cross-border online remittances of the Company was 631,700 times, representing a year-on-year increase of 75.62% and accounting for 75.61% of the total number of corporate cross-border remittances, representing a year-on-year increase of 23.59 percentage points.

The Company strengthened the construction of a comprehensive risk management system for cross-border finance to ensure the steady development of business. The Company also focused on strengthening credit risk monitoring, improving the refined management of anti-money laundering strategies, highlighting country risk and market risk management, and maintaining "zero occurrence" of fraud-related risk events and sensitive risk events related to newly opened accounts.

Inclusive finance business

The development of inclusive finance is an important measure for the Company to actively serve the real economy. It is an inherent need to achieve high-quality and sustainable development under the new situation, and an active choice to explore potential market opportunities and create differentiated competitive advantages. In this context, the Company established the Inclusive Finance Department in November 2022. Through measures such as increasing resource investment, improving systems and mechanisms, and innovating products and services, the Company actively implemented the principle of "Daring to Lend, Willing to Lend, Able to Lend, and Agree to Lend". Centring on the two key objectives of "expanding coverage and increasing volume", the Company took the three main lines of supply chain and scenario-based finance, sci-tech finance, and small- and micro-sized enterprises finance as the basis. The Company also explored a new four-in-one model of customer, product, risk, and operation, improved the five supports of team, brand, resource, assessment, and collaboration, and built a long-term mechanism for inclusive finance development. As at the end of the reporting period, the loan balance of inclusive small- and micro-sized enterprises of the Company amounted to RMB678.349 billion, representing an increase of RMB77.249 billion or 12.85% as compared with the end of the previous year, 3.93 percentage points higher than the overall loan growth rate of the Company; The number of inclusive small- and micro-sized enterprises with loan balance was 990,700, representing an increase of 77,400 or 8.47% as compared with the end of the previous year. During the reporting period, the Company newly issued inclusive loans of RMB476.243 billion for small- and micro-sized enterprises, with an average interest rate of 5.15%, down by 13 basis points year-on-year.

With regard to its supply chain and scenario-based finance, the Company continued to empower the industrial chain of leading enterprises in various industries and help small- and medium-sized enterprises on the chain to solve financing problems. Firstly, the Company gave full play to the existing advantages of its supply chain business of "One Entire Bank for One Customer (全行服務一家)" and product online, continuously improved the user experience and strove to cover more customer groups. As of the end of the reporting period, the Company has launched a total of 247 projects under this model, extended its services to 22,903 small- and medium-sized enterprises, of which 18,842 enterprises were granted financing support, with the amount of granting loans of RMB268.484 billion. Secondly, based on the specialisation, the Company customised industry solutions around energy, new retail, communication, automobile, and other industries. During the reporting period, the business volume of the Company's supply chain financing amounted to RMB661.982 billion, representing a year-on-year increase of 8.17%, serving 5,572 core enterprises, and 33,260 upstream and downstream customers.

With regard to its sci-tech finance, the Company has provided products and services based on the needs of science and technology enterprises in four scenarios: capital, industry, digitalisation, and talent through the pilot project involving 6+1 branches, including six first-level branches in Beijing, Shenzhen, Shanghai, Nanjing, Hangzhou, and Hefei and one second-level branch in Jiaxing. As at the end of the reporting period, the balance of loans[25] extended to technology enterprises by the Company amounted to RMB295.608 billion, representing an increase of RMB91.547 billion or 44.86% as compared with the end of the previous year. With regard to its Qian Ying Zhan Yi (千鷹展翼) service system, focusing on the listing service needs of science and technology innovation enterprises, the Company provided comprehensive listing service solutions for customers of to-be-listed enterprises with the listing service ecological partners such as exchanges, governments, intermediaries and private equity, participated in and supported the 11th China Innovation and Entrepreneurship Competition, and brought investment and private technology products and services to participating enterprises. As at the end of the reporting period, the number of customers served by Qian Ying Zhan Yi (千鷹展翼) system of the Company reached 32,106.

Investment banking business

During the reporting period, the Company drove business innovation with product innovation, with refined management continuing to deepen, risk management achieving remarkable results, and the investment banking business developing steadily.

With respect to its bond underwriting business, the Company strove to build an all-round service system for bond issuance enterprises to serve customers in direct financing. During the reporting period, the bonds with the Company as the lead underwriter amounted to RMB675.001 billion, and debt financing instruments of non-financial enterprises ranked third in the market in terms of scale (based on the data from the National Association of Financial Market Institutional Investors), among which the perpetual bond ranked first, the Asset-Backed Note (ABN) ranked second, and the green bond ranked third. At the same time, the Company actively implemented the national industrial policy, launched innovative products such as science and technology innovation notes and sustainable development bonds, and its underwriting scale ranked among the top in the industry.

With respect to its M&A financing business, the Company overcame the unfavourable factors of the shrinking M&A transaction market, further improved the business system, and strengthened the ability to organise high-quality assets. During the reporting period, the Company achieved M&A financing of RMB186.424 billion, and the proportion of the balance of M&A loans to the corporate loan balance hit a record high. Many major projects with market influence were implemented, which enhanced the brand influence of the Company in the M&A market.

With respect to its corporate wealth management business, the Company continued to improve the product system, expanded multi-type asset management cooperation institutions, and enriched products with different maturity and risk-return characteristics. During the reporting period, the Company's average daily balance of corporate wealth management products was RMB384.996 billion.

With respect to its market transactions (matching services) business, the Company vigorously carried out matching business based on the capital preference of licenced financial institutions under the "One Bank, Two Commissions(一行兩會)" to meet the financing needs of industrial customers and support the development of the real economy. During the reporting period, the business volume of market transactions (matching services) of the Company increased by 5.40% year-on-year.

Financial institution business

With respect to its financial institution asset and liability business, the Company continued to deepen the services of financial institution customers and expand high-quality financial institution customers. During the reporting period, the daily average balance of financial institution deposits of the Company amounted to RMB663.564 billion. Among them, the daily average balance of financial institution demand deposits from fund clearing, settlement and depository service amounted to RMB598.864 billion.

With respect to its depository service, the Company's security and future margin depository services were in stable operation, conducting cooperation with 105 securities companies in third-party depository services and 15,474,800 customers were secured at the end of the reporting period. In addition, the Company entered into cooperation with 93 securities companies on margin trading and short selling business, securing 547,100 customers at the end of the reporting period. Also, the Company entered into cooperation with 58 securities companies on stock options business, securing 43,900 customers at the end of the reporting period, and entered into cooperation with 141 future companies on fund transfer, securing 361,300 customers at the end of the reporting period.

25 Represents loans granted to technology enterprises such as "specialised, competitive, distinguished and innovative (專精特新)" enterprises, high-tech enterprises and technology-based SMEs by the Company.

With respect to the businesses on interbank online service platform, through the interbank online service platform "Zhao Ying Tong (招贏通)", the Company provided financial institutions with online sales and trading services of various products and assets throughout the market, and positive progress has been made in business operations during the reporting period. As at the end of the reporting period, the number of financial institution clients on the "Zhao Ying Tong" platform of the Company reached 3,067, and during the reporting period, the online business volume amounted to RMB1,737.904 billion, increasing by 9.39% as compared with the end of the previous year. Among them, the online sales volume of third-party asset management products amounted to RMB774.243 billion, representing a year-on-year increase of 24.78% in accordance with the same calibre.

Asset management business

As at the end of the reporting period, the total asset management business of CMB Wealth Management, China Merchants Fund, CIGNA & CMAM, and CMB International Capital all being subsidiaries of the Company, amounted to RMB4.41 trillion[26], representing an increase of 2.32% as compared with the beginning of the year, among which the balance of wealth management products under management by CMB Wealth Management amounted to RMB2.67 trillion[27], representing a decrease of 3.96% as compared with the end of the previous year; the scale of assets management business of China Merchants Fund amounted to RMB1.48 trillion[28], representing an increase of 10.40% as compared with the beginning of the year; the scale of asset management business of CIGNA & CMAM amounted to RMB164.733 billion[29], representing an increase of 78.47% as compared with the beginning of the year; the scale of asset management business of CMB International Capital amounted to RMB104.315 billion, representing an increase of 7.10% as compared with the end of the previous year.

During the reporting period, the Company adhered to the development concept of "safeguarding customers' wealth with loyalty, securing steady and sustainable growth with integrity and innovation". CMB Wealth Management explored a high-quality growth model from the perspective of long-term development based on the practice of inclusive finance. **In terms of promoting business transformation,** it continued to push forward with product rectification. As at the end of the reporting period, the balance of its new products[30] amounted to RMB2.56 trillion, accounting for 95.88% of the balance of the total wealth management products, while the reduction progress of individual assets of the remaining old products was faster than the rectification plan. As for cash products, the Company realised a stable transformation in accordance with the requirements of the New Cash Regulation. **In terms of improving risk management,** CMB Wealth Management coordinated and promoted establishment of risk management system catering for various levels and categories focusing on management of credit risk, market risk and other five risks, and strengthened concentration risk control for single credit entity and enhanced risk alerts and active management for key areas. Strict internal risk control measures were implemented, and systems such as consumer rights protection shall be established and improved to protect the rights and interests of investors. **In terms of enriching its product system,** CMB Wealth Management focused on meeting customers' diversified financial needs, and had developed more than 110 series of products. Moreover, CMB Wealth Management have cooperated with China Merchants Bank again for launching the convenient wealth management service of "Ri Ri Bao (日日寶) " after the successful launch of "Zhao Zhao Bao (朝朝寶)", while continuously issuing pension wealth management products and strengthening the sales of scenario-based products, resulting in enhancement of customer loyalty. **In terms of promoting Fintech empowerment,** the technology platform (Harbour System) independently developed by CMB Wealth Management has moved from an operational platform to an analytical platform as a whole, which has significantly improved the efficiency of investment research, risk control, and operation, and won the Shenzhen Fintech Initiative Award and the recognition of industry experts. **In terms of deepening cooperation with JPMorgan Asset Management (Asia Pacific) Limited,** CMB Wealth Management has invested in 53 products of the mutual funds and dedicated fund accounts of JPMorgan Asset Management (Asia Pacific) Limited and its related parties; At the same time, the two sides gave full play to their respective advantages in the fields of fixed income and global equity investment, jointly issued four multi-asset financial products, and carried out in-depth exchanges in investment research, risk analysis, technology application, and other aspects.

26 The total volume of asset management business of China Merchants Fund and CMB International Capital both included the data of their respective subsidiaries.

27 The balance refers to the sum of the principal of wealth management products and the changes in net value of the net-value products of customers as at the end of the reporting period.

28 The statistical calibre has been changed, and the figures of the previous year have been adjusted in accordance with the same statistical calibre.

29 Comparable data was adjusted according to the regulatory reporting calibre and same statistical calibre.

30 New products are wealth management products in compliance with the relevant provisions of the New Regulation on Asset Management.

During the reporting period, China Merchants Fund anchored the main line of "high-quality" development and strived to promote the "contrarian growth" of the Company's business. As at the end of the reporting period, the scale of non-monetary mutual funds reached RMB560.891 billion, representing an increase of 2.29% as compared with the end of the previous year. **In terms of enhancing capabilities of investment and research,** it continued to promote the integration of investment and research systems, further improved the investment management system, enhanced the building of platform systems for investment and research, and strengthened in-depth research and investment and research interaction in the form of industrial chain groups. **In terms of deepening customer operation,** it actively promoted channel and customer base development, accelerated the expansion of the pension annuity business, strengthened customer operation and after-sales service follow-up, provided its customers with professional market analysis and investment insight in a timely manner under the condition of increasing market fluctuations, and guided rational investment and long-term investment. **In terms of improving product layout,** according to the new changes in the capital market, it actively and appropriately adjusted the product strategy; launched the first batch of innovative products in many industries such as the Beijing Stock Exchange 50 Index, the policy-based financial bond ETF and the Carbon-Neutral ETF. The scale of newly issued products during the reporting period ranked among the top in the industry. At the same time, it continued to vigorously develop public REITs business and realised the winning of bids for multiple projects of different asset categories. **In terms of promoting digital transformation,** it continued to increase investment in science and technology, focused on the improvement of self-development ability and innovation ability, and took a solid step in digital transformation. **In terms of strengthening the internal control mechanism,** it continued to adhere to the steady operation tradition, focused on improving risk control measures, strengthened daily liquidity risk management, improved the scientific level of the compliance audit, and consolidated the foundation of anti-money laundering measures, and as a result, no major risk compliance incidents have occurred during the reporting period.

During the reporting period, CIGNA & CMAM integrated into the strategic layout of the Group and the flywheel of the parent bank with three major businesses, namely "insurance fund entrustment, debt-guaranteed investment plan, and portfolio asset management products", and exerted its special expertise, dislocation development, and complementary advantages in the value cycle chain of extensive wealth management, striving to become an asset management institution that is good at managing long-term funds and has core competitiveness. **In terms of insurance fund fiduciary business,** it actively responded to the low-interest rate environment and the violent fluctuations in the capital market, adjusted allocation and investment strategies in a timely manner around the fiduciary objectives and in line with market changes, and took multiple measures to steadily improve the scale and income and served the main business of life insurance. As at the end of the reporting period, the scale of insurance funds under entrusted management was RMB108.868 billion, representing an increase of 26.45% as compared with the end of the previous year. **In terms of product creation,** it strove to develop special expertise in debt-guaranteed investment banking business with focus on top-quality customers while accelerating the creation of alternative capital management products and portfolio capital management products, thereby driving the flywheel of asset organisation with long-term capital investment and effectively served the national strategy and the real economy with the special advantages of insurance asset management. **In terms of operation and risk management,** it focused on the construction of the five core investment capabilities, i.e. "asset allocation capability, comprehensive risk management capability, internal and external manager selection capability, insurance bond investment banking capability, and Fintech capability", while enhancing the expertise of refined management, strengthening comprehensive risk management, aiming to improve overall efficiency by fostering organisational culture.

During the reporting period, CMB International Capital was committed to leveraging its professional ability of asset organisation and cooperated with the Head Office and branches of the Company to provide integrated services of investment banking + commercial banking for its customers. The asset management business leaps into the first echelon of the industry featuring private equity investment. In terms of domestic equity investment fund business, the investment efficiency, talent attraction, and industry influence continued to improve. A total of thirteen domestic and overseas projects were listed during the reporting period. In terms of overseas asset management business, it continued to promote its fund-raising efforts in an unfavourable market environment, and successfully withdraw its equity projects from the secondary market at opportune times, so as to create returns for investors. It initiated the establishment of Aquila Acquisition Corporation, the first special purpose acquisition company in Hong Kong which completed listing and funds raising in Hong Kong during the reporting period, which has strengthened the Group's brand advantage in the innovative business at home and abroad. During the reporting period, in accordance with statistics from Bloomberg, CMB International Capital ranked second among all investment banks in terms of market share of IPO underwriting in Hong Kong, and ranked first among all Chinese funded banks.

Asset custody business

As at the end of the reporting period, the balance of assets under custody of the Company was RMB20.06 trillion, representing an increase of 3.08% as compared with the end of the previous year. During the reporting period, the Company realised a custodian fee income of RMB5.747 billion, representing a year-on-year increase of 6.50%.

During the reporting period, with the goal of striving to become the first-inquiry custodian bank for customers with the strongest core competitiveness, the Company continued to optimise the structure of custodian business, gradually promoted the centralisation, automation, and intelligentisation of its business operations, with its capability of customer acquisition and offering comprehensive service in custody business improved continuously, thereby enhancing the influence of its custodian brand.

Firstly, the Company adhered to the high-quality growth of custody business and consolidate the advantages of key businesses. In terms of mutual funds, the Company managed a total of 195 newly issued mutual funds during the reporting period, with a total establishment scale of RMB204.8 billion, ranking first in the industry in terms of both number and size according to the data from WIND, and the year-on-year growth of custodian fee income of mutual funds ranked first in the industry based on the data from the China Banking Association. As at the end of the reporting period, the balance of insurance assets under custody amounted to RMB2.24 trillion, representing an increase of 34.94% as compared with the end of the previous year, ranking fifth in the industry and one ranking higher than the previous year according to the data from the China Banking Association.

Secondly, the Company seized market opportunities and made key breakthroughs in innovative products. During the reporting period, the Company continued to maintain the custody advantage of public REITs. As at the end of the reporting period, 24 public REITs have been launched in the market, of which 11 were under the custody of the Company, which secured the Company to rank first in terms of market share. In terms of the third-pillar pension, the Company has deeply participated in the implementation of the national policies relating to individual pension funds. Among the first batch of 7 exclusive commercial pension insurance products, 3 of them were managed by the Company, with a market share of 43%. The Company vigorously developed the emerging cross-border businesses and successfully implemented the overseas securities investment custody business of the first private equity fund QDII (qualified domestic institutional investor) product in China and the first QDLP (qualified domestic limited partner) custody business in Guangdong, Hainan, and other places.

Thirdly, the Company continued to optimise the custody + service system with technology empowerment and enhanced the custody experience for the customers. The Company actively used AI technology to ensure efficient response of custody business, created a "custody plus 2.0 (託管+2.0)" value-added service platform, further optimised and improved investment and research service functions, and established a new custody service system featuring "asset protection, resource linking, operation outsourcing, and digital services".

Financial markets business

With respect to bond investment, for RMB bond investment, based on the overall judgement of the downward fluctuation of bond market interest rates in early 2022, the Company took the initiative in the first half of the year to increase investment, maintained high positions in accounts, extended the duration, further improved the subject qualification of credit debentures, and optimised the portfolio structure. Through continuous band trade and moderate leverage strategy, the Company increased investment income, reduced positions in time in the second half of the year and gradually shortened the duration to lock in income; In terms of foreign currency bond investment, the Company shortened the duration of the foreign currency bond portfolio at the beginning of 2022, seized the opportunity of credit spread fluctuation, increased the scale of foreign currency bond investment in the fourth quarter, and increased the allocation of foreign currency bonds at the high yield point. During the reporting period, the Company further deepened the digital transformation of investment and trading business, continuously enriched the quantitative trading factor library of fixed income, continuously optimised the duration adjustment strategy of interest rate bonds, realised the firm operation of the forward automatic market-making strategy of standard bonds. At the same time, the Company actively constructed pricing benchmarks such as real-time yield curves and interest rate risk factor models and promoted the construction of an automatic market-making system for cash bonds.

With respect to foreign exchange transactions, during the reporting period, the Company enhanced research and judgement on the economic situations, inflation and monetary policies of major countries in the world, adhered to the steady operation concept, flexibly adjusted the trading strategies under different market conditions, and obtained relevant market making and returns on trading transactions.

With respect to precious metals trading, the Company closely followed the main line of market trading, flexibly used a variety of trading instruments, timely adjusted trading strategies, and obtained returns on investment transactions.

With respect to customer transaction business, the Company continued to strengthen service capacity, compiled and issued the 2022 White Paper on Enterprise Exchange Rate Risk Management in China, continuously guided customers to establish the concept of neutral management of exchange rate risk, and customised exchange rate risk management plans for customers in combination with their main business scenarios. At the same time, it actively used Fintech to serve customers, promoted the construction of online transactions and international business zones, and improved customer service efficiency and reduced the hedging costs of enterprises through digital means. The "CMB Hedging (招銀避險)" service system was further enriched, and both the number of corporate derivative customers and the trading volumes continued to grow.

During the reporting period, the interbank trading volumes of RMB exchange swaps amounted to USD759.425 billion. The trading volumes of transaction services to the corporate customers amounted to USD221.980 billion. In addition, the Company continued to actively participate in the two-way opening up of the bond market, provided high-quality services for overseas investors, and was awarded the "Northbound Top Market Maker" by Bond Connect Company Limited.

3.10.3 Distribution channels

The Company provides products and services via multiple online and offline distribution channels.

Offline channels

The Company's business is mainly in the market of China, and its distribution network is mainly distributed in major central cities in the Chinese mainland and some international financial centres such as Hong Kong, New York, London, Singapore, Luxembourg and Sydney. As of the end of the reporting period, the Company has 143 branches and 1,756 sub-branches in China, 2 branch-level specialised institutions (a credit card centre and a capital operation centre), 2,695 self-service banks, 5,855 cash self-service devices and 12,511 visual counters; The Company has a Hong Kong branch, a New York branch and a representative office in the United States, a London branch in the UK, a Singapore branch, a Luxembourg branch, a representative office in Taipei and a Sydney branch in Australia.

Online channels

Major online channels of retail

CMB APP

During the reporting period, the Company kept on deepening its services for core financial scenario around the extensive wealth management to promote the continuous improvement of customer experience of CMB APP. The Company also kept on improving the construction of the digital middle office system and consolidating the underlying capacity of the retail customer base for hierarchical and classified management. The Company deepened the business exploration of the open ecosystem of wealth, actively cooperated with external institutions, expanded the service boundary of CMB APP, built the asset allocation capability represented by "CMB TREE assets allocation service system" to provide customers with customised wealth service plans, launched intelligent accompanying mechanism to improve user investment experience, accelerated the iterative upgrading of smart services such as "AI Xiao Zhao" and improve the service model of "people + digitalisation".

As of the end of the reporting period, the cumulative number of users of CMB APP amounted to 188 million. During the reporting period, the maximum number of daily active users of CMB APP reached 18,037,100 and the number of logins to the CMB APP was 7.354 billion in the year, with a monthly average individual logins of 9.85. The number of monthly active users was 66,862,000 as of the end of the period. During the reporting period, CMB APP had 1.766 billion transactions and a total transaction amount of RMB52.87 trillion, down by 7.73% and 11.32% respectively, as compared with the corresponding period of the previous year.

CMB Life App for credit card

During the reporting period, CMB Life App was comprehensively upgraded by the Company. The Company explored customer needs in a deep-going way, optimised the navigation bar of the main interface and provided new products and services such as account checking and repayment, all-scenario accompanying customer service, consumption report and handheld live broadcast, to better connect the life, consumption and finance of hundreds of millions of users. Brand marketing activities such as "Cashback" and "10 Yuan Storm" were carried out to attract tens of millions of customers. The Company effectively promoted credit card consumption through efficient and large-scale customer mobilisation, closely connecting with customer operation.

As of the end of the reporting period, the cumulative number of users of CMB Life App amounted to 137 million. During the reporting period, the maximum number of daily active users of CMB Life App reached 6,723,400 and the number of monthly active users was 43,841,300 as of the end of the period. In terms of user engagement, CMB Life App was in the front rank among other credit card Apps in the banking industry.

Network operation service

The Company's Network Operation Service Centre provides instant, comprehensive, prompt, professional, and caring services to its customers through such as telephone, network and video.

By deepening the application of "people + digitalisation", the Company improves the adaptability of customer services, gives priority to guiding customers to use intelligent self-service to quickly handle simple and standardised businesses, provides direct and convenient services for customers who need manual services and provides efficient, high-quality, warm elderly-oriented service experience for elderly customers. The Company conscientiously practiced social responsibility, ensured uninterrupted service delivery through the service mode of "home office + on-site office", and gave priority to providing customers in areas affected by natural disasters and other factors with "much-needed business". During the reporting period, the remote online omni-channel manual service connection rate was 98.00%, the remote online omni-channel manual service response rate of 20 seconds was 94.89%, and the remote online omni-channel customer satisfaction rate was 98.53%. With "people + digitalisation" as the new engine, the Company keeps on increasing the driving force of Fintech, further broadens the construction boundary of online service scenarios, improves the intelligent robot operation system and accelerates the development of intelligent services. During the reporting period, the proportion of intelligent self-service[31] in remote response consulting services was 81.38%.

Smart service system

The Company keeps on optimising the intelligent service network with "CMB APP" and "CMB Life App" as the core. During the reporting period, the Company further strengthened the AI-powered intelligent customer service capability and closed-loop service level of Xiao Zhao of CMB APP and the intelligent customer service of CMB Life App, provided customers with high-quality intelligent service products. The Company kept on polishing the AI Xiao Zhao platform-level products, connected the various scenarios of the App to help upgrade the service, initially completed the integration with Xiao Zhao customer service, provided full hosting and auxiliary response functions and empowered the customer manager to operate. As of the end of the reporting period, AI Xiao Zhao served a total of 12.09 million users. The Company adheres to the decentralised strategy of credit card service interaction, actively uses AI and big data to accurately match customer demands, flexibly connect service channels, explore active service mode and provide efficient and convenient service access for customers.

Major wholesale online channels

During the reporting period, the Company promoted the "Light-model Bank" plan 2.0 of wholesale online channels, creating "out-of-the-box" service capabilities, and improving its "humanised" experience. With the two major service channels of online corporate banking and CMB Corporate App, the Company continuously improved the "easy-to-use, intelligent and open" digital service platform, offering service portals for users with different roles in the enterprise, and offering opening of standardised service packages for new account-opening customers, greatly simplifying the opening process. As at the end of the reporting period, the Company had 2,392,500 wholesale customers on the online channels, with a coverage rate of 94.71%, and more than 90% of corporate business was handled online via the online corporate banking or CMB Corporate App; the number of monthly active customers of the wholesale online channel reached 1.5194 million, representing a year-on-year increase of 8.15%; the total number of wholesale online channel transactions of the Company reached 326 million, representing a year-on-year increase of 3.80%, and total value of transactions amounted to RMB174.65 trillion, representing a year-on-year increase of 14.63%.

3.10.4 IT and R&D

During the reporting period, the Company accelerated the digital transformation. While successfully completed the three-year cloud migration project, the Company strengthened the construction of key systems, ensured the continuous growth of scientific and technological output, further accelerated the delivery speed, and supported the high-quality growth of "Digital CMB".

In terms of Fintech infrastructure, the Company achieved a stable and seamless migration to the cloud, created a new foundation of digitalisation, and possessed the ability to independently control in core areas; With the industry-leading availability of the core accounting system and backbone network, Phase II of Shenzhen Pinghu Data Centre commerced operation, providing key infrastructure for the Company's core business. The Company gave full play to the function of "two middle offices", the data middle-office and technology middle-office. DDH, the home of data developers, was put into operation to improve the development efficiency of comprehensive data. The technology middle-office continued to release shared components and promoted the platform construction of independent intellectual property rights, taking a leading position in the construction and application of domestic low code development platform. "Yun Xiao" (雲效), a one-stop micro-service application design and R&D management platform, was launched to support the implementation of the cloud development paradigm through the tool system, making the R&D process automated, visible and manageable, and improving the quality and efficiency of R&D.

31 It refers to the proportion of services undertaken by intelligent robots in various remote inquiries services (including phone calls and online text).

The Company accelerated the promotion of new technology applications and deepened the construction of intelligent applications by comprehensively enhancing the expansion ability of intelligent customer service and building a bank-wide intelligent recording and auditing middle office and introduced the Company's digital products. RPA+ (Robotic Process Automation), with independent intellectual property right, evolved from an automation tool to a digital workforce with the basic ability to listen, read, write and act. Since the digital RMB service was launched on 4 January 2022, the Company has been actively exploring its integration with business and improving customer service capabilities. Now, the digital RMB service is available through multiple channels and business scenarios such as CMB APP, counter, online corporate banking, CMB Corporate APP and Xin Fu Tong (薪福通), and cooperates with them to work out digital RMB service solutions. Blockchain applications were promoted, effectively enhancing the recovery rate of non-performing flash loans.

In terms of business system construction, the Company released CMB APP 11.0, upgrading the construction of Investment, Community and other channels, and launching the digital collection "Xiao Zhao Miao (小招喵)"; strengthened the construction of an open wealth management platform, attracting external institutions to settle in, and creating a new ecosystem of extensive wealth management. The wholesale wealth management platform launched "Zhao Ying Tong (招赢通)" version 2.0, achieving the connection with "Yin Ji Tong (銀基通)". The Company accelerated the promotion of online business, and improved the online migration rate of compliance account management, corporate derivative business, financing business and foreign exchange business in financial markets. The Company strengthened the construction of online risk control platform, made a breakthrough in credit-centric data risk control, and built a complex risk control model system and the self-governance capacity for tax data. The new generation of bill business system was put into operation, making the Company one of the first batch of pilot institutions of the Commercial Paper Exchange Corporation Limited, and enabling it to be the leader in entering the era of "Equally Divided Bills[32]". The Company released Custody Plus (託管+) 2.0 to empower customer investment and help the custody business grow further. A data ecosystem of positive cycle was formed with the promotion of constructing four engines: smart marketing engine, smart operation engine, smart risk control engine and smart wealth engine. The Company continued to upgrade key systems such as corporate customer relationship management (CRM) platform, retail customer manager work platform W+, and centralised operation platform, empowering frontlines to improve work efficiency.

Serving the digital transformation of enterprises with the ideology of "technology for all", the Company released Xin Fu Tong (薪福通) 4.0 to facilitate the digital transformation of corporate clients; launched the standard version of Wealth and Asset Management Cloud (財資管理雲), Invoice Cloud (發票雲) that fully supported billing in both paper and electronic forms; and E Can Tong (E餐通) that focused on meal allowance and other services to further improve the quality and efficiency of corporate client management.

The Company reinforced the digital transformation of branches to support their innovative business development and personalised operation. Full roll-out of the overseas branch backbone system was completed. Phase I of CMB Wing Lung Bank Empowerment Plan was fully implemented, enabling CMB Wing Lung Bank to achieve significant results in various areas such as service channels, customer business, operation, risk management, business management, big data and software engineering management, and forming a sustainable empowerment situation of platform sharing and application synergy.

3.10.5 Overseas branches

Hong Kong Branch

Established in 2002, the Hong Kong Branch is the first branch duly established overseas by the Company, which may engage in comprehensive commercial banking businesses. With regard to corporate banking business, the Hong Kong Branch provides diversified corporate banking products and services, such as deposit-taking, settlement, trade financing, bilateral loans, syndicated loans, cross-border M&A portfolio solutions, asset management and asset custody, and engages in transaction of funds, bond trading and foreign exchange trading with financial institutions, and conducts funds clearing and asset transfer with financial institution customers. With respect to retail banking, the Hong Kong Branch may provide cross-border personal banking services and private wealth management services for individual customers in Hong Kong and the Chinese mainland. Featured products include "Hong Kong All-in-one Card" and "Hong Kong Bank-Securities Express".

During the reporting period, Hong Kong Branch optimised its business structure, focused on customer group construction, expanded and strengthened its advantageous businesses such as custody and wealth management, and strictly grasped compliance and risk management, achieving the coordinated development of quality and efficiency. During the reporting period, Hong Kong Branch achieved the net operating income of HKD2.887 billion.

[32] Equally Divided Bills: the electronic bill issued by a company cease to be a single bill, but a bill package consisting of several batches of bills with standard nominal amount of RMB0.01 per bill, which facilitates to achieve "withdrawal on demand" in the payment and financing process.

New York Branch

Established in 2008, the New York Branch of the Company is the first branch of Chinese banks approved in the U.S. since the US Foreign Bank Supervision Enhancement Act in 1991. The New York Branch is located in the global financial centre and is committed to establishing a cross-border financial platform characterised by coordination between China and the U.S., so as to offer diversified and all-round banking services for the companies and high-net-value private banking customers in China and the US. Such services mainly include: deposit-taking, settlement, foreign exchange transactions, international documents, trade financing, bilateral loans, syndicated loans, working capital financing, M&A financing, privatisation financing, fund financing. The Company actively builds a global service network for private customers and provides high-quality non-financial value-added services for high-net-worth private customers on the premise of compliance and stability.

During the reporting period, New York Branch actively adjusted its business strategies according to the bank-wide strategic objectives with the goal of creating a platform for providing global services, adhered to the bottom line of compliance and kept on improving its overall risk management capability. During the reporting period, New York Branch achieved the net operating income of USD96.4920 million.

Singapore Branch

Established in 2013, the Singapore Branch of the Company is positioned as a significant cross-border financial platform in Southeast Asia. Based in Singapore and expanding to Southeast Asia, the Singapore Branch, which focusing on two major businesses, namely cross-border finance and wealth management. The Singapore Branch strives to provide all-round one-stop solutions for cross-border finance to the Chinese companies "going global" and the companies "brought in" located in Singapore and other Southeast Asian countries. The main services and products of Singapore Branch include deposit-taking, settlement, foreign exchange transactions, trade financing, syndicated loans, M&A financing and delisting financing. In terms of wealth management business, the Private Banking (Singapore) Centre was officially launched in 2017, providing private banking products and value-added services with integrated investment and financing solutions, such as cash management, asset allocation and heritage of wealth to high-net-value customers.

During the reporting period, Singapore's economy remained stable and progressive, but the overall international macro situation remained complex and volatile. According to the strategic objectives of the whole bank, Singapore Branch actively and steadily carried out cross-border finance and wealth management business and assisted the branch's characteristic operation with regional advantages. During the reporting period, Singapore Branch achieved the net operating income of USD20.6795 million.

Luxembourg Branch

The Luxembourg Branch of the Company, established in 2015, is positioned as an important cross-border financial platform in the continental Europe, providing comprehensive cross-border financial one-stop solutions to the Chinese companies "going global" and the companies "brought in" located in Europe. Its main services and products include deposit-taking, lending, project financing, trade financing, M&A financing, M&A consulting, bond underwriting and asset management. The branch is also committed to building a business platform in Europe by combining the advantages of the Head Office and European characteristics.

During the reporting period, Luxembourg Branch worked hard to overcome the impact of the Russian-Ukraine conflict, high inflation and other factors, focused on the bank-wide strategic customers, actively sought new business growth points and made efforts to increase income and save expenses. During the reporting period, Luxembourg Branch achieved the net operating income of EUR31.5143 million.

London Branch

Established in 2016, the London Branch of the Company is the first branch approved to be established in the United Kingdom among all the PRC joint-stock commercial banks, providing comprehensive cross-border financial one-stop solutions to Chinese companies "going global" and leading companies "brought in" located in the UK. The main services and products of London Branch include: deposit-taking, settlement, foreign exchange transactions, trade financing, bilateral loans, syndicated loans and M&A financing. The London Branch actively builds a global service network for private banking customers and provides high-quality non-financial value-added services for high-net-worth private banking customers on the premise of compliance and stability.

During the reporting period, London Branch adjusted its business development strategies, deepened the transformation of business and customer group structure, worked hard to overcome the adverse effects of external environmental changes such as continuous interest rate increase and industrial policy adjustments and maintained compliance and stable operation. During the reporting period, London Branch achieved the net operating income of USD11.3591 million.

Sydney Branch

The Sydney Branch of the Company was established in 2017 and is the first branch approved to be established in Australia among all Chinese joint-stock commercial banks. Based on the resource endowments of Australia and New Zealand, as well as China-Australia economic and trade and investment exchanges, Sydney Branch is committed to providing two-way cross-border financial services for the bank-wide strategic customers and high-quality top-tiered customers of Australia and New Zealand and deeply cultivates characteristic cross-border products, mainly including: deposit-taking, settlement, foreign exchange transactions, trade financing, M&A financing and commitment business, project financing, syndicated loans and fund financing. The branch will actively build a global service network for private banking customers and provides high-quality non-financial value-added services for high-net-worth private banking customers on the premise of compliance and stability.

During the reporting period, Sydney Branch adhered to the high-quality growth path and promoted business development with high-quality asset organisation. During the reporting period, Sydney Branch achieved the net operating income of AUD47.8947 million.

3.10.6 Major subsidiaries

The Company exercises the rights of shareholders in compliance with the law, keeps on strengthening the comprehensive control over the corporate governance, capital management, risk management, financial management and other aspects of the subsidiaries, strengthens the strategic management of the subsidiaries around the overall strategies of the Group, gives full play to the synergy of comprehensive operation and promotes the coordinated development of the subsidiaries and the Group.

CMB Wing Lung Bank

Founded in 1933, CMB Wing Lung Bank has a registered capital of HKD1.161 billion, and it is a wholly-owned subsidiary of the Company in Hong Kong. The principal operations of CMB Wing Lung Bank and its subsidiaries comprise deposit-taking, lending, private banking and wealth management, investment, securities, credit cards, E-banking, "CMB WLB Wintech (招商永隆銀行一點通)" mobile banking, global cash management, syndicated loans, corporate loans, documentary bills, leasing and hire purchase loans, foreign exchange, insurance agency, mandatory provident fund, insurance brokerage and general insurance underwriting, property management and trustee, nominee and asset management services. At present, CMB Wing Lung Bank has one head office, 28 branches and private banking centres in Hong Kong, four branches and sub-branches in the Chinese mainland, one branch in Macau, one branch in Los Angeles and one branch in San Francisco in the US and one representative office in Bangkok, Thailand.

During the reporting period, CMB Wing Lung Group realised net profit attributable to shareholders of HKD2.963 billion and a net operating income of HKD7.648 billion, of which net interest income was HKD5.611 billion and net non-interest income was HKD2.037 billion. The cost-to-income ratio was 38.00%. As of the end of the reporting period, the total assets of CMB Wing Lung Group amounted to HKD397.494 billion. Total equity attributable to shareholders amounted to HKD44.486 billion. Total loans and advances to customers (including trade bills) amounted to HKD203.920 billion. Deposits from customers amounted to HKD301.621 billion. The loan-to-deposit ratio was 65.42%. The non-performing loan ratio (including trade bills) was 1.10%. For detailed financial information on CMB Wing Lung Group, please refer to the 2022 annual results of CMB Wing Lung Bank, which is published on the website of CMB Wing Lung Bank (www.cmbwinglungbank.com).

CMB Financial Leasing

CMB Financial Leasing was a wholly-owned company established by the Company in 2008 with a registered capital of RMB12 billion. It meets the needs of the lessee to purchase equipment, promote sales, revitalise assets, balance tax burden and improve financial structure through ten major financial solutions relating to aviation, shipping, energy, infrastructure, equipment manufacturing, environment, health, culture and tourism, public transport, logistics, intelligent interconnection, integrated circuit and leasing industry.

As of the end of the reporting period, the total assets of CMB Financial Leasing were RMB260.186 billion and the net assets were RMB29.374 billion. During the reporting period, the net profit was RMB3.274 billion.

CMB International Capital

Established in 1993, CMB International Capital is a wholly-owned subsidiary of the Company in Hong Kong with a registered capital of HKD4.129 billion. At present, the business scope of CMB International Capital and its subsidiaries mainly covers corporate finance, asset management, wealth management, global market business and structured finance.

As of the end of the reporting period, the total assets of CMB International Capital amounted to HKD50.778 billion, and its net assets amounted to HKD11.946 billion. During the reporting period, it realised a net profit of HKD459 million.

CMB Wealth Management

CMB Wealth Management was officially opened in 2019, and its business scope includes issuing financial products, providing financial advisory and consulting services and other businesses approved by the CBIRC. In May 2022, according to the Reply of the China Banking and Insurance Regulatory Commission on Matters Related to the Capital Increase and Share Increase and Change of Registered Capital of CMB Wealth Management Co., Ltd.*《中國銀保監會關於招銀理財有限責任公司增資擴股及變更註冊資本有關事宜的批覆》(YBJF [2021] No. 920), CMB Wealth Management completed the relevant legal change procedures such as capital increase and share increase and change of industrial and commercial registration, and the registered capital increased from RMB5 billion to approximately RMB5.556 billion, The Company and JPMorgan Asset Management (Asia Pacific) Limited hold 90% and 10% shares respectively.

As of the end of the reporting period, CMB Wealth Management had total assets of RMB18.094 billion and net assets of RMB16.935 billion. During the reporting period, the net operating income was RMB5.786 billion and the net profit was RMB3.593 billion.

China Merchants Fund

Established in 2002, China Merchants Fund has a registered capital of RMB1.31 billion. As of the end of the reporting period, the Company held 55% of China Merchants Fund's equity interests. The business scope of China Merchants Fund covers fund establishment, fund management and other operations approved by the CSRC.

As of the end of the reporting period, the total assets of China Merchants Fund amounted to RMB12.310 billion, and its net assets amounted to RMB8.175 billion. It realised a net profit of RMB1.813 billion during the reporting period.

CIGNA & CMAM

CIGNA & CMAM was established in 2020 with a registered capital of RMB500 million, and it is an indirectly owned subsidiary of the Company, which is owned as to 87.3458% and 12.6542% by CIGNA & CMB Life Insurance, a joint venture of the Company, and CMB International Capital, a subsidiary of the Company, respectively. The scope of business of CIGNA & CMAM includes entrusted management of client's funds, issuance of insurance asset management products and asset management related consultation business.

As of the end of the reporting period, the total assets of CIGNA & CMAM amounted to RMB775 million, with net assets of RMB604 million and a net profit of RMB68 million during the reporting period.

CMB Europe S.A.

CMB Europe S.A. was approved to be established in 2021 with a registered capital of EUR50 million. It is a wholly-owned subsidiary of the Company in Europe and the regional headquarters of the Company in the continental Europe. CMB Europe S.A. provides customers with diversified financial products and services such as cross-border financing, M&A finance, private banking, investment management, financial markets, bond underwriting, trade financing, and operates and allocates the global assets of enterprises and individuals.

As of the end of the reporting period, CMB Europe S.A. had total assets of EUR46 million and net assets of EUR45 million.

3.10.7 Major joint ventures

CIGNA & CMB Life Insurance

CIGNA & CMB Life Insurance, a joint venture of the Company, was established in Shenzhen in 2003 with a registered capital of RMB2.8 billion. As of the end of the reporting period, the Company held 50% of CIGNA & CMB Life Insurance's equity interests. CIGNA & CMB Life Insurance is mainly engaged in insurance businesses such as life insurance, health insurance, accident injury insurance and the reinsurance of the above insurances.

As of the end of the reporting period, the total assets of CIGNA & CMB Life Insurance amounted to RMB130.758 billion, and its net assets amounted to RMB9.613 billion. During the reporting period, CIGNA & CMB Life Insurance realised a net profit of RMB730 million.

Merchants Union Consumer Finance

Merchants Union Consumer Finance, a joint venture of the Company, was established in Shenzhen in 2015 with a registered capital of RMB10.0 billion. As of the end of the reporting period, the Company directly holds 50% equity interests of Merchants Union Consumer Finance. Merchants Union Consumer Finance is mainly engaged in the granting of personal consumer loans.

As of the end of the reporting period, the total assets of Merchants Union Consumer Finance amounted to RMB164.346 billion and the net assets were RMB17.067 billion. It realised a net profit of RMB3.329 billion during the reporting period.

3.11 Risk Management

The Company adhered to a solid and prudent risk culture and risk preferences under the principles of "Comprehensive, Professional, Independent and Balanced Management", and was dedicated to building a fortress-style overall risk and compliance management system under the value creation chain highlighting the "volume growth – revenue growth – efficiency growth – value growth". The Risk and Compliance Management Committee of the Head Office is responsible for reviewing and determining the most significant bank-wide risk management policies on risk preferences, strategies, policies and authorisations approved by the Board of Directors.

During the reporting period, in the face of the complex and volatile economic environment at home and abroad and the rising risk of bank operation, the Company followed the requirements of a "Six All" risk management system, focused on the improvement of risk management ability, and actively responded to and prevented various risks.

3.11.1 Credit risk management

Credit risk refers to the risk arising from a bank's borrowers or counterparties failing to perform its obligations as agreed. Adhering to its management philosophy of "Quality Goes First Based on Compliance and Risk Control (合規為根、風險為本、質量為先)", and with the goal of "fostering a leading risk management bank", the Company promoted the risk management culture of "staying healthy, rational, proactive and comprehensive (穩健、理性、主動、全員)", stuck to the concept of balanced returns and risks and the prudent business strategy in which risks can ultimately be covered by capital, implemented a unified credit risk preference, optimised the life-cycle credit risk management processes, continuously upgraded credit risk management tools, and fully improved risk management standard, so as to prevent and reduce credit risk loss.

During the reporting period, the Company paid close attention to the macroeconomic and financial situation, strictly adhered to the bottom line of risk and ensured that the quality of assets is stable. First, the Company thoroughly implemented its requirements for building a fortress-style overall risk and compliance management system, constantly improved the construction of the extensive wealth risk management system and carried out differentiated management for different types of businesses. Second, the Company constantly improved industry awareness, improved credit policies and guided the construction of a reasonable customer structure, relying on industry self-organisation, implementing the "different policies for different industries" list system operation of asset business, fully promoting the high-quality asset investment in relevant fields such as new energy, green economy, high-quality track manufacturing, regional characteristic industries and independent and controllable industries and optimising the customer structure. Third, the Company strictly guarded against risks in key areas and held fast to the bottom line of risks, establishing a risk monitoring system coordinated by the Head Office and branches for customers of transactions with large amounts, carrying out systematic risk screening for key customer groups on the basis of "different policies for different categories" and for key customers on the basis of "different policies for different accounts", improving the refinement level of risk management and ensuring that asset quality remained a leading edge. Fourth, the Company strengthened the disposal of non-performing loans, implementing the strategy of cash settlement, write-off of bad debts, deduction and settlement, implementing the list-based management of key projects and improving the quality and efficiency of settlement. Fifth, the Company strengthened the construction of institutional teams and improved the ability of basic risk management, strengthening the construction of risk management capacity of overseas branches and subsidiaries, promoting the implementation of "nerve endings mechanism" in the front office and keeping on consolidating the foundation of risk management. Sixth, the Company improved the foundation of digital risk control and deepened the application of Fintech. The credit cloud project ended successfully. The Company comprehensively promoted the digitalisation of credit business and strengthened the application of risk measurement technology.

For more information about the Company's credit risk management, please refer to Note 60(a) to the financial statements.

3.11.2 Management of large-scale risk exposure

In accordance with the Management Measures for Large-Scale Risk Exposure of Commercial Banks (CBIRC Order 2018 No. 1) (《商業銀行大額風險暴露管理辦法》(銀保監會2018年1號令)) issued by the CBIRC, large-scale risk exposure refers to the credit risk exposure (including various credit risk exposures in the banking book and trading book) to a single customer or a group of related customers of a commercial bank that exceeds 2.5% of its net Tier 1 capital. The Company has incorporated large-scale risk exposure management into its overall risk management system, continued to improve customer credit management requirements, continued to streamline risk exposure measurement rules, dynamically monitored changes in large-scale risk exposures by way of Fintech, and reported regularly on large-scale risk exposure indicators and related management work to regulatory authorities, so as to effectively control customer concentration risks. As at the end of the reporting period, other than customers with regulatory exemption, single non-financial institution customers, group non-financial institution customers, single financial institution customers and group financial institution customers of the Company that reached the standards of large-scale risk exposure were all in compliance with the regulatory requirements.

3.11.3 Country risk management

Country risks represent the risks of economic, political and social changes or developments in a country or region that may cause borrowers or debtors in that country or region to be unable or unwilling to fulfill their obligations to banks, or incur loss to commercial presences of the Company in that country or region, or other losses to the Company in that country or region.

The Company strictly implemented relevant regulatory requirements and followed the principles of soundness and prudence, established a country risk management system compatible with strategic objectives, risk profile and complexity, and incorporated country risk management into its overall risk management system so as to promptly identify, measure, evaluate, monitor, report, control and mitigate country risks, assess the country risk ratings in a regular manner and implement limit management, while guiding business to tilt in favour of low-risk countries or regions. Major matters involving country risk management strategies and policies were submitted to the Board for consideration and approval.

During the reporting period, the global geopolitical conflict intensified, and in the face of increasingly complex and volatile international political and economic situation, the Company dynamically updated the country risk rating according to the risk changes and strictly restricted the growth of high-risk country business. At the end of the reporting period, the Company's country risk exposure was mainly concentrated in low-risk and relatively-low-risk countries or regions, and sufficient country risk reserve was calculated and withdrawn according to the regulatory provisions. The country risk would not have a significant impact on the Company's business operation.

3.11.4 Market risk management

The Company's market risk arises from trading book and banking book, and the interest rate risk and exchange rate risk are the major market risks faced by the Company.

Interest rate risk management

Trading book

The Company uses volume indicators, market risk value indicators (VaR, covering interest rate risk factors of various currencies and durations relating to trading book business), interest rate stress testing loss indicators, interest rate-sensitive indicators and accumulative loss indicators, to measure, monitor and manage the interest rate risk of trading book. The interest rate risk factors used for risk measurement cover all businesses under the trading book, and are comprised of around 200 interest rate indicators or bond yield curves. VaR includes general VaR and stressed VaR, which are both calculated using the historical simulation method and adopt a confidence coefficient of 99%, an observation period of 250 days and a holding period of 10 days. The interest rate stress testing scenarios include the parallel move, steep move and twisted change of interest rates at various degrees and various unfavourable market scenarios designed on the characteristics of investment portfolios. Among them, the extreme interest rate scenario may move up to 300 basis points and cover the extremely unfavourable conditions of the market. Major interest rate sensibility indicator reflects the duration of bonds and the change in the market value of bonds and interest rate derivatives PV01 (when an interest rate fluctuates unfavourably by 1 basis point). As for daily risk management, the annual scope of authorisation and the market risk limits for the interest rate risk businesses under the trading book are set in accordance with the risk appetite, operation plan and risk prediction of the Board of Directors at the beginning of the year for which the Market Risk Management Department is responsible for daily monitoring and continuous reporting.

During the reporting period, the interest rates of China and the United States went topsy-turvy, and the RMB interest rate fluctuated at a low level and within a narrow range as a whole. The one-year fixed deposit RMB interest rate declined, but rebounded after the reversal of fundamental expectations in November 2022. Under the background of persistently high inflation in the United States, the U.S. dollar interest rate rose sharply due to the seven interest rate hikes by the Federal Reserve this year, and the long-term and short-term interest rates were significantly inverted. The scope of investment in the Company's trading books was mainly RMB bonds. The Company generally adopted a prudent investment management strategy, and dynamically adjusted risk exposure by means of bond transactions and derivative hedging according to market changes. As of the end of the reporting period, all interest rate risk indicators in the Company's trading book remained within the target range.

Banking book

In accordance with external regulatory requirements and internal banking book interest rate risk management policies, the Company has established and continuously improved the banking book interest rate risk management system, clarified the interest rate risk governance structure and established the management process of interest rate risk identification, measurement, monitoring, control and reporting. The Company mainly adopts the re-pricing gap analysis, duration analysis, benchmark-correlated analysis, scenario simulation and other methods to measure and analyse the interest rate risk of banking book on a monthly basis. The re-pricing gap analysis mainly monitors the distribution of re-pricing duration and mismatch of assets and liabilities; the duration analysis monitors the duration of major product types and the change in the duration gap of assets and liabilities of the whole Bank; the benchmark-correlated analysis assesses the benchmark risk existing between different pricing benchmark interest rate curves, as well as between the different duration points on each of such curves based on the benchmark-correlated coefficients calculated using our internal models; the scenario simulation is the major approach for the Company to conduct interest rate risk analysis and measurement, which comprises a number of ordinary scenarios and stress scenarios, including the interest rate benchmark impact, the parallel move and the change in the shape of yield curves, the extreme changes in interest rates in history, and the most possible changes in interest rates in the future as judged by experts and other scenarios. The net interest income (NII) for the future one year and the changes in economic value of equity (EVE) indicator are calculated through simulation of the scenario of changes in interest rates. The NII fluctuation ratio and the EVE fluctuation ratio of certain scenarios are included into the interest rate risk limit system of the whole Bank. In addition, the internal limit indicator system is included into the standardised measurement indicators set out in the Guidelines on the Management of Interest Rate Risk of Banking Book of Commercial Banks (Revised) issued by the CBIRC.

Adhering to a neutral and prudent interest rate risk preference, the Company pays close attention to changes in the external environment and internal interest rate risk exposure structure, predicts and analyses interest rate trends based on macro-quantitative models and experts' research and judgement, proactively deploys active interest rate risk management strategies and adjusts them flexibly. During the reporting period, the Company constantly monitored and analysed various interest rate risks, especially the gap risk in the context of the LPR downturn and the benchmark risk caused by inconsistent changes of deposit and loan interest rates, and adjusted the structure of assets and liabilities on the balance sheet and hedge interest rate derivatives off the balance sheet to manage risks. As of the end of the reporting period, the Company's on- and off-balance-sheet management measures were carried out as planned, the interest rate risk level was controlled within the annual interest rate risk control target range, and various indicators including the stress test results were kept within the limits and warning values. The banking book interest rate risk was generally controllable.

Exchange rate risk management

Trading book

The Company uses risk exposure indicator, market risk value indicator (VaR, covering foreign exchange rate risk factors of various currencies related to transactions on the trading book), the exchange loss indicator under stress test, option-sensitive indicator and accumulated loss indicator to conduct risk measurement and monitoring management. As for risk measurement, the selected exchange rate risk factor is applied on spot prices, forward prices and volatilities in all transaction currencies under the trading book. Market value risk indicators comprise general market value at risk and stress market value at risk, and are calculated using historical simulation based on a confidence coefficient of 99%, an observation period of 250 days and a holding period of 10 days. Exchange rate stress test scenarios cover 5%, 10%, 15% or more adverse changes in every transaction currency against RMB, and changed volatility of foreign exchange options. Major option-sensitive indicators include Delta, Gamma, Vega and other indicators. For daily management, we set annual limits on authority associated with exchange rate risks under the trading book and relevant market exposure at the beginning of the year according to the risk appetite, business planning and risk forecast of the Board of Directors, and delegated the Market Risk Management Department to perform daily monitoring and on-going reporting.

During the reporting period, affected by pressure on economic growth and the sharp rise of the U.S. Dollar Index with the Federal Reserve's interest rate hikes, the depreciation of the RMB in the middle of the year was once close to 15% as compared with the end of the previous year. However, since the fourth quarter of 2022, the market's expectation for economic recovery has improved. The RMB exchange rate stabilised and rebounded, and the depreciation of the RMB narrowed to 9% at the end of the year. The Company mainly obtains the spread income from the foreign exchange business of customers, and uses the system to dynamically monitor the trading exposure, and strengthens the monitoring of the changes of limit index values such as sensitivity index and stop loss. As of the end of the reporting period, all exchange rate risk indicators of the Company's trading book were within the target range.

Banking book

The Company mainly uses foreign exchange exposure analysis, scenario simulation analysis, stress test, and other methods for measurement and analysis of exchange rate risk of banking book of the Company. The foreign exchange exposure measurement uses the short-sided method, the correlation approach and the aggregation approach; scenario simulation and stress test analysis are two important exchange rate risk management tools of the Company for managing foreign exchange rate risk in respect of fluctuation of all currency exchange rates, including the standard scenario, historical scenario, forward scenario and stress scenario, including scenarios such as spot and forward exchange rate fluctuations and historical extreme exchange rate fluctuations of various currencies, each scenario could simulate the impact on the Company's profit or loss. The effects of certain scenarios on the profit and loss and its percentage to net capital as a limit indicator are taken as reference in the daily management. The Company conducts back-testing and assessment on relevant model parameters on a regular basis to verify the effectiveness of measurement models.

The Company regularly measures and analyses foreign exchange exposure of banking book and scenario simulation results, monitors and reports exchange rate risk on a monthly basis under its quota limit framework, and adjusts its foreign exchange exposure accordingly based on the trend of foreign exchange movements, so as to mitigate the relevant foreign exchange risk of banking book. The Audit Department of the Company is responsible for overall auditing of our exchange rate risk.

During the reporting period, the Company paid close attention to exchange rate movements, took initiative to analyse the impact of exchange rate changes in light of the macroeconomic conditions at home and abroad, and proposed a balance sheet optimisation program as a scientific reference for the management's decision-making. During the reporting period, the Company increased its efforts to monitor and analyse foreign exchange exposure and imposed a stringent control over the scale of foreign exchange risk exposure. The Company was prudent about the exchange rate risk. As of the end of the reporting period, the size of the banking book of the Company's foreign exchange exposure was at a relatively low level. The exchange rate risk of the Company is generally stable with all the core limit indicators, general scenarios and stress testing results satisfying the regulatory limit requirement.

For more information about the Company's market risk management, please refer to Note 60(b) to the financial statements.

3.11.5 Operational risk management

Operational risk refers to the risk of loss arising from inappropriate or failed internal procedures, incompetent personnel or IT systems, or external events. In view of the various aspects and wide range of operational risks, the Company's operational risk management will, based on the principles of cost-revenue matching and input-output balance, vigorously strengthen the establishment of operational risk management system, implement internal control system, continue to carry out various businesses steadily and reduce or prevent operational risk losses with a certain level of cost. In the process of operational risk management, within the risk limits set by the Board of Directors, the Company will, through measures such as further improving the risk management mechanism, strengthening risk prevention and control in key areas, conducting risk monitoring and pre-warning, improving assessment and evaluation mechanism, and cultivating operational risk prevention culture, so as to further improve operational risk management capabilities and effectiveness, and prevent and reduce operational risk losses.

During the reporting period, the Company constantly improved the operational risk management system with the goal of preventing losses arising from systematic operational risk and major operational risk. First, carrying out the implementation of the new Basel III operational risk standards at the group level, taking the contents of the Basel reform plan as a benchmark, and further improving the level of operational risk management. Second, strengthening risk prevention and control in key areas, carrying out special investigation on asset custody, residential mortgage loans and other businesses and putting forward management measures and suggestions. Third, constantly optimising the three major tools of operational risk and update the platform functions of operational risk management system. Fourth, strengthening outsourcing risk management, strengthening access mechanism and organising the whole bank to carry out post-evaluation of outsourcing projects. Fifth, strengthening the consolidated management of operational risk, promoting subsidiaries to improve the operational risk management mechanism and continuously improving the level of operational risk management. Sixth, strengthening the second line of defence of information technology risk and business continuity management and organising business continuity risk assessment and information technology process inspection. Seventh, carrying out various forms of training for operational risk management personnel of domestic and overseas branches and subsidiaries to improve operational risk management skills.

3.11.6 Liquidity risk management

Liquidity risk refers to the risk that the Company is unable to obtain sufficient funds at a reasonable cost in a timely manner to grow its assets, pay maturing debts and perform other payment obligations. The liquidity risk management of the Company is based on the principles of prudence, foresight and comprehensiveness, which is more appropriate for the current development stage of the Company. The current liquidity risk management policies and systems of the Company have basically satisfied the regulatory requirements and its own management needs.

Based on the principle of separating policy-making, strategy implementation and supervision of liquidity risk management, the Company puts in place a governing framework under which the roles, responsibilities and reporting lines of the Board of Directors, the Risk and Capital Management Committee, the Board of Supervisors, senior management, designated committees and relevant departments are segregated to ensure the effectiveness of liquidity risk management.

During the reporting period, the Central Bank kept on adopting a prudent monetary policy, and the inter-bank market maintained reasonable and sufficient liquidity. Based on the analysis of macroeconomic and market trends, the Company dynamically quantified and forecasted the future risk situation, and proactively laid out the asset liability management strategy to achieve the balance between risk and income. First, constantly promoting the steady growth of customer deposits and strengthening the control of key timings. Second, taking multiple measures to strengthen the organisation and support of assets, constantly optimising the asset structure and realising the smooth operation of assets and liabilities. Third, based on the operation of deposit and loan business and liquidity indicators, flexibly carrying out treasury active liability management, expanding diversified financing channels, actively carrying out open market transactions and playing the role of primary dealers. Fourth, moderately increasing investment in qualified and high-quality bonds, strengthening investment strategy management and further improving the efficiency of capital use. Fifth, strengthening the liquidity risk monitoring and management of business lines, overseas branches and subsidiaries. Sixth, constantly carrying out emergency management, testing and improving the liquidity emergency plan and effectively improving the ability to respond to liquidity risk events through regular liquidity risk emergency drills.

As of the end of the reporting period, all liquidity indicators of the Company met regulatory requirements, and there were sufficient sources of funds to meet the needs of sustainable and healthy business development. According to the regulations of the People's Bank of China, the Company's RMB statutory reserve ratio is 7.5%, and the foreign exchange statutory reserve ratio is 6%. The Company's liquidity indicators operate well. Deposits maintain stable growth. Liquidity reserves are sufficient, and overall liquidity is safe.

For more information about the Company's liquidity risk management, please refer to Note 60(c) to the financial statements.

3.11.7 Reputational risk management

Reputational risk refers to the risk that the Company might be negatively evaluated by relevant stakeholders, the public and the media due to behaviours of the Company and its employees or external incidents, thereby damaging the brand value of the Company, which is detrimental to the normal operation of the Company, or even market stability and social stability. Reputational risk management is an important part of the corporate governance and the overall risk management system of the Company, covering all activities, operations and businesses undertaken by the Company and its subsidiaries. The Company established and formulated the reputational risk management rules and system and took initiatives to effectively prevent the reputational risk and respond to any reputational incidents, so as to reduce loss and negative impact to the greatest extent.

During the reporting period, the Company strictly implemented the requirements of the Measures for the Administration of Reputational Risk of Banking and Insurance Institutions issued by the CBIRC to further improve reputational risk management. First, the Company kept on doing a good job in forward-looking management, adhered to the reputational risk management concept of prevention comes first, strengthened inspection, early warning and prompting and reduced potential reputational risks from the source. Second, the Company actively responded to social concerns and properly handled various public opinion events through a unified information release mechanism. Third, the Company organised positive publicity and improved the brand image around the Company's advantageous businesses and various initiatives to actively fulfill social responsibilities. Fourth, the Company strengthened empowerment and improved the reputational risk management ability of branches and subsidiaries through training, publicity and other means.

3.11.8 Compliance risk management

Compliance risk refers to the risk of being subject to legal sanctions, regulatory punishments, material financial losses, and reputational loss as a result of the failure to observe the laws, rules and standards. The Board of Directors of the Company is ultimately responsible for the compliance of the operating activities, and delegates the Risk and Capital Management Committee under the Board of Directors to supervise the compliance risk management. The Risk and Compliance Management Committee of the Head Office is the organisation to manage compliance risk of the whole company under the senior management. The Company set up three lines of defence for compliance risk management and the double-line reporting mechanism through the establishment of organisational management structure comprising the risk and compliance management committees, compliance supervisors, compliance officers and legal and compliance departments under the Head Office and its branches as well as compliance supervisors at branch and sub-branch levels, continuously improved risk management techniques and management procedures and established a complete and effective compliance risk management system to achieve effective control of compliance risks.

During the reporting period, the Company strictly implemented the regulatory policies and requirements and comprehensively improved the systematic ability of internal control and compliance management. First, the Company formulated and issued the "Guidelines on Internal Control and Compliance Work of the Bank in 2022" and uniformly deployed the bank-wide internal control and compliance management. The second was to carry out the internalisation of external regulations in a timely manner, promote the implementation of new regulations in the Company, effectively identify, evaluate and respond to the compliance risks of new products, new businesses and major projects, and support business innovation within the compliance framework. The third was to attach importance to the promotion of compliance culture, carry out the activities of "compliance class" and "compliance culture promotion season" by the top leaders, compliance officers and compliance supervisors, and vigorously promote the concept of compliance. The fourth was to strengthen employee behaviour management, effectively use scientific and technological means and various employee behaviour management tools and carry out employee abnormal behaviour investigation on a quarterly basis. Fifthly, the Company strengthened supervision and inspection and accountability for rectification, focused on the key points of supervision and outstanding problems of internal management, effectively improved the quality and efficiency of internal supervision and inspection through joint inspection and audit Eagle Eye system tools, thoroughly analysed the causes of problems found in the inspection, drew inferences from one instance, carried out rectification and serious accountability, and formed a closed loop of compliance management. The sixth was to strengthen the construction of the internal control and compliance management system, build the internal control and compliance data mart, improve the internal control and compliance data analysis ability and promote the digital transformation of the bank-wide internal control and compliance management.

3.11.9 Money laundering risk management

Money laundering risk refers to the risk that the Company may be used by the three types of activities such as "money laundering", "terrorist financing" and "proliferation financing" in the course of conducting business and managing operations. The Company has established a relatively sound money laundering risk management mechanism, including a governance structure with clear responsibilities from the Board and senior management to ordinary employees, a comprehensive system coverage, an effective risk assessment and monitoring system, scientific anti-money laundering data governance, and elements such as targeted management of customers or businesses associated with high risks, efficient anti-money laundering automated system support, independent inspection and auditing, and continuous and effective anti-money laundering compliance training, so as to provide guarantee for the Company's stable and compliance operations.

During the reporting period, the Company actively performed its anti-money laundering obligations and improved the effectiveness of money laundering risk management. First, according to the actual situation of money laundering risk and business development, further improving the internal control system of anti-money laundering, and implementing anti-money laundering laws, regulations and regulatory requirements. Second, completing the institutional money laundering risk assessment, optimising the product money laundering risk assessment and customer money laundering risk classification rating system and improving the money laundering risk management level. Third, constantly optimising the management measures of money laundering risk of customers and products and promoting the refined management of high-risk customers and high-risk products. Fourth, strengthening the compliance construction of the Group's anti-money laundering and ensuring the unified implementation of the Group's anti-money laundering policy in overseas institutions and subsidiaries. Fifth, keeping on increasing scientific and technological investment in the field of anti-money laundering, constantly exploring the in-depth application of AI technology and constantly carrying out system and process optimisation in key areas such as due diligence and transaction monitoring.

3.12 Outlook and Coping Tactics

In 2022, China's banking industry maintained sound operation with relatively rapid growth in scale and overall stability in asset quality. The banking industry is a typical cyclically-relevant industry, and its business development is under greater pressure than in 2021 taking into account the triple pressures of contracted demand, disrupted supply and weakened expectations faced by the national economy. However, by actively implementing macro-control policies, reinforcing the service to real economy, providing assistance in the stability of overall economic market, propelling structural transformation and high-quality growth of the economy, supporting green and low-carbon transformation, promoting inclusive finance development, helping rural revitalisation, putting effort into risks solution in key areas, and further consolidating asset quality, the banking industry holds the bottom line of involving no systemic financial risks.

Looking forward to 2023, as for the international conditions, the main contradiction between the US and European economies is expected to gradually transit from inflation to recession, with monetary policy stance shifting from tightening to easing. Hence, the impact of external environment on our national economy will experience a shift and arouse more from the capital account than current account. China's pressure in capital outflow and exchange rate depreciation will ease correspondingly in 2023, but the contraction of external demand may become the main risk confronted by the Chinese economy. Moreover, our export might be faced with further contraction, thus decreasing its pulling force in economic growth.

In terms of domestic environment, full restart will be the theme of the Chinese economy in 2023. In the context of weakening external demand, the recovery of domestic demand will become the main driving force for economic growth. Firstly, along with the recovery of scenarios of offline economic activity, consumption will become the biggest driver of economic growth, especially service consumption. Secondly, investment in infrastructure and manufacturing is expected to grow steadily with the active support of policies, and it is hopeful to see that the decline in real estate investment is notably narrowed. Benefiting from the factors above, China's economic growth is expected to gain increasingly more momentum quarter by quarter in 2023.

According to the current policies and economic expectations analysis, the Company plans to increase loans and advances by 10% approximately and customer deposits by around 11% in 2023, thereby maintaining steady growth of overall loans and deposits.

In 2023, the Company will, under the strategic target of building a value creation bank, create more and greater value for customers, employees, shareholders, partners and the society, thus achieving the high-quality growth of symbiosis, win-win and results sharing.

The first is to accelerate strategic transformation. The Company will consolidate and expand the advantages of systematic retail finance and extend the advantages to the three sectors of corporate finance, investment banking and financial markets, wealth management and asset management, thereby strengthening the flywheel effect of mutual synergism and mutual promotion. Based on commercial banking, the Company will accelerate the development of capital-light business such as investment banking and financial markets, wealth management and asset management to realise the Malik growth curve.

The second is to promote the quality and efficiency of serving the real economy. By adapting to the new development mode of "technology + industry + finance" of economic growth, the Company will focus on the needs of the country, the demands of enterprises and the capabilities of CMB, strengthen its service support to manufacturing, green economy, technological innovation, inclusive finance and other sectors under the premise of adhering to risk pricing, and contribute to the promotion of digital industrialisation and industrial digitalisation.

The third is to create new advantages in segmented areas. The Company will continue to strengthen the innovation of segmented products and segmented businesses, and lead the market in more segmented areas such as cross-border finance, the business of bills, L/C and L/G, asset management business, sci-tech finance and pension finance. Moreover, the Company will expedite the implementation of regional development strategy, and promote branch contributions in the key regions of Yangtze River Delta, Pearl River Delta, Chengdu-Chongqing Region, Western Taiwan Straits Economic Zone, etc. By increasing resource investment, giving in-depth study to markets, industrial structures and customer characteristics of various regions, and making business layout around local competitive industries and high-quality customer groups, the Company will gradually form local scale effect, network effect, heading effect and synergy effect, and forge a balanced and rational pattern of regional development with prosperity of all market players.

The fourth is to build a fortress-style overall risk and compliance management system. The Company will endeavour to strengthen capacity building, follow the development trend of China's economic transformation by taking the in-depth regional, industrial and customer perceptions as traction, and build "dynamic rebalancing" of regional structure, industrial structure and customer structure. In addition, the Company will continue to improve system and mechanism building, reinforce the three lines of defence, strengthen the risk exposure management for customers, promote the adaptability of credit policies, intensify the risk management of subsidiaries and overseas institutions, and enhance the risk prevention and solution in key areas. By further strengthening internal control compliance management, the Company will give continuous and in-depth construction to the compliance culture of "compliance first, compliance creates value, compliance starts at the top".

The fifth is to adhere to the development of CMB with technology, talents and innovation. Aiming at building "digitalised CMB", the Company will accelerate the digitalisation of key business areas and promote the digitalised transformation of branches. Moreover, the Company will enhance the Fintech capacity in customer empowerment, and facilitate cross innovation by integrating technology and business, and technology and product. In addition, the Company will strengthen the professional capacity building of talents and the "Six Can-do" mechanism to further energise the team. By constantly maintaining the ability, impetus and passion of innovation, and keeping on playing the innovation advantages in system, mechanism, product, service, technology and business model, the Company will further exert the driving force of innovation as its core competitiveness.

The sixth is to improve management and service levels comprehensively. The Company will continuously promote refined management by paying more attention to rigorous specification. The Company will accelerate the development of investment banking, financial markets and asset management businesses based on its commercial banking business, the promotion of global service ability based on its domestic business, and the development of subsidiaries based on the Head Office. The Company improves the overall management ability from the Head Office to branches and sub-branches, from the parent bank to subsidiaries and from domestic to overseas markets. By strengthening the five codes of conduct of "service, enterprising spirit, pragmatism, innovation and acuity", the Company plans to promote management improvement. In addition, the Company will steadily conduct the activity of "Service Quality Improvement Year", and continue to develop the service culture of "We are here just for you".


Together with you,
we care about the health
of the Company and
also the health of the earth

Environmental, Social and Governance (ESG)

4.1 ESG Review

The Company adheres to the concept of social responsibility of "originating from society and repaying society", takes "being committed to sustainable finance, promoting sustainable value and contributing to sustainable development" as the sustainable development goal, integrates the concept of Environmental, Social and Governance (ESG) into the daily operation and management of the Company, constantly improves the sustainable development management mechanism, fully communicates with stakeholders and strives to achieve higher quality, more efficient, fairer, more sustainable and safer development than ever before.

During the reporting period, the Company actively responded to climate change and vigorously promoted the development of green finance; comprehensively served the real economy and supported the improvement of people's livelihood; continuously improved the accessibility of financial services, and used Fintech tools to enable customers to obtain low-cost and affordable financial services anytime and anywhere; paid high attention to information security, privacy protection and consumer rights protection; created a high-quality working environment for employees; realised the effective connection between consolidating the achievements of poverty alleviation and rural revitalisation.

In 2022, the Company's MSCI ESG rating remained grade A. In 2022, the Company achieved the social contribution value of RMB15.84 per share[33] (calculated on the Group's statistical calibre), and the total amount of external donations of the Company was RMB94.76 million.

For further information on the ESG of the Company, please refer to China Merchants Bank Co., Ltd. Sustainability Report 2022 published on the websites of the Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company.

4.2 Environmental Information

The Company keeps on promoting green finance and green operation and building a green home. During the reporting period, the Company did not have any environmental violations.

4.2.1 Green finance

During the reporting period, the Company released the *Green Development Plan of China Merchants Bank (2022 Edition)*, which was the first special plan for green development. This Plan describes the Company's long-range vision and path for green development, and builds CMB's overall framework for green development in three dimensions including green finance business, green risk management and green operation system of CMB. It has become a programmatic document for the Company's green development and transformation.

In 2022, the Company increased support for green industries, and initially sorted out policies for 10 major industries and included such industries into the newly developed green sectors according to the results of "Dual Carbon" research and relevant regulatory requirements for classification of green industries. The Company also strictly controlled credit granting for industries with "high pollution and high energy consumption" by revising the environmental protection and energy and material consumption requirements in the credit policies for high-pollution and high-energy consumption industries, adding a negative list of backward production process, equipment and products, clarifying prohibited matters. The Company implemented the "one-vote veto" system and firmly compressed and withdrew credit for enterprises with bad environmental performance and huge social risks.

[33] Social contribution value per share = basic earnings per share + (taxes paid + employee expenses + interest expenses + total external donations)/total share capital of ordinary shares at the end of the period.

In terms of green credit, the Company vigorously developed green credit business and invested funds in energy conservation and environmental protection, clean production, clean energy, ecological environment, green upgrade of infrastructure, green services etc. During the reporting period, the Company executed the first "ESG performance-linked loan" in the wind power equipment industry in China, to provide full life-cycle financial services for power projects driven by new energy, and cooperated with third-party professional institutions to accurately select carbon emission reduction projects, scientifically measure carbon emission reduction benefits of projects and well conduct reporting and information disclosure of carbon emission reduction support tools. As of the end of the reporting period, the Company's balance of green loans was RMB355.357 billion, representing an increase of RMB91.515 billion or 34.69% as compared with the end of the previous year, higher than the average growth rate in corporate loans. During the reporting period, the Company granted RMB18.725 billion of carbon emission reduction loans to 181 projects with a weighted average interest rate on loans of 3.58%, resulting in an annual carbon emission reduction of 3.6436 million tons of CO_2 equivalent. During the reporting period, CMB Financial Leasing, a subsidiary of the Company, granted green loans of RMB38.369 billion, with a business balance of RMB105.371 billion at the end of the period and presenting a growth of 16.88% as compared with the end of the previous year.

In terms of green bonds, in 2022, the Company issued two green bonds and one green credit asset-backed securities domestically with a total issuance size of RMB16.5 billion and one green bond abroad with an issuance size of USD400 million. The Company served as leading underwriter for 37 green bonds and underwrote RMB39.178 billion in those bonds. During the reporting period, the Company ranked first among national small and middle banks in terms of the amount of green debt financing instruments (including carbon-neutral) that the Company served as leading underwriter for (data from the National Association of Financial Market Institutional Investors).

In terms of green wealth management, the Company introduced 6 ESG wealth management products issued and managed by third-party institutions, with products mainly investing in omni-green industries. As of the end of the reporting period, CMB's agency sales amounted to RMB947 million. CMB Wealth Management, a subsidiary of the Company, took the initiative to introduce wealth management products with ESG concept, and issued 3 ESG themed products with an existing size of RMB1.41 billion as of the end of the reporting period.

In terms of green investment, China Merchants Fund, a subsidiary of the Company, has been actively practicing the ESG investment concept and paying attention to the layout of green finance products. During the reporting period, the Company successfully won the bid for sustainable investment products for the national social security fund, and issued CMB smart energy hybrid fund and the first carbon neutral ETF in the industry on Shanghai Environment and Energy Exchange. As of the end of the reporting period, there were 8 existing ESG-related products, with an existing size of RMB3.662 billion and a size growth of 150.48% as compared with the end of the previous year. CMB Wealth Management, a subsidiary of the Company, gave priority to supporting investment in green bonds, with a balance of RMB28.063 billion invested in green bonds as of the end of the reporting period.

In terms of green consumption, the Company built several new energy vehicle brand zones on CMB APP and CMB Life Platform APP to support customers to browse new energy vehicle model information online, learn about the auto installment loan limit with one click, make appointments for test drives at stores, etc., publicising new energy brands for millions of times throughout the year. The Company has built its offline comprehensive service teams specialising in new energy vehicle installment loans to provide service support to new energy vehicle stores around the clock. The Company provides exclusive one-to-one VIP services to all customers who apply for new energy vehicle installment loans, and advocates and encourages green consumption.

4.2.2 Green operation

The Company continued to promote the establishment of smart service system. By strengthening smart service capabilities, enriching online services, and optimising service points, the Company provided a wide range of digital financial services to hundred-million customers to reduce the frequency of customers going to offline outlets for business in an effective manner, thereby decreasing carbon emissions from customer travel. The Company also encouraged credit card customers to accept electronic bills and continued to optimise and upgrade reconciliation across various online channels. The Company earnestly reinforced the development of an omni-channel service infrastructure for electronic bill queries with the CMB Life App and official website (mobile devices), etc. at its core. As at the end of the reporting period, with the proportion of credit card electronic bills reaching 99.58%, the Company saved more than 1.9 billion pieces of paper in billing during the reporting period.

The Company adhered to the concept of green operation and green office, striving to reduce the impact of operation on the environment. During the reporting period, the Company issued the CMB Green and Low-carbon Action Initiative encompassing water conservation, electricity conservation, grain conservation, and themes closely linked to employees' work and life routines, thereby heightening the employees' environmental-friendly and low-carbon awareness in an effective manner.

In terms of energy management, the Company developed online energy management platforms that enable collection, comparative analysis, and monitoring of water, electricity, and other types of data on a real-time basis. The Company has completed its access to energy data of the Head Office Tower and 27 CMB branches. The Company renovated energy-saving lamps in the entire office area of the Head Office Tower, and partial areas of the training centres in Shenzhen and Shanghai, and installed energy-saving lamps with sensor radars in the underground parking garage, restrooms, and corridors. The Company continued to optimise various kinds of facilities including the air-conditioning water chiller installed in the Head Office Tower and upgrade the integrated structure of smart air-conditioning system. Through improvement of natural cold resource utilisation, refined management of air-conditioning operation, and sustained optimisation of energy efficiency, Zhangjiang Cloud Data Centre in Shanghai saved 1.2 million kWh of electricity in the reporting period.

In terms of water resources management, the Company earnestly carried out water conservation publicity and water conservation signposting to raise awareness for water conservation; renovated and used sensor faucets and energy-saving toilets; used high-pressure scrubbers to clean the square floor for more efficient water utilisation; watered plants with treated air-conditioner water for water recycling; introduced the shared break room and directly-drinkable water dispensers into the office area to reduce consumption of directly-drinkable water; set up a water recycling system in the Financial Innovation Tower in Shenzhen to process domestic sewage into reclaimed water for green area irrigation and road cleaning during projects.

In terms of paper management, the Company advocated double-sided printing to reduce paper documents; reduced paper certificates, medals, and name cards, and promoted electronic budgets and employee name cards; enhanced the purchasing management of paper cups, advocated reusable tea cups, and reduced disposable consumables; standardised the use of paper in publicity, and advocated the transmission of electronic documents. Through online platforms in 2022, the Company settled 4.18 million paperless transactions and saved approximately 16.64 million pieces of paper.

In terms of waste management, the Company has set up various treatment methods for different types of wastes to ensure that wastes are treated in a timely and scientific manner. During the reporting period, the Company launched the initiative of practising conservation and eliminating waste in 5 employee canteens of the Head Office Tower, which helped reduce kitchen waste by 14% compared with the previous year.

4.3 Social Responsibility Information

4.3.1 Serving the real economy

The Company adheres to the origin of financial institutions serving the real economy, places emphasis on the real economy during economic development, and improves the quality of financial offerings by leveraging its advantages in extensive wealth management and Fintech to effectively meet the needs of high-quality economic and social development.

During the reporting period, the Company proactively served the major national and regional development strategies and vigorously promoted coordinated regional development. For key regions such as the Guangdong-Hong Kong-Macao Greater Bay Area, the integration of the Yangtze River Delta and the Chengdu-Chongqing Economic Circle, the Company made efforts to promote the coordinated operation of branches in these regions to facilitate the development of customers in these regions.

The Company fully supports national science and technology innovation strategies, takes the support to high-level scientific and technological self-reliance as the key service area, focuses on strategic emerging industries such as new generation of information technology, high-end equipment manufacturing, new materials, biomedicine, new energy vehicles, new energy, energy conservation and environmental protection and digital creativity, and continues to promote technological innovation and industrial development. At the same time, the Company has piloted sci-tech finance sub-branches in branches, and a special working mechanism focusing on the six aspects of "team, product, policy, institution, assessment and process" has been formed so as to provide science and technology enterprises with "Technology + Human + Capital + Industry" four-dimensional services and promote the virtuous cycle and triangular interaction of science and technology, industry and finance. As at the end of the reporting period, the balance of loans to strategic emerging industries of the Company was RMB302.323 billion, representing an increase of RMB83.169 billion or 37.95% as compared with the end of the previous year; accounts opened by science and technology enterprise customers reached 98,800, representing an increase of 11,300 accounts compared with the end of the previous year; the balance of loans extended to technology enterprises was RMB295.608 billion, representing an increase of RMB91.547 billion or 44.86% compared with the end of the previous year; the balance of loans to "Little Giant" enterprises with high growth potential, advanced technology and strong market competitive edge as well as single-product specialists was RMB23.051 billion and to small- and medium-sized enterprises with these features was RMB68.847 billion.

The Company insists on providing financial services to private small- and micro-sized enterprises in a fair manner, and establishes the inclusive finance department to be responsible for leading, organising and operating the business related to inclusive finance, so as to ensure the sustainable development of inclusive finance business in terms of organisational structure. As at the end of the reporting period, the Company had granted RMB476.243 billion of loans to 1,152,900 inclusive small- and micro-sized enterprises in the current year, and the balance of SME inclusive finance loans amounted to RMB678.349 billion, representing an increase of 12.85% compared with the end of the previous year. During the reporting period, the total amount of loan principal and interest repayment deferred by the Company for medium-, small- and micro-sized enterprises, private industrial and commercial businesses and credit card customers under business difficulties was RMB42.235 billion.

During the reporting period, the Company improved and promulgated the "Administrative Measures for Small-sum Loans for Poverty Alleviation" to provide small-sum loan support to people out of poverty, help revitalise underdeveloped areas, and promote the realisation of richer, happier and more beautiful rural areas. As of the end of the reporting period, agriculture-related loans of the Company amounted to RMB233.281 billion; during the reporting period, the Company underwrote 10 Rural Revitalisation Bonds with a total issuance size of RMB4.543 billion.

CMB Wealth Management, the subsidiary of the Company, continuously directed the wealth management capital flows towards the real economy, especially to support the financing of quality enterprises in scientific and technological innovation, infrastructure and energy in line with economic transformation and upgrading. As of the end of the reporting period, the business balance of CMB Wealth Management investment assets supporting the real economy accounted for 78.76% of the total investment assets, injecting impetus into real enterprises at different stages of operation and development. To be specific, the balance of investment in manufacturing enterprises and enterprises with hard technology attributes reached RMB98.488 billion and RMB76.842 billion respectively.

In this year, CMBFL, the subsidiary of the Company, promoting finance through industry, signed a letter of intent for purchasing 50 C919 large passenger planes and 10 ARJ21 new regional air crafts with the Commercial Aircraft Corporation of China, so as to promote the development of China's aviation industry with actual actions.

4.3.2 Support the improvement of people's livelihood

The Company is committed to helping solve the shortcomings in education, housing, old-age care, medical care and other areas of people's livelihood, and investing financial resources in key areas that people pay great importance to.

In the field of education, the Company actively implements the national employment priority strategy, and will continuously provide settlement services for students with locally granted student loan from China Development Bank for 5 years from 2022, including online account opening, loan issuance, renewal application identity verification, loan repayment, etc., so as to build a full-process, full-cycle, all-channel service system and brand for the student loan project of China Development Bank.

In the field of housing, the Company made innovations in housing mortgage loan products for indemnificatory housing (including co-ownership property housing and affordable housing, etc.) to optimise residential mortgage loan policy to meet the residential mortgage loan needs of new citizens and low- and middle-income families. Meanwhile, the Company provides scientific and technological services to 81 housing provident fund centres across the country, and National Housing Provident Fund Mini Program of CMB APP is online with functions such as off-site transfer and continuation, information inquiry and authorisation, and other functions, whose service capabilities cover 341 urban housing provident fund centres and 115 housing provident fund branches across the country.

In the field of old-age care, the Company, as one of the fully licenced financial institutions in the pension market, is committed to contributing to the construction of the national multi-level and multi-pillar endowment insurance system. The first pillar is to continuously deepen cooperation with the Ministry of Human Resources and Social Security, with a total of 47,527,700 electronic social security cards issued by the end of the reporting period. The second pillar is to set up the Pension Finance Department and build the pension investment supervision and annuity smart housekeeper system. During the reporting period, the Company provides occupational annuity trust operation services for 28 national planning areas, and enterprise annuity trust and account management services for 7,979 enterprises. As of the end of the reporting period, our entrusted enterprise and occupational annuities amounted to RMB166.486 billion, and the number of enterprise annuity accounts under management reached 2,157,000. In terms of the third pillar, the individual pension service was launched on 25 November 2022, supporting the opening of individual pension accounts through various channels such as CMB APP, CMB Life APP, counter and visual equipment, and a total of 1,659,200 individual pension fund accounts had been opened by the end of the reporting period.

In the field of medical security, the Company has explored a new mode of cooperation with the National Medical Security Bureau, and carried out the activation and application promotion of electronic medical insurance vouchers. By the end of the reporting period, 20.5557 million electronic medical insurance vouchers had been activated, providing convenience services such as medical insurance inquiry, payment and settlement for the insured, and further optimising the public experience of medical care and drug purchase services.

4.3.3 Accessibility to financial services

In terms of offline channels, the Company continues to promote the construction of domestic branches, and based on the policy of steadily increasing the number and scientific site selection, 45 new branch institutions were opened during the reporting period, including 40 same-city sub-branches, 2 community sub-branches and 3 small-sized sub-branches.

In terms of online channels, the Company has iterated and upgraded the "people + digitalisation" service model, improved the customer service system and met the financial needs of people in areas where offline outlets are unable to cover by further promoting the service capacity construction of online tools such as CMB APP and CMB Life APP.

In response to the financial and non-financial service needs of new citizens, the elderly, the disabled, people in rural areas and other groups, the business outlets of the Company in the Chinese mainland supported barrier-free services and deployed convenient service facilities, providing services for special groups by setting up ramps for the disabled, barrier-free access telephone signs, one-click call buttons, wheelchairs for the disabled and other measures. At the same time, the Company has done a good job in financial services in rural areas and county areas, and scientifically and efficiently distributed outlets within the county. By adding the "Elder Exclusive Line" service, CMB APP "Elder Version" provides one-stop exclusive manual services for elderly customers with quick access together with 95555 "Elder Exclusive Line". During the reporting period, the "Elder Exclusive Line" has served 49,000 elderly customers with a customer satisfaction rate of 97.84%. The "Care Version" of CMB Life APP is equipped with a switchable mode suitable for the elderly, which carries out age-appropriate and concise transformation of commonly used and key modules, fully adapts to the barrier-free service of the reading screen, and supports intelligent voice navigation interaction. The Company has set up a "New Citizen Financial Services Zone" in CMB APP to provide customers with more than 20 one-stop financial services to meet the financial needs of new citizens.

4.3.4 Information security and privacy protection

The Company established IT Management Committee and Network Security team, and built Digital Transformation Committee under senior management with integrated resources for the purpose of promoting the Company information technology, network and data security management. The Company set up a Network Security Defence System according to the principle of "defence beforehand, accurate identification during the event, and rapid disposal and traceability afterwards". To continuously promote the management of network, information and data security, the Company adhered to the notion of data security governance of "guarding legal bottom line, consolidating basic capabilities, and regulating key risk areas".

With regard to its retail customers, the Company strictly complied with the requirements for personal information security in the "Personal Information Protection Law" (《個人信息保護法》), adhered to the principle of minimum necessity in the acquisition and use of personal information, and issued the "[Management Measures for Retail Finance Personal Information of China Merchants Bank (Fifth Edition)]" (《招商銀行零售金融個人信息管理辦法(第五版)》) to further improve the safety protection system for the whole life cycle, from collecting, transmitting, using, sharing to saving retail financial personal information, as well as the treatment mechanism for personal information protection such as emergency plan, risk management, supervision and inspection, and personal information complaint channel. The Company practically implemented user tiered and classified authorisation management, strictly controlling the scope of authorisation for personal information inquiry, strengthening the safety impact assessment and management on the use of personal information, standardising the approval management of personal information use. At the same time, the Company carried out internal control and inspection, emergency drill and other activities of personal information, and strengthening the publicity and education of personal information protection, in order to strictly prevent data leakage risks.

For corporate customers, the Company strengthens "tiered and classified" management system for customer information. At the information collection end, in accordance with the relevant requirements of national laws, customer information was collected based on the premise that customers are fully informed and the principle of minimisation. As for data using and saving, the Company follows the principle of "minimising the authorisation to least information needed" to strictly control system users and the content of corporate customer information that users can access.

During the reporting period, the Company did not have any major incident of Internet security, information security or privacy leakage.

4.3.5 Consumer rights protection

The Company attaches great importance to the protection of consumer rights, has always adhered to the original aspiration of "finance for the people", to the philosophy of "We are here just for you", and to the principle of customer-centred. The Company is committed to providing customers with efficient, convenient, considerate, and warm services, and conscientiously implements the requirements of the People's Bank of China and the China Banking and Insurance Regulatory Commission for the protection of consumer rights.

During the reporting period, the Board of Directors and Related Party Transactions Management and Consumer Rights Protection Committee continued to improve the quality and effectiveness of their performance, promoting a deeper understanding of the significance of protecting consumer rights and resolutely implemented the main responsibilities in consumer rights protection. The Company proposed "Customer Service Value Proposition of China Merchants Bank" and revised its strategic plan, incorporating consumer rights protection into corporate governance, corporate culture and business development strategies.

During the reporting period, the Company further improved the system and mechanism for the protection of consumer rights and interests. On the basis of upgrading the consumer rights protection department, an integrated cross-department team was formed to ensure information sharing and coordination among departments, transmission of relevant policies and requirements as well as effective operation of the implementation mechanism. The Company established six long-term working mechanisms to further promote a high-quality growth of consumer rights protection, updated "Management Measures for Customer Rights Protection of China Merchants Bank"《招商銀行消費者權益保護審查管理辦法》 and "Management Measures for Customer Complaint of China Merchants Bank (Sixth Edition)"《招商銀行客戶投訴管理辦法(第六版)》 as well as other systems to ensure that the protection in consumer rights was put into practice in compliance with the law.

During the reporting period, the Company conducted 76,464 consumer rights protection reviews, involving 100% of the products and services, with 98% of the consumer rights protection review comment being adopted. The Company further increased the weight of consumer rights protection performance in annual performance appraisal to perfect the assessment and evaluation of consumer rights protection. Moreover, we honestly organised internal training on consumer rights protection for a total of 89,600 participants, including senior management, grassroots personnel and new employees.

During the reporting period, the Company carried out centralised and regular financial literacy promotion and education activities, popularising financial knowledge to customers. A total of 14,940 online and offline education activities were organised throughout the year with more than 500 million consumers attended. "Zhao Xiao Bao (招小寶)", an online financial education model, was included in the list of "Typical Cases for China Inclusive Finance (2022) (2022 年中國普惠金融典型案例名單)".

During the reporting period, the Company increased financial investment to update the complaint management system, improved the support of Fintech for handling difficult complaints, data monitoring and analysis as well as business value mining. The Company innovatively carried out source-tracing improvement of complaint issues, implemented special improvements to key complaint issues, improved the diversified mechanism for resolving disputes, and continuously enhanced the efficiency of handling consumer complaints.

During the reporting period, the Company received a total of 248,323[34] complaints transferred from regulatory authorities, 95555 customer complaints channel, Credit Card Centre as well as other channels within the whole bank. According to the business classification of consumer complaints, 47.34% of the complaints were related to debit card business, 38.28% were related to credit card business, 6.24% were related to loan business, 5.60% were related to proprietary and banking agency wealth management business, and 2.54% were related to other businesses.

[34] Excluding data on complaints about the categories of account management, debt negotiation, credit and billing standards.

The distribution by region is shown in the table below.

Region	Number of complaints	Region	Number of complaints	Region	Number of complaints	Region	Number of complaints
Shanghai(1)	98,440	Nanchang	2,937	Kunming	1,699	Hohhot	861
Shenzhen(2)	49,757	Chengdu	2,856	Fuzhou	1,648	Wuxi	772
Beijing	15,621	Qingdao	2,845	Xiamen	1,445	Nanning	720
Wuhan	6,539	Chongqing	2,839	Foshan	1,444	Nantong	484
Guangzhou	6,363	Zhengzhou	2,638	Yantai	1,199	Guiyang	476
Nanjing	5,373	Hefei	2,487	Urumqi	1,166	Yinchuan	454
Xi'an	5,117	Harbin	2,271	Ningbo	1,147	Quanzhou	451
Hangzhou	4,121	Suzhou	2,187	Taiyuan	1,136	Wenzhou	429
Jinan	3,791	Changsha	2,137	Lanzhou	978	Haikou	342
Shenyang	3,706	Dalian	2,000	Shijiazhuang	870	Tangshan	289
Tianjin	3,406	Dongguan	1,824	Changchun	869	Xining	189

Notes:

(1) Including complaints from credit card users.

(2) Including complaints from Head Office departments.

4.3.6 Human resources development

In terms of recruitment management, the Company is committed to eliminating discrimination in terms of gender, age, ethnicity, family status, religion, sexual orientation and social origin in recruitment and employment, and stipulates that discriminatory descriptions such as image, gender, and birthplace are strictly prohibited in external recruitment announcements.

In terms of remuneration management, the Company adheres to the principle of gender equality in remuneration and benefits, and sticks to the notion that gender is not a factor affecting remuneration and benefits. At the same time, the annual remuneration analysis report focused on the remuneration and benefits of different genders, and no abnormalities were found. The Company adjusts the salary standard of different posts according to the market situation and provides employees with competitive remuneration.

In terms of career development paths, the Company has established and improved a dual-channel development system for employees with management capabilities or professionalism, which has changed the single and narrow cadre promotion channel that used to be like "thousands of people trying to cross a thin little log over a river". At the same time, a reserve talent pool for professional staff has been established to serve as an important channel of talent reserve and talent training.

In terms of performance assessment and evaluation, the Company has established a "performance + ability" two-dimensional performance assessment system covering all cadres and employees, and carries out performance assessment on an annual basis. During the reporting period, the Company optimised the performance assessment system for members of the leadership team of the Head Office and branches, held training courses for performance management and empowerment certification, and incorporated the whole process of performance management into compulsory training courses for leadership.

In terms of employee training, during the reporting period, the Company constantly established and improved a standardised and multi-level talent training system. In terms of new employee training, the Head Office and branch linkage mode of "online coverage and offline concentration" was used to realise the full coverage of the training of new employees across the Bank. In terms of staff professional ability training, the Company further enriched online learning resources, improved knowledge system, enhanced course customisation and specialisation, created professional digital learning platform and stimulated staff learning motivation. In terms of management of cadre training, the Company has established a leadership cultivation system for senior management featuring standardisation, institutionalisation, differentiation and full coverage, and implemented a compound training model of "online courses + live streaming + centralised face-to-face training" for middle and grassroot management to improve the management capabilities of cadres.

In terms of employee health, safety and welfare, the Company advocates the work philosophy of "Happy Work, Healthy Life" and provides comprehensive non-salary benefits for employees. The Company actively responds to the implementation of the national maternity policy, offers paid maternity leave, and implements maternity leave according to the requirements of the place of operation. In accordance with the requirements of laws and regulations and in consideration of the actual situation, an enterprise annuity system has been established and operated up to now since 2001. The Company relaunched the "Sunny Day Plan(晴天計劃)", a care plan for employees' families, to provide assistance and extend regards to employees in need whose families have been suffering from diseases. The Company helped 197 employees in total throughout the year, with supporting funds of RMB1,153,100.

4.3.7 Rural revitalisation

The Company resolutely implemented the relevant requirements of the Central Committee of the Communist Party of China and the State Council on paired-up poverty alleviation and rural revitalisation. Taking "consolidating the achievements in poverty alleviation, effectively linking up rural revitalisation and coordinating with branches to implement targeted poverty alleviation" as the guiding principles of rural revitalisation assistance, the Company formulated the "CMB 2022 Rural Revitalisation Work Plan"《招商銀行2022年鄉村振興幫扶工作計劃》by focusing on five major directions of "pavement for education, healthcare security, industrial support, human settlements construction, and talent training", which defined the objectives, targets of the assistance and the measures of rural revitalisation, innovating the supporting model and carrying out the assistance solidly and effectively.

The Company has been continuously improving the three main long-term assistance mechanisms of education assistance, medical assistance and industrial development. During the reporting period, 48 poverty alleviation projects were set up and RMB50,901,900 was invested in direct supporting funds for Wuding and Yongren counties in Yunnan. The supporting funds were mainly invested in livelihood projects such as education, medical treatment, and human settlements improvement. The Company helped the two counties to improve conditions of running schools, develop the basic capacity of healthcare security, and at the same time focused on creating a new supporting model of "products+ platforms+ cooperatives+ farmers", thus to effectively increase both production and income for farmers.

In order to build the "villages feature four points of beauty" and promote rural revitalisation, the Company helped the targeted counties to improve their living environment by investing in the construction of solar-powered streetlights, public toilets, sewage treatment facilities, garbage treatment facilities, and road hardening, etc.. Demonstration bases of CMB rural revitalisation work plan have been built in Yongren County, and the rural areas have been changed in an all-round way by every little effort made by the Company for improving people's livelihood. The Company helped realise the comprehensive demonstration effect of the concept of "beautiful countryside, beautiful environment, beautiful life, and beautiful society", and provided a reference and replicable model for rural revitalisation.

4.4 Governance Information

The Company adheres to the modern enterprise system and prudent management, constantly strengthens risk prevention and control, actively supports the real economy, serves the national strategy, fulfills social responsibilities and is committed to achieving high-quality growth of the Company with high-quality corporate governance, thus helping the high-quality growth of China's economy and society. The core of the Company's corporate governance mechanism is to adhere to the Party's leadership, strengthen the Party's construction, constantly play the core role of the Party in corporate governance and organically integrate the Party's leadership into all aspects of corporate governance. The equity structure of the Company is reasonable and the shareholders' behaviour is standardised. The Shareholders' General Meeting is the organ of authority of the Company. It exercises its functions and powers according to law. The Board of Directors, the Board of Supervisors and the senior management perform their duties. The Board of Directors mainly grasps the overall situation, controls the direction and ensures the implementation, focuses on strategic guidance, risk control and incentive constraints, focuses on the bank's strategic vision, clarifies market positioning, highlights differentiation and business characteristics, maintains forward-looking through strategic guidance, maintains continuity through strategic focus, ensures the implementation of strategy through process supervision, adheres to prudent risk management concept, continuously strengthens the construction of comprehensive risk management system and continuously improves the performance appraisal and incentive and restraint mechanism. The Board of Supervisors actively performs its supervision function, constantly maintains efficient operation, strengthens the scientific, normative and effective supervision of the Board of Directors and senior management in decision-making and implementation in key areas such as development strategy, financial activities, internal control, risk management and effectively safeguards the legitimate rights and interests of the Company, shareholders, employees and other stakeholders. The key to the Company's corporate governance mechanism is to adhere to the president responsibility system under the leadership of the Board of Directors. The Company has established a complete system of discussion and management authorisation, and the President is responsible to the Board of Directors. The Company adheres to the market-oriented talent selection and employment mechanism and salary incentive mechanism, fully stimulates the vitality of talents, guides cadres and employees to establish the concept of sharing benefits and risks with the Company and provides a strong mechanism guarantee for long-term stable development.

During the reporting period, the Board of Directors of the Company effectively fulfilled its relevant responsibilities in environmental, social and governance (including green finance, inclusive finance, human capital, data governance, consumer protection, public welfare, social responsibility and other ESG matters). The Board of Directors and its relevant special committees reviewed the "China Merchants Bank Green Development Plan (2022 Edition)", the "Inclusive Finance Development for 2021 and Work Plan Report for 2022", the "Human Resources Management and Talent Strategy Implementation for 2021", the "Data Governance Work Summary for 2021 and Work Plan for 2022", the "Employee Behavior Evaluation Report for 2021", the "Work Report on Consumer Rights Protection for 2021", the "Bank-wide Customer Complaint Analysis Report for 2021", the "Sustainable Development Report for 2021", the full text and summary of 2021 Annual Report, and the full text and summary of 2022 Interim Report, further promoted the Company's active development of green financial services to meet the national targets of emission peak and carbon neutrality, strictly implemented the national decisions and deployments on inclusive finance, effectively improved the awareness and strength of consumer rights and interests protection, deeply implemented the responsibility concept of "originating from society and repaying society", built the most socially responsible bank and was committed to working with all stakeholders to promote a better society. In addition, according to the national policy guidance and regulatory policy requirements, the Company, as considered and approved at the 35th meeting of the Eleventh Session of the Board of Directors of the Company, added green finance related responsibilities to the Strategy Committee under the Board of Directors and changed the name of the "Strategy Committee under the Board of Directors" to the "Strategy and Sustainable Development Committee under the Board of Directors" (such change will be duly effective upon the completion of amendments to the Articles of Association) to perform the ESG related responsibilities in an integrated manner.

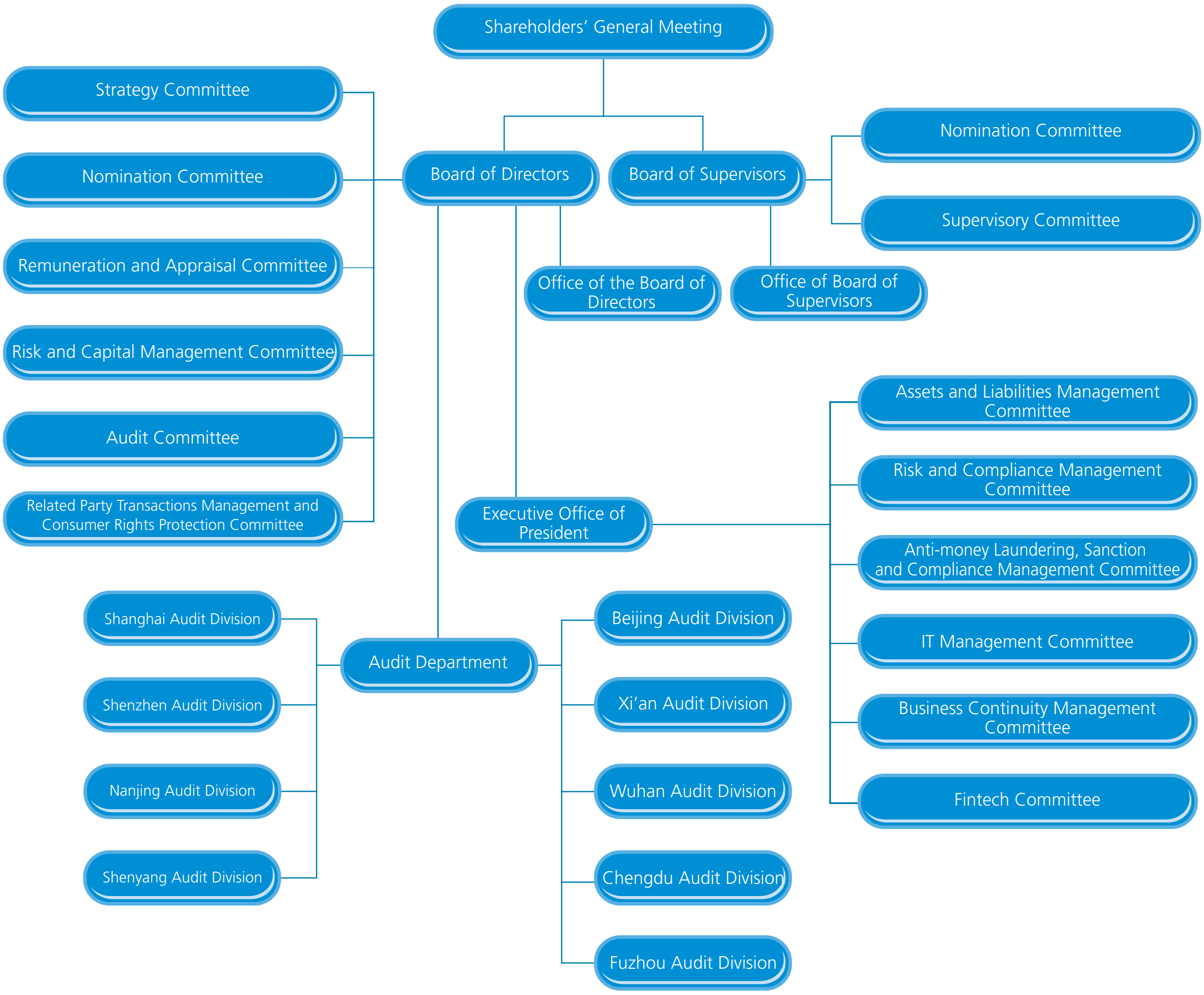
During the reporting period, the Board of Supervisors of the Company studied and reviewed the "China Merchants Bank Green Development Plan (2022 Edition)", the "Inclusive Finance Development for 2021 and Work Plan Report for 2022", the "Data Governance Work Summary for 2021 and Work Plan for 2022", the "Employee Behavior Evaluation Report for 2021", the "Work Report on Consumer Rights Protection for 2021", the "Sustainable Development Report for 2021", the full text and summary of 2021 Annual Report, and the full text and summary of 2022 Interim Report, focusing on the Board of Directors and senior management's duty performance on the issues related to inclusive finance, green finance, consumer rights protection and social responsibilities, and put forward opinions and suggestions. The Board of Supervisors made a special trip to Yongren and Wuding designated counties in Yunnan Province to carry out collective research and in-depth understanding of the implementation of the designated assistance work and promote the Company to contribute more financial strength to the cause of rural revitalisation than ever before.

For more details on corporate governance, please refer to Chapter V.

Repaying your trust with extreme professionalism

Corporate Governance

5.1 Corporate Governance Structure



5.2 Overview of Corporate Governance

During the reporting period, the Company convened 1 Shareholders' general meeting, reviewed 13 proposals and heard 6 reports, as further described in "Information about Shareholders' General Meetings".

During the reporting period, the Company convened 18 meetings of the Board of Directors, reviewed 86 proposals and heard 17 reports; convened 35 meetings of special committees under the Board of Directors, reviewed 104 proposals and heard 33 reports; convened 1 meeting of Non-Executive Directors, at which 1 report was heard. During the reporting period, the Eleventh Session of the Board of Directors of the Company convened the 35th meeting (7 January), the 36th meeting (16 March), the 37th meeting (18 March), the 38th meeting (18 April), the 39th meeting (22 April), the 40th meeting (19 May), the 41st meeting (20 May) and the 42nd meeting (22 June), and the Twelfth Session of the Board of Directors convened the 1st meeting (29 June), the 2nd meeting (12 July), the 3rd meeting (22 July), the 4th meeting (18 August), the 5th meeting (19 August), the 6th meeting (20 September), the 7th meeting (28 October), the 8th meeting (29 November), the 9th meeting (28 December) and the 10th meeting (30 December), with priority giving to reviewing the Company's annual financial report, profit distribution plan, strategic implementation evaluation report, green development plan, comprehensive risk report, risk preference implementation report, capital adequacy report, human resources management and talent strategy implementation report, work report of the Board of Directors, performance of duties evaluation report of the Board of Directors and its members, work report of the President, the report on development of inclusive finance and its work plan, data governance work summary and work plan, related party transaction management report, consumer rights protection report, sustainable development report and other relevant proposals.

During the reporting period, the Company convened 14 meetings of the Board of Supervisors, at which 37 proposals were reviewed and 20 reports were heard; and 5 meetings of the special committees under the Board of Supervisors, at which 7 proposals were reviewed. In addition, 4 collective researches were organised by the Board of Supervisors.

For details of the proposals reviewed by the meetings of the Board of Directors and the Board of Supervisors, please refer to the disclosure documents including the announcements on resolutions published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company.

After conducting thorough self-inspection pursuant to relevant requirements of the Announcement Regarding Implementation of Special Actions on Listed Companies Governance ([2020] No.69) issued by CSRC and the Notice Regarding Promoting the Principal Responsibility of Listed Companies in the Jurisdiction for Enhancing Governance to Achieve High Quality Development ([2020] No.128) issued by CSRC Shenzhen Office, the Company was not aware of any material non-compliance of its corporate governance practice with the requirements set out in the laws, administrative regulations and CSRC's regulatory documents governing the corporate governance of listed companies.

5.3 Information about Shareholders' General Meetings

During the reporting period, the Company convened one Shareholders' general meeting, namely the 2021 Annual General Meeting held in Shenzhen on 29 June 2022. The notice, convening, holding and voting procedures of the meeting were in compliance with the relevant provisions of the Company Law of the People's Republic of China, the Articles of Association of China Merchants Bank Co., Ltd. and the Hong Kong Listing Rules. The meeting reviewed and approved 12 proposals and their sub-proposals, including the 2021 Work Report of the Board of Directors, the 2021 Work Report of the Board of Supervisors, the 2021 Annual Report (including the audited financial report), the 2021 Financial Statement Report, the 2021 Profit Distribution Plan (including the declaration of the final dividends), the appointment of accounting firm for the year 2022, the election of the members of the Twelfth Session of the Board of Directors of China Merchants Bank, the election of the Shareholder Supervisors and External Supervisors of the Twelfth Session of the Board of Supervisors of China Merchants Bank and the revision of the Articles of Association of China Merchants Bank Co., Ltd.. The meeting rejected the proposal regarding the election of Mr. Shen Zheting as a Non-Executive Director of China Merchants Bank. For the relevant details of the proposal reviewed at the meeting, please refer to the 2021 Annual General Meeting documents, general meeting circulars, supplementary general meeting circulars, the announcement of adding temporary proposals and the announcement of shareholders' meeting resolutions and other disclosure documents published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company.

5.4 Directors, Supervisors and Senior Management

Name	Gender	Date of Birth (Y/M)	Title	Term of office	Shareholding at the beginning of the period (share)	Shareholding at the end of the period (share)	Total remuneration before tax received from the Company during the reporting period (RMB in ten thousand)	Whether or not received remuneration from the Company's related parties during the reporting period
Miao Jianmin	Male	1965.1	Chairman	2020.9-2025.6	–	–	–	Yes
			Non-Executive Director	2020.9-2025.6				
Hu Jianhua	Male	1962.11	Non-Executive Director	2022.10-2025.6	–	–	–	Yes
Sun Yunfei	Male	1965.8	Non-Executive Director	2022.10-2025.6	–	–	–	Yes
Wang Liang	Male	1965.12	Executive Director	2019.8-2025.6	250,000	300,000	362.46	No
			President and Chief Executive Officer	2022.6-2025.6				
			Secretary of the Board of Directors	2021.8-2025.6				
			Former Chief Financial Officer	2019.4-2023.2				
Zhou Song	Male	1972.4	Non-Executive Director	2018.10-2025.6	–	–	–	Yes
Hong Xiaoyuan	Male	1963.3	Non-Executive Director	2007.6-2025.6	–	–	–	Yes

Name	Gender	Date of Birth (Y/M)	Title	Term of office	Shareholding at the beginning of the period (share)	Shareholding at the end of the period (share)	Total remuneration before tax received from the Company during the reporting period (RMB in ten thousand)	Whether or not received remuneration from the Company's related parties during the reporting period
Zhang Jian	Male	1964.10	Non-Executive Director	2016.11-2025.6	–	–	–	Yes
Su Min	Female	1968.2	Non-Executive Director	2014.9-2025.6	–	–	–	Yes
Chen Dong	Male	1974.12	Non-Executive Director	2022.10-2025.6	–	–	–	Yes
Wong See Hong	Male	1953.6	Independent Non-Executive Director	2017.2-Note(1)	–	–	50.00	No
Li Menggang	Male	1967.4	Independent Non-Executive Director	2018.11-Note(1)	–	–	50.00	No
Liu Qiao	Male	1970.5	Independent Non-Executive Director	2018.11-Note(1)	–	–	50.00	No
Tian Hongqi	Male	1957.5	Independent Non-Executive Director	2019.8-2025.6	–	–	50.00	No
Li Chaoxian	Male	1958.9	Independent Non-Executive Director	2021.8-2025.6	–	–	50.00	No
Shi Yongdong	Male	1968.11	Independent Non-Executive Director	2021.8-2025.6	–	–	50.00	No
Xiong Liangjun	Male	1963.2	Chairman of Board of Supervisors, Employee Supervisor	2021.8-2025.6	240,000	240,000	331.70	No
Luo Sheng	Male	1970.9	Shareholder Supervisor	2022.6-2025.6	–	–	–	Yes
Peng Bihong	Male	1963.10	Shareholder Supervisor	2019.6-2025.6	–	–	–	Yes
Wu Heng	Male	1976.8	Shareholder Supervisor	2016.6-2025.6	–	–	–	Yes
Xu Zhengjun	Male	1955.9	External Supervisor	2019.6-2025.6	–	–	40.00	No
Cai Hongping	Male	1954.12	External Supervisor	2022.6-2025.6	–	–	20.22	No
Zhang Xiang	Male	1963.12	External Supervisor	2022.6-2025.6	–	–	20.22	No
Cai Jin	Female	1970.7	Employee Supervisor	2021.12-2025.6	114,050	133,150	154.75	No
Cao Jian	Male	1970.10	Employee Supervisor	2023.3-2025.6	115,000	127,000	–	No
Wang Yungui	Male	1963.6	Executive Vice President	2019.6-2025.6	210,000	210,000	294.28	No
Li Delin	Male	1974.12	Executive Vice President	2021.3-2025.6	204,400	204,400	293.60	No
Zhu Jiangtao	Male	1972.12	Executive Vice President	2021.9-2025.6	198,800	198,800	293.90	No
			Chief Risk Officer	2020.7-2025.6				
Xiong Kai	Male	1971.4	Secretary of the Party Discipline Committee	2021.7-present	225,600	225,600	293.90	No
Zhong Desheng	Male	1967.7	Executive Assistant President	2021.10-present	177,300	177,300	256.10	No
Wang Xiaoqing	Male	1971.10	Executive Assistant President	2021.10-present	–	–	–	No
Wang Ying	Female	1972.11	Executive Assistant President	2023.2-present	155,000	200,000	–	No
Peng Jiawen	Male	1969.5	Executive Assistant President	2023.2-present	165,000	167,700	–	No
			Chief Financial Officer	2023.2-2025.6				

Name	Gender	Date of Birth (Y/M)	Title	Term of office	Shareholding at the beginning of the period (share)	Shareholding at the end of the period (share)	Total remuneration before tax received from the Company during the reporting period (RMB in ten thousand)	Whether or not received remuneration from the Company's related parties during the reporting period
Jiang Chaoyang	Male	1967.12	Chief Information Officer	2019.11-present	175,000	198,100	277.53	No
Fu Gangfeng	Male	1966.12	Former Vice Chairman Former Non-Executive Director	2018.7-2022.11 2010.8-2022.11	–	–	–	Yes
Tian Huiyu	Male	1965.12	Former Executive Director Former President and Former Chief Executive Officer	2013.8-2022.6 2013.9-2022.4	335,500	335,500	–	No
Wang Daxiong	Male	1960.12	Former Non-Executive Director	2016.11-2022.6	–	–	–	Yes
Luo Sheng	Male	1970.9	Former Non-Executive Director	2019.7-2022.6	–	–	–	Yes
Guo Xikun	Male	1965.9	Former Shareholder Supervisor	2021.6-2022.6	–	–	–	Yes
Ding Huiping	Male	1956.6	Former External Supervisor	2016.6-2022.6	–	–	16.67	No
Han Zirong	Male	1963.7	Former External Supervisor	2016.6-2022.6	–	–	16.67	No
Wang Wanqing	Male	1964.9	Former Employee Supervisor	2018.7-2023.3	181,000	183,000	264.98	No
Wang Jianzhong	Male	1962.10	Former Executive Vice President	2019.4-2023.2	240,200	240,200	294.28	No
Shi Shunhua	Male	1962.12	Former Executive Vice President	2019.4-2023.2	245,000	245,000	293.60	No

Notes:

(1) According to the *Rules for the Independent Directors of Listed Companies*, the term of office of Independent Directors shall not exceed six years. Therefore, the actual term of office of the Independent Directors, Mr. Wong See Hong, Mr. Li Menggang and Mr. Liu Qiao, will expire earlier than the expiration time of the Twelfth Session of the Board of Directors of the Company.

(2) The remuneration received by the Directors, Supervisors and senior management who were appointed or resigned during the reporting period was calculated based on the length of their terms of office during the reporting period. During the reporting period, Mr. Wang Xiaoqing received his remuneration from China Merchants Fund, a subsidiary of the Company.

(3) The aggregate pre-tax remuneration of full-time Executive Directors, Chairman of the Board of Supervisors and senior management of the Company is still being verified. The remaining part will be disclosed separately upon the completion of confirmation and payment.

(4) As at the end of the reporting period, the spouse of Mr. Zhou Song held 23,282 A Shares in the Company and Ms. Cai Jin held 133,150 shares in the Company, which consisted of 128,600 A Shares and 4,550 H Shares. The Shares held by others listed in the above table were all A Shares. The changes in the shareholding of the people listed in the above table during the reporting period were all resulting from shareholding increase.

(5) None of the people listed in the above table has been punished by the securities regulator(s) over the past three years.

(6) None of the people listed in the above table holds any share options of the Company or has been granted any of its restricted shares.

5.4.1 Appointment and resignation of Directors, Supervisors and senior management

Directors

In June 2022, according to the relevant resolutions passed at the 2021 Annual General Meeting of the Company, Mr. Hu Jianhua, Mr. Sun Yunfei and Mr. Chen Dong were elected as the Non-Executive Directors of the Company, whose qualifications as the Directors were approved by the CBIRC in October 2022. Mr. Li Delin was elected as an Executive Director of the Company, and his qualification as a Director is subject to the approval of the CBIRC.

In June 2022, according to the resolution of the 1st meeting of the Twelfth Session of the Board of Directors of the Company, the Board of Directors elected Mr. Hu Jianhua as the Vice Chairman of the Twelfth Session of the Board of Directors of the Company, and his qualification as the Vice Chairman is subject to the approval of the CBIRC.

In June 2022, Mr. Wang Daxiong and Mr. Luo Sheng ceased to be Non-Executive Directors of the Company after the end of the 2021 Annual General Meeting due to the expiry of their terms of office, and Mr. Tian Huiyu ceased to be an Executive Director of the Company after the end of the 2021 Annual General Meeting.

In November 2022, Mr. Fu Gangfeng ceased to be the Vice Chairman and Non-Executive Director of the Company due to change of work arrangement.

In January 2023, according to the resolution of the 11th meeting of the Twelfth Session of the Board of Directors of the Company, the Board of Directors elected Mr. Sun Yunfei as the Vice Chairman of the Twelfth Session of the Board of Directors of the Company, and his qualification as the Vice Chairman is subject to the approval of the CBIRC.

Supervisors

In June 2022, according to the relevant resolutions passed at the 2021 Annual General Meeting of the Company, Mr. Luo Sheng was elected as the Shareholder Supervisor of the Company, and Mr. Cai Hongping and Mr. Zhang Xiang were elected as External Supervisors of the Company.

In June 2022, Mr. Guo Xikun ceased to be the Shareholder Supervisor of the Company due to the expiry of his term of office, and Mr. Ding Huiping and Mr. Han Zirong ceased to serve as External Supervisors of the Company due to the expiry of their terms of office.

In March 2023, Mr. Cao Jian was elected as the Employee Supervisor of the Company by the employee representative meeting of the Company. Mr. Wang Wanqing ceased to be the Employee Supervisor of the Company due to his age.

Senior management

Mr. Wang Liang was appointed as the President of the Company according to the resolutions passed at the 40th meeting of the Eleventh Session of the Board of Directors of the Company. His term of office took effect from 15 June 2022, being the date of approval by the CBIRC.

In April 2022, Mr. Tian Huiyu ceased to be the President of the Company in accordance with the resolutions passed at the 38th meeting of the Eleventh Session of the Board of Directors of the Company.

In January 2023, Mr. Zhong Desheng and Mr. Wang Xiaoqing were appointed as the Executive Vice Presidents of the Company in accordance with the resolutions passed at the 11th meeting of the Twelfth Session of the Board of Directors of the Company, and their qualifications as the Executive Vice Presidents are subject to the approval of the CBIRC.

In February 2023, Mr. Wang Jianzhong and Mr. Shi Shunhua ceased to be the Executive Vice Presidents of the Company due to reaching the retirement age.

In February 2023, the qualifications of Ms. Wang Ying and Mr. Peng Jiawen as the Executive Assistant Presidents were approved by the CBIRC.

In February 2023, Mr. Peng Jiawen was appointed as the Chief Financial Officer of the Company at the 12th meeting of the Twelfth Session of the Board of Directors of the Company. Due to the change in assignment in the Bank, Mr. Wang Liang ceased to be the Chief Financial Officer of the Company.

For details of the new appointments and resignations on Directors, Supervisors and senior management, please refer to the relevant announcements published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company.

5.4.2 Changes in information of Directors and Supervisors

1. Mr. Miao Jianmin serves as an alternate member of the 20th Central Committee of the Communist Party of China and Chairman of China Merchants Financial Holdings Co., Ltd..

2. Mr. Wang Liang concurrently serves as the Chairman of CMB International Capital Corporation Limited, Chairman of CMB Wing Lung Bank, Vice Chairman of Merchants Union Consumer Finance Company Limited, a Director of China Merchants Financial Holdings Co., Ltd. and a representative of the 14th People's Congress of Guangdong Province. He no longer serves as a member of the Data Governance High-Level Guidance and Coordination Committee of the China Banking and Insurance Regulatory Commission and the Company's Chief Financial Officer.

3. Mr. Zhou Song concurrently serves as a Director of China Merchants Financial Holdings Co., Ltd..

4. Mr. Hong Xiaoyuan serves as a Director, the General Manager of China Merchants Financial Holdings Co., Ltd., but ceases to serve as the Director (Executive) of the Executive Committee of the China Merchants Financial Group/Platform.

5. Mr. Zhang Jian serves as the Deputy General Manager of China Merchants Financial Holdings Co., Ltd., but ceases to serve as the Vice Director (Executive) of the Executive Committee of the China Merchants Financial Group/Platform.

6. Ms. Su Min serves as the Deputy General Manager of China Merchants Financial Holdings Co., Ltd., but ceases to serve as the Vice Director (Executive) of the Executive Committee of the China Merchants Financial Group/Platform.

7. Mr. Liu Qiao ceases to concurrently serve as an Independent Non-Executive Director of CSC Financial Co., Ltd. (a company listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange).

8. Mr. Li Chaoxian ceases to concurrently serve as an Independent Director of Beijing HuaDaJianYe Engineering Management Co., Ltd. (北京華達建業工程管理股份有限公司) (a company listed on the National Equities Exchange and Quotations).

9. Mr. Shi Yongdong serves as the dean of the School of Financial Technologies of Dongbei University of Finance and Economics, but ceases to serve as the dean of the School of Applied Finance and Behavioural Sciences of Dongbei University of Finance and Economics.

10. Mr. Xiong Liangjun ceases to concurrently serve as a member of Shenzhen Finance Development Consultation Committee (深圳市金融發展諮詢委員會).

11. Mr. Luo Sheng serves as a Director of Dajia Life Insurance Co., Ltd..

12. Mr. Peng Bihong ceases to concurrently serve as the Vice Chairman and a Council Member of the Communications Branch of China Institute of Internal Audit.

13. Mr. Xu Zhengjun concurrently serves as a Council Member of Shanghai Dongsheng Public Welfare Foundation.

5.4.3 Current positions held by Directors and Supervisors in the shareholders' companies

Name	Name of company	Major title	Term of office
Miao Jianmin	China Merchants Group Ltd.	Chairman	From July 2020 up to now
Hu Jianhua	China Merchants Group Ltd.	Director	From August 2018 up to now
		General Manager	From December 2019 up to now
Sun Yunfei	China COSCO Shipping Corporation Limited	Deputy General Manager and Chief Accountant	From August 2018 up to now
Zhou Song	China Merchants Group Ltd.	Chief Accountant	From October 2018 up to now
Hong Xiaoyuan	China Merchants Group Ltd.	Assistant General Manager	From September 2011 up to now
	China Merchants Financial Holdings Co., Ltd.	General Manager	From September 2022 up to now
Zhang Jian	China Merchants Group Ltd.	Chief Digital Officer and Director of Digital Centre	From January 2019 up to now
	China Merchants Financial Holdings Co., Ltd.	Deputy General Manager	From September 2022 up to now
Su Min	China Merchants Financial Holdings Co., Ltd.	Deputy General Manager	From September 2022 up to now
Chen Dong	China COSCO Shipping Corporation Limited	General Manager of Financial Management Headquarters	From September 2016 up to now
Luo Sheng	Dajia Insurance Group Co., Ltd.	Deputy General Manager	From September 2020 up to now
Peng Bihong	China Communications Construction Group Ltd.	Chief Accountant	From September 2019 up to now
Wu Heng	SAIC Motor Corporation Limited	General Manager of Finance Affairs Department	From August 2019 up to now

5.4.4 Biography and positions of Directors, Supervisors and senior management

Directors

Mr. Miao Jianmin is the Chairman and Non-Executive Director of the Company. Mr. Miao obtained a doctorate degree in Economics from Central University of Finance and Economics and is a senior economist. He is an alternate member of the nineteenth and twentieth Central Committee of the Communist Party of China. Mr. Miao is Chairman of China Merchants Group Ltd. and concurrently serves as Chairman of China Merchants Financial Holdings Co., Ltd. (招商局金融控股有限公司) and Chairman of China Merchants Life Insurance Company Limited. Mr. Miao was the Vice Chairman and President of China Life Insurance (Group) Company, the Vice Chairman, President and Chairman of The People's Insurance Company (Group) of China Limited (a company listed on the Hong Kong Stock Exchange), the Chairman of PICC Property and Casualty Company Limited (a company listed on the Hong Kong Stock Exchange), the Chairman of PICC Asset Management Company Limited, the Chairman of PICC Health Insurance Company Limited, the Chairman of The People's Insurance Company of China (Hong Kong), Limited, the Chairman of PICC Capital Investment Management Company Limited, the Chairman of PICC Pension Company Limited and the Chairman of PICC Life Insurance Company Limited.

Mr. Hu Jianhua is a Non-Executive Director of the Company. He is an excellent senior engineer with a doctorate degree in Business Administration from the University of South Australia. He currently serves as the Director and the General Manager of China Merchants Group Ltd.. He concurrently serves as Vice Chairman of China Merchants Financial Holdings Co., Ltd. and Chairman of the Board of Supervisors of China Merchants Life Insurance Company Limited. He served as the Deputy General Manager of China Merchants Group Ltd., Vice Chairman of the Board of Directors of China Merchants Port Holdings Company Limited (a company listed on the Hong Kong Stock Exchange), Vice Chairman of Port de Djibouti S.A. (PDSA), Chairman of China Nanshan Development (Group) Co., Ltd., Chairman of China Merchants Logistics Group Co., Ltd., Director and General Manager of China Merchants Holdings (International) Company Limited (later renamed as: China Merchants Port Holdings Company Limited), Chairman of Colombo International Container Terminals Limited, Director and General Manager of China Harbour Engineering Company Limited (中國港灣工程有限責任公司), General Manager of Hong Kong Zhen Hua Engineering Co., Ltd., and an Independent Director of CIC Overseas Direct Investment Co., Ltd..

Mr. Sun Yunfei is a Non-Executive Director of the Company. He is a senior economist (researcher level) with a master's degree in Business Administration from the School of Management of Fudan University. He currently serves as the Deputy General Manager and chief accountant of China COSCO Shipping Corporation Limited. He served as the Deputy Chief of the Economic Planning and Statistics Division, the Director of the Planning Department and the Deputy Chief Accountant of Hudong Shipyard (滬東造船廠), Chief Accountant of Hudong Shipbuilding (Group) Co., Ltd. (滬東造船（集團）有限公司), Director and Chief Financial Officer of Hudong-Zhonghua Shipbuilding (Group) Co., Ltd., Deputy Chief Accountant and chief accountant at China State Shipbuilding Corporation, Deputy General Manager of China State Shipbuilding Corporation, etc.

Mr. Wang Liang is an Executive Director, President, Chief Executive Officer and Secretary of the Board of Directors of the Company. Mr. Wang obtained a master's degree in Monetary Banking from Renmin University of China. He is a senior economist. He joined the Company in June 1995 and successively served as the Assistant General Manager, Deputy General Manager and General Manager of Beijing Branch of the Company. He served as the Executive Assistant President of the Company and concurrently, General Manager of Beijing Branch of the Company from June 2012. He ceased to serve as the General Manager of Beijing Branch from November 2013. He became the Executive Vice President of the Company from January 2015 and concurrently served as the Secretary of the Board of Directors of the Company from November 2016 to April 2019. He concurrently served as the Chief Financial Officer of Company from April 2019 to February 2023. He became the First Executive Vice President, Secretary of the Board of Directors, Company Secretary of the Company and the authorised representative in charge of matters in relation to listing in Hong Kong since August 2021. He started to preside over overall business of the Company since 18 April 2022. He has been the President of the Company since 15 June 2022. He concurrently serves as the Chairman of CMB International Capital Corporation Limited, Chairman of CMB Wing Lung Bank, Vice Chairman of Merchants Union Consumer Finance Company Limited, Director of China Merchants Financial Holdings Co., Ltd., Vice President of the Payment & Clearing Association of China, Director of the fourth session of the Professional Committee for Intermediate Business of China Banking Association and Executive Director of the sixth session of the Banking Accounting Society of China, and a representative of the 14th People's Congress of Guangdong Province.

Mr. Zhou Song is a Non-Executive Director of the Company. Mr. Zhou obtained a master's degree of World Economics from Wuhan University. Mr. Zhou is the Chief Accountant of China Merchants Group Ltd. and concurrently a Director of China Merchants Financial Holdings Co., Ltd., the Chairman of Shenzhen China Merchants Ping An Asset Management Co., Ltd. (深圳市招商平安資產管理有限責任公司), the Chairman of China Merchants Finance Co., Ltd. (招商局集團財務有限公司), the Chairman of China Merchants Investment Development Co., Ltd. (招商局投資發展有限公司) and the Chairman of the Board of Supervisors of China Merchants Shekou Industrial Zone Holdings Co., Ltd. (a company listed on Shenzhen Stock Exchange). He was the Deputy General Manager of the Planning and Finance Department of the Head Office of China Merchants Bank, the Deputy General Manager of Wuhan Branch, the Deputy General Manager (in charge of work) and General Manager of the Planning and Finance Department of the Head Office, the Employee Supervisor of China Merchants Bank, the Business Director and General Manager of the Assets and Liabilities Management Department of the Head Office, the President of the General Office of the Financial Institution Business and concurrently the General Manager of the Assets Management Department of the Head Office and the Business Director of the Head Office, the President of the General Office of Investment Banking and Financial Market Business and concurrently the General Manager of the Assets Management Department of the Head Office, and the Business Director of the Head Office.

Mr. Hong Xiaoyuan is a Non-Executive Director of the Company. Mr. Hong obtained a master's degree in Economics from Peking University and a master's degree in Science from Australian National University. He is a senior economist. He serves as the Director of China Merchants Holdings (Hong Kong) Company Limited and the Assistant General Manager of China Merchants Group Ltd., a Director and General Manager of China Merchants Financial Holdings Co., Ltd.. He concurrently serves as the Chairman of China Merchants Capital Investments Co., Ltd., China Merchants United Development Company Limited and China Merchants Innovative Investment Management Co., Ltd., and the Director of China Merchants Life Insurance Company Limited and CNIC Corporation Limited. He served as the Director of China Merchants Securities Co., Ltd. (a company then listed on Shanghai Stock Exchange), the Chairman of the Board of Directors of China Merchants China Direct Investments Limited (a company listed on the Hong Kong Stock Exchange), the Chief Executive Officer and Chairman of China Merchants Finance Holdings Company Limited, Chairman of Shenzhen CMB Qianhai Financial Asset Exchange Co., Ltd., and the Director (Executive) of the Executive Committee of the China Merchants Financial Group/Platform.

Mr. Zhang Jian is a Non-Executive Director of the Company. Mr. Zhang obtained a bachelor's degree in Economics and Management from the Department of Economics of Nanjing University and a master's degree in Econometrics from the Business School of Nanjing University, and is a senior economist. He is the Chief Digital Officer of China Merchants Group Ltd., the Director of the Digital Centre, the Deputy General Manager of China Merchants Financial Holdings Co., Ltd. and a Director of China Merchants Finance Holdings Company Limited. He concurrently serves as the Chairman of China Merchants Commerce Financial Leasing Co., Ltd. (招商局通商融資租賃有限公司), the Chairman of China Merchants Financial Technology Co., Ltd. (招商局金融科技有限公司), a Director of China Merchants Innovative Investment Management Co., Ltd., a Director of China Merchants Innovative Investment (International) Co., Ltd. (招商局創新投資(國際)有限公司), a Director of China Merchants Innovation Investment General Partnership (International) Co., Ltd. (招商局創新投資普通合夥(國際)有限公司) and a Director of Four Rivers Investment Management Co., Ltd. (四源合股權投資管理有限公司). He served as a Director of China Merchants Life Insurance Company Limited, a Director of China Merchants Insurance Holdings Co., Ltd. (招商局保險控股有限公司), a Director of China Merchants Ping An Asset Management Co., Ltd., Deputy General Manager of China Merchants Finance Holdings Company Limited, a Director of Shenzhen CMB Qianhai Financial Asset Exchange Co., Ltd., General Manager of Finance Department of China Merchants Group Ltd., the Vice Chairman of China Merchants Capital Investments Co., Ltd., the Non-Executive Director and Chairman of the Board of Directors of China Merchants China Direct Investments Limited (a company listed on the Hong Kong Stock Exchange), a Director of China Merchants Capital Investments Co., Ltd., a Director of China Great Bay Area Fund Management Co., Limited, a Director of China Merchants Capital Holdings (International) Limited, the Vice Chairman of China Merchants Capital Management Co. Ltd., the Vice Chairman of China Merchants Capital Holdings Co. Ltd., a Director of China Merchants United Development Company Limited, a Director of Shi Jin Shi Credit Service Co., Ltd. (試金石信用服務有限公司）and the Deputy Director (Executive) of the Executive Committee of the China Merchants Financial Group/Platform.

Ms. Su Min is a Non-Executive Director of the Company. Ms. Su obtained a bachelor's degree in Finance from Shanghai University of Finance and Economics and a master's degree in Business Administration from China University of Technology, and is a senior accountant, a non-practicing member of Chinese Institute of Certified Public Accountants and a non-practicing member of China Appraisal Society. She is the Deputy General Manager of China Merchants Financial Holdings Co., Ltd.. She concurrently serves as a Director of Bosera Asset Management Co., Limited, a Director of China Merchants Securities Co., Ltd. (a company listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange) and a Director of China Great Wall Securities Co., Ltd. (長城證券股份有限公司). She successively served as the Deputy Director of Property Office of the State-owned Assets Supervision and Administration Commission of Anhui Province, a Director of Huishang Bank Corporation Limited, the Deputy General Manager and Chief Accountant of Anhui Energy Group Co., Ltd., the Chief Accountant of China Shipping (Group) Company, the Chairman of China Shipping Finance Co., Ltd., the Chairman of COSCO SHIPPING Leasing Co., Ltd. (中遠海運租賃有限公司), a Director of Bank of Kunlun Co., Ltd., and a Director of China SHIPPING Development Co., Ltd. (a company listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange) and China Shipping Container Lines Company Limited (a company listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange). She served as a Director of China Merchants Innovation Investment Management Co., Ltd.(招商局創新投資管理有限責任公司), a Supervisor of China Merchants Capital Investments Co., Ltd., the General Manager of China Merchants Finance Holdings Company Limited and the Deputy Director (Executive) the Executive Committee of the China Merchants Financial Group/Platform.

Mr. Chen Dong is a Non-Executive Director of the Company. He is a senior accountant with a master's degree in economics from Shanghai University of Finance and Economics. He currently serves as the General Manager of the Financial Management Division of China COSCO SHIPPING Corporation Limited. He concurrently serves as a Director of COSCO SHIPPING Specialized Carriers Co., Ltd. (a company listed on the Shanghai Stock Exchange), COSCO SHIPPING International (Hong Kong) Co., Ltd. (a company listed on the Hong Kong Stock Exchange) and COSCO SHIPPING Ports Limited (a company listed on the Hong Kong Stock Exchange). He served as Assistant Director and Deputy General Manager of the Finance and Accounting Department of China Shipping Development Co., Ltd. Tanker Company, Deputy Director of Risk Control Centre of Enterprise Management Department, Deputy Director of Risk Control Department of Accounting and Finance Department, Deputy Director of Finance Department, Senior Manager of Finance and Tax Management Office of Finance Department, Assistant General Manager and Deputy General Manager of Finance Department of China Shipping (Group) Company and Deputy General Manager of the Financial Management Division of China COSCO Shipping Corporation Limited, etc.

Mr. Wong See Hong is an Independent Non-Executive Director of the Company. Mr. Wong obtained a bachelor's degree in Business Administration from the National University of Singapore, a master's degree in Investment Management from Hong Kong University of Science and Technology, and a doctorate degree in Transformational Leadership (DTL) from Bethel Bible Seminary. He is an Independent Director of The Frasers Hospitality Assets Management Pte., Ltd. (新加坡輝盛國際資產管理有限公司) and EC World Asset Management Private Limited and a member of the Financial Management Commission of the Hong Kong Administration Society (香港管理學會財務管理委員會). He previously served as the Deputy Chief Executive of BOCHK, head, Managing Director and President for the Southeast Asia region, and the head of the Financial Market Department in Asia (亞洲區金融市場部主管) of ABN AMRO Bank, a Director of Bank of China Group Insurance Company Limited, the Chairman of the Board of BOC Group Trustee Company Limited, the Chairman of BOCI-Prudential MPF (中銀保誠強積金), the Chairman of BOCHK Asset Management Limited, a member of the Board of Directors of the Civil Servants Institute of Prime Minister's Office Singapore (新加坡總理辦公室公務員學院), and a member of the Client Consulting Commission (客戶諮詢委員會) of Thomson Reuters.

Mr. Li Menggang is an Independent Non-Executive Director of the Company. Mr. Li obtained a Ph.D. in Economics and a post-doctoral degree in both Transportation and Communication Engineering and Theoretical Economics from Beijing Jiaotong University. He has been serving as a professor and doctoral supervisor at Beijing Jiaotong University, the Dean of the National Academy of Economic Security (NAES) of Beijing Jiaotong University, the Director of Beijing Laboratory of National Economic Security Pre-Warning Project and the Chief Expert of Major Bidding Projects of the National Social Science Fund. He concurrently serves as the Vice President and the Deputy Director of the Expert Committee of China Human Resource Development Association, the Director of the Human Capital Institute, the Vice President of Guanghua Engineering Science and Technology Award Foundation (光華工程科技獎勵基金會), the Deputy Director of the Independent Board Committee of China Association for Public Companies and an Independent Director of Huadian Power International Corporation Limited (a company listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange). He served as an Independent Director of Sichuan Golden Summit (Group) Joint-stock Co., Ltd. (a company listed on Shanghai Stock Exchange), an Independent Non-Executive Director of Yuxing InfoTech Investment Holdings Limited (a company listed on the Hong Kong Stock Exchange), the Chairman of the Professional Committee of the Logistics Informatisation and Industrial Security System of the Institute of Electrical and Electronics Engineers (IEEE), the Independent Director of Hunan Copote Science & Technology Co., Ltd. (a company listed on Shanghai Stock Exchange) and the Independent Director of Daqin Railway Co., Ltd. (a company listed on Shanghai Stock Exchange).

Mr. Liu Qiao is an Independent Non-Executive Director of the Company. Mr. Liu obtained a bachelor of science degree in Economics and Mathematics from Renmin University of China, a master's degree in Economics from the Institute of Finance of People's Bank of China and a Ph.D. in Economics from University of California, Los Angeles in the United States and is a distinguished professor (特聘教授) of Changjiang Scholars Program. He has been serving as the Dean at the Guanghua School of Management of Peking University, professor of Finance and Economics and doctoral supervisor. He is also a member of Think Tank Committee of All-China Federation of Industry and Commerce (全國工商聯智庫委員會), the Economic Research Centre of Chinese Kuomintang Revolutionary Committee, the expert panel of the Shenzhen Stock Exchange and the Listing Committee of ChiNext of Shenzhen Stock Exchange; an advisor of the post-doctoral stations of the CSRC, the Shenzhen Stock Exchange, the China Financial Futures Exchange and China Minsheng Banking Corp., Ltd. etc., the Vice Chairman of the China Enterprise Reform and Development Society (中國企業改革與發展研究會), and an Independent Director of Beijing Capital Group Company Limited (a company listed on Shanghai Stock Exchange). Mr. Liu served as an assistant professor at School of Economics and Finance of the University of Hong Kong, a consultant of the Asia-Pacific Corporate Finance & Strategy Practice of McKinsey & Company, an assistant professor and associate professor (with tenure) at the Faculty of Business and Economics of the University of Hong Kong, an Independent Non-Executive Director of Zensun Enterprises Limited (formerly known as the ZH International Holdings Limited, a company listed on the Hong Kong Stock Exchange), and Independent Non-Executive Director of CSC Financial Co., Ltd, a company listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange.

Mr. Tian Hongqi is an Independent Non-Executive Director of the Company. Mr. Tian obtained a bachelor's degree in Finance and Accounting from the Faculty of Water Transportation Management of Shanghai Maritime University, and is a senior accountant. He concurrently serves as the Independent Director of Nanjing Tanker Corporation (招商局南京油運股份有限公司, a company listed on Shanghai Stock Exchange). He previously served as the Chief Financial Officer and Chief Information Officer of COSCO SHIPPING Bulk Co., Ltd., the General Manager of the Finance Department of COSCO Container Lines Co., Ltd., the Director and the General Manager of the Financial Department of COSCO Japan, the Chief Financial Officer of COSCO Holdings (Singapore) Pte. Ltd. (中遠控股(新加坡)有限公司), the General Manager of the Finance Department of the COSCO Container Transportation Operation Headquarters (中遠集裝箱運輸經營總部), and the Deputy Director of the Finance Department of COSCO.

Mr. Li Chaoxian is an Independent Non-Executive Director of the Company. Mr. Li obtained a doctorate in Industrial Economics and a master's degree in Statistics, respectively from Renmin University of China. He is currently a professor and doctoral supervisor of Beijing Technology and Business University, and concurrently serves as an Independent Director of China World Trade Centre Company Limited (a company listed on Shanghai Stock Exchange). He served as the Deputy Director and Director of the Finance Department of Beijing Business School, Deputy Dean and Dean of the School of Economics of Beijing Technology and Business University, Chief of the Academic Affairs Office of Beijing Technology and Business University, Vice President of Beijing Technology and Business University, and an Independent Director of Beijing HuaDaJianYe Engineering Management Co., Ltd. (北京華達建業工程管理股份有限公司) (a company listed on the National Equities Exchange and Quotations).

Mr. Shi Yongdong is an Independent Non-Executive Director of the Company. Mr. Shi obtained a doctorate in Economics from Dongbei University of Finance and Economics and a master's degree in Applied Mathematics from Jilin University. He is a leading talent of the national high-level special support plan, one of the Cultural Masters and the Four First-Batch Talents, and the chief expert of the major projects under the National Social Science Fund of China. He is currently the Dean, Professor and Doctoral Supervisor of the School of Finance and Technology of Dongbei University of Finance and Economics, and concurrently serves as a council member of China Finance Society, a standing council member of the Chinese Finance Annual Meeting (中國金融學年會) and the Chinese Financial Projects Annual Meeting (中國金融工程學年會), and a standing council member of the International Symposium on Financial Systems Engineering and Risk Management (金融系統工程與風險管理國際年會). He served as the Deputy Dean of the School of Finance, the Director of the Applied Finance Research Centre, Chief of the scientific research department and the Dean of the School of Applied Finance and Behavioural Sciences in Dongbei University of Finance and Economics, an Independent Director of Dalian Huarui Heavy Industry Group Co., Ltd. (a company listed on Shenzhen Stock Exchange), and an Independent Director of Bank of Anshan Co., Ltd..

Supervisors

Mr. Xiong Liangjun is the Chairman of the Board of Supervisors of the Company and an Employee Supervisor. He obtained a master's degree in economics from Zhongnan University of Finance and Economics. He is a senior economist. He successively served as the Assistant General Manager and the Deputy General Manager of Shenzhen Central Sub-branch of the PBOC from April 2000 to July 2003. He successively served as the Deputy Director-General of Shenzhen Bureau of China Banking Regulatory Commission (CBRC), the Director-General of CBRC Guangxi Bureau and CBRC Shenzhen Bureau from September 2003 to July 2014. He served as the Secretary of the Commission for Discipline Inspection of the Company from July 2014 to August 2021 and has become the Chairman of the Board of Supervisors of the Company since August 2021.

Mr. Luo Sheng is a Shareholder Supervisor of the Company. He graduated from the Business School of Nankai University majoring in corporate governance with a doctor degree. Mr. Luo is currently the Deputy General Manager of Dajia Insurance Group Co., Ltd. and a Director of both Dajia Life Insurance Co., Ltd and Gemdale Corporation (a company listed on Shanghai Stock Exchange). He successively served as the principal staff member of the Regulation Division under the Policy and Regulation Department, the principal staff member of the Market Analysis Division under the Development and Reform Department, the Deputy Director and Director of the Corporate Governance Division under the Development and Reform Department as well as the deputy director of the Regulation Department of the China Insurance Regulatory Commission. He has also served as an Executive Director, the Executive Vice President, Secretary to the Board of Directors, and General Manager of Shanghai Branch of China Insurance Information Technology Management Co., Ltd., and the Deputy Director of the Development and Reform Department of China Insurance Regulatory Commission, etc. He served as the Non-Executive Director of the Eleventh session of the Board of the Company from June 2019 to June 2022.

Mr. Peng Bihong is a Shareholder Supervisor of the Company. Mr. Peng graduated from Hunan College of Finance and Economics (湖南財經學院) majoring in Finance and obtained a master's degree in Economics from Wuhan University. Mr. Peng is a non-practicing member and a lecturer of Chinese Institute of Certified Public Accountants. He currently serves as Chief Accountant of China Communications Construction Group Ltd., and concurrently a Director of China State-owned Enterprise Structural Adjustment Fund Co., Ltd. (中國國有企業結構調整基金股份有限公司), the Vice Chairman of the Council of China Oceanic Development Foundation (中國海洋發展基金會), the Vice Chairman of China Communications Accounting Society, a member of the Strategy Advisory Committee of Shanghai National Accounting Institute and an intelligent finance specialist of Shared Finance Special Committee of The Innovation & Entrepreneurship Education Alliance of China. He has worked for China Poly Group Corporation Limited (中國保利集團有限公司) (hereinafter referred to as Poly Group) for nearly 20 years, serving successively as the Director of the Finance Department of China Poly Group Corporation, the General Manager of Poly Finance Company Limited, the Chief Financial Officer of Poly Real Estate Group Co., Ltd. and the Chief Accountant of Poly Group, as well as the Chairman of Poly Finance Company Limited and Poly Investment Holdings Co., Ltd., and the Vice Chairman of Jiang Tai Insurance Brokers Co., Ltd. He served as the Chief Financial Officer of China Communications Construction Company Limited from September 2018 to September 2019.

Mr. Wu Heng is a Shareholder Supervisor of the Company and a postgraduate from the Department of Accounting of Shanghai University of Finance and Economics. Mr. Wu obtained a master's degree in Management and is a senior accountant. He is the General Manager of Finance Affairs Department of SAIC Motor Corporation Limited (a company listed on Shanghai Stock Exchange), the General Manager of SAIC Motor Financial Holding Management Co., Ltd., a Non-executive Director of Bank of Chongqing Co., Ltd. (a company listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange) and a Director of Wuhan Kotei Informatics Co., Ltd. (a company listed on Shenzhen Stock Exchange). He consecutively served as a Deputy Manager and Manager of Planning and Finance Department as well as a Manager of Fixed Income Department of Shanghai Automotive Group Finance Company, Ltd. from March 2000 to March 2005. He consecutively served as a Section Chief, Assistant to Executive Controller and the Manager of Accounting Section of Finance Department of SAIC Motor Corporation Limited from March 2005 to April 2009, the Chief Financial Officer of Huayu Automotive Systems Co., Ltd. (a company listed on Shanghai Stock Exchange) from April 2009 to May 2015, and concurrently serving as the Director and General Manager of Huayu Automotive Systems (Shanghai) Co., Ltd. (華域汽車系統(上海)有限公司) during the period from May 2014 to May 2015, and the Deputy General Manager of the Finance Affairs Department of SAIC Motor Corporation Limited from May 2015 to August 2019.

Mr. Xu Zhengjun is an External Supervisor of the Company. Mr. Xu obtained a master's degree in the Maritime Transportation Management from Shanghai Maritime University and is a senior political engineer. He is currently an Independent Director of China Merchants Life Insurance Company Limited, and concurrently the Director of Shanghai Dongsheng Public Welfare Foundation. He previously served as the Section Chief and the Department Head of Shanghai Ocean Shipping Co., Ltd., the General Manager of the crew company and land property company of COSCO Container Lines Co., Ltd., the Assistant to General Manager of COSCO Container Lines Co., Ltd., the General Manager of Shanghai Ocean Shipping Co., Ltd., the Secretary of the Disciplinary Committee of COSCO Container Lines Co., Ltd., the General Manager of COSCO (HK) Industry & Trade Holdings Ltd., the Vice Chairman of Shenzhen Guangju Energy Co., Ltd. (a company listed on Shenzhen Stock Exchange), the Vice President and General Counsel of COSCO (Hong Kong) Group Limited and the Director of True Smart International Limited, the General Manager and Executive Director of COSCO International Holdings Limited, the Chairman of the Corporate Governance Committee of COSCO International and the Independent Director of Sinotrans Shipping Limited.

Mr. Cai Hongping is an External Supervisor of the Company. He obtained a bachelor's degree in journalism from Fudan University. He is the Chairman of AGIC Capital and concurrently serving as an independent director of China Eastern Airlines Corporation Ltd. (a company listed on Shanghai Stock Exchange and the Hong Kong Stock Exchange), COSCO SHIPPING Development Co., Ltd. (a company listed on Shanghai Stock Exchange and the Hong Kong Stock Exchange), Shanghai Pudong Development Bank Co., Ltd. (a company listed on Shanghai Stock Exchange), BYD Company Limited (a company listed on Shenzhen Stock Exchange and the Hong Kong Stock Exchange) and China Southern Airlines Company Limited (a company listed on Shanghai Stock Exchange and the Hong Kong Stock Exchange), and was an independent director of China Oceanwide Holdings Limited (a company listed on the Hong Kong Stock Exchange). From 1996 to 1997, Mr. Cai Hongping served as the senior vice president and managing director of Peregrine Investments Holdings Limited. He served as the chairman of China of BNP Paribas Capital (Asia Pacific) Limited from 1998 to 2005 and served as the chairman of UBS AG in Asia from 2006 to 2010, and served as the executive chairman of Investment Banking Asia Pacific of Deutsche Bank from 2010 to 2015.

Mr. Zhang Xiang is an External Supervisor of the Company. He obtained a doctorate degree in Mechanical Engineering from the University of California, Berkeley and a master's degree from the Department of Physics of Nanjing University. He is an elected member of the US National Academy of Engineering, a foreign member of the Chinese Academy of Sciences, an elected member of the Academia Sinica and the president of the University of Hong Kong. Mr. Zhang was the inaugural Ernest S. Kuh Endowed Chair Professor at the University of California, Berkeley, and the Director of the US National Science Foundation Nano-scale Science and Engineering Centre. He was an assistant professor at Pennsylvania State University in 1996, an associate professor and professor at the University of California, Los Angeles from 1999 to 2004, an associate professor and professor at the Mechanical Engineering Department and the Institute of Applied Science and Technology of the University of California, Berkeley from 2004 to 2018 and a director of Materials Science Division at the Lawrence Berkeley National Laboratory from 2014 to 2016.

Ms. Cai Jin is an Employee Supervisor of the Company. Ms. Cai obtained a bachelor's degree in Finance from Hunan University of Finance and Economics. She is an economist. She currently serves as the Director of the Labour Union of the Head Office of the Company. In August 1992, she started her career in Shashi Branch of Industrial and Commercial Bank of China in Hubei Province. She joined the Company in May 1995. She successively served as the Assistant General Manager of the Human Resources Department, the Deputy General Manager of the Banking Department of the Head Office and the Deputy General Manager of the Asset Custody Department of the Head Office from April 2010 to December 2021.

Mr. Cao Jian is an Employee Supervisor of the Company. Mr. Cao obtained a master's degree in International Finance from the Graduate School of the Financial Research Institute of the People's Bank of China. He is a non-practicing member of Chinese Institute of Certified Public Accountants. He currently serves as the General Manager of the Audit Department of the Company, and concurrently the Supervisor of CMB Wealth Management. He joined the Company in August 2003 and successively served as the Assistant General Manager and Deputy General Manager of the Audit Department of the Company. From November 2021 to March 2023, he served as the General Manager of the Shenzhen division of the Audit Department of the Company.

Senior management

Mr. Wang Liang, please refer to Mr. Wang Liang's biography under the heading of "Directors" above.

Mr. Wang Yungui is an Executive Vice President of the Company. Mr. Wang obtained a master's degree from the Party School of the Central Committee of the Communist Party of China and is a senior economist. He successively served as the General Manager of the Department of Education and the General Manager of the Human Resources Department of the Industrial and Commercial Bank of China from July 2008 to December 2016, and served as the Secretary of the Disciplinary Committee of China Development Bank from December 2016 to March 2019. He has served as an Executive Vice President of the Company since June 2019.

Mr. Li Delin is an Executive Vice President of the Company. Mr. Li obtained a doctorate degree in Economics from Wuhan University, and is a senior economist. He joined the Company in October 2013 and successively served as the Director of the General Office of the Head Office, the General Manager of the Strategic Customer Department, the General Manager of the Strategic Customer Department and concurrently the General Manager of the Institutional Customer Department, and the General Manager of Shanghai Branch and concurrently the General Manager of Shanghai Pilot Free Trade Zone Branch of the Company. He served as an Executive Assistant President of the Company in April 2019 and has served as an Executive Vice President of the Company since March 2021. Concurrently, he is the Chairman of the Board of Supervisors of Shenzhen Public Companies Association and the Vice President of National Association of Financial Market Institutional Investors.

Mr. Zhu Jiangtao is an Executive Vice President and the Chief Risk Officer of the Company. Mr. Zhu obtained a master's degree in Economics and is a senior economist. He joined the Company in January 2003. He served as an Assistant General Manager and Deputy General Manager of Guangzhou Branch of the Company, the General Manager of Chongqing Branch, the General Manager of the Credit Risk Management Department and the General Manager of the Risk Management Department of the Company from December 2007 to July 2020. He has served as the Chief Risk Officer of the Company since July 2020 and as an Executive Vice President of the Company since September 2021.

Mr. Xiong Kai is the Secretary of the Party Discipline Committee of the Company. Mr. Xiong graduated from Graduate School of Chinese Academy of Social Sciences with a doctorate degree in Legal Theory. He successively served as Senior Staff, Principal Staff and Deputy Director of the Ministry of Public Security of the PRC from 1994 to 2006 and acted as the Deputy Director (Consultant), Director, Deputy Director-General and Director-General at the CPC General Office from 2006 to 2014. He joined the Company in July 2014 and successively served as the Director of Disciplinary Committee Office and concurrently the General Manager of the Inspection and Security Department of the Head Office, the Director of the General Office of Head Office and concurrently the General Manager of the Asset Security Department, the General Manager of Zhengzhou Branch and the General Manager of Beijing Branch. He has been the Secretary of the Party Discipline Committee of the Company since July 2021.

Mr. Zhong Desheng is an Executive Assistant President of the Company. He obtained a master's degree in the History of Foreign Economic Thoughts from Huazhong University of Science and Technology and is a senior economist. He joined the Company in July 1993 and successively served as an Assistant General Manager and Deputy General Manager of Wuhan Branch, the General Manager of International Business Department of the Head Office, the General Manager of Trade Finance Department of the Head Office and the General Manager of Offshore Finance Centre of the Head Office, the General Manager of Guangzhou Branch, the President of the General Office of Corporate Finance of the Head Office and the General Manager of the Strategic Customers Department. He has served as an Executive Assistant President of the Company since October 2021.

Mr. Wang Xiaoqing is an Executive Assistant President of the Company. He obtained a doctorate degree in Political Economics from Fudan University and is an economist. He worked at PICC Asset Management Company Limited from March 2005 to March 2020, and successively served as the Deputy General Manager of Risk Management Department, the Deputy General Manager and General Manager of Portfolio Management Department, Assistant President and Vice President. In March 2020, he joined the Company and served as the General Manager of CMFM. He has served as an Executive Assistant President of the Company since October 2021, and concurrently serves as the General Manager of Shenzhen Branch, the Chairman of CMFM, CIGNA & CMB Life Insurance and CIGNA & CMAM.

Ms. Wang Ying is an Executive Assistant President of the Company. She obtained a master's degree in Political Economics from Nanjing University and is an economist. She joined the Company in January 1997, successively served as the Assistant General Manager and Deputy General Manager of Beijing Branch, General Manager of Tianjin Branch, and General Manager of Shenzhen Branch, and has been serving as an Executive Assistant President of the Company since February 2023.

Mr. Peng Jiawen is an Executive Assistant President and the Chief Financial Officer of the Company. He obtained a bachelor's degree in National Economic Planning from Zhongnan University of Economics and Law and is a senior economist. He joined the Company in September 2001, and successively served as an Assistant General Manager and Deputy General Manager of the Planning and Finance Department of the Head Office, Deputy General Manager and General Manager of the Overall Retail Management Department of the Head Office, Deputy General Manager and Vice President of the General Office of Retail Finance of the Head Office and concurrently General Manager of Retail Credit Business Department of the Head Office, General Manager of Zhengzhou Branch, and General Manager of Asset and Liabilities Management Department of the Head Office. He has served as an Executive Assistant President and the Chief Financial Officer of the Company since February 2023, concurrently serving as the General Manager of Asset and Liabilities Management Department of the Head Office.

Mr. Jiang Chaoyang is the Chief Information Officer (CIO) of the Company. He obtained a master's degree in Management Sciences from Shanghai Jiao Tong University and is a senior economist. He joined the Company in November 2013, successively served as the General Manager of Strategic Customers Department of the Head Office, General Manager of Retail Network Banking Department of the Head Office, Deputy General Manager and General Manager of Wealth Management Department of the Head Office, and has been serving as the Chief Information Officer (CIO) of the Company since November 2019.

Joint company secretaries

Mr. Wang Liang, please refer to Mr. Wang Liang's biography under the heading of "Directors" above.

Ms. Ho Wing Tsz Wendy is a joint company secretary of the Company. Ms. Ho obtained a MBA degree from the Hong Kong Polytechnic University. She is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom and is a council member, the Chairlady of the Professional Development Committee of The Hong Kong Chartered Governance Institute and is a holder of the Practitioner's Endorsement issued by The Hong Kong Chartered Governance Institute. Ms. Ho is an Executive Director of Corporate Services of Tricor Services Limited, and her professional practice area covers business consulting, corporate services for private, offshore and listed companies. Ms. Ho has over 25 years of experience in the corporate secretarial and compliance service field and is currently the company secretary or joint company secretary of a few listed companies on the Hong Kong Stock Exchange.

5.4.5 Remuneration policy and evaluation and incentive system for Directors, Supervisors and senior management

The Company offers remuneration to Independent Directors and External Supervisors according to the "Resolution in Respect of Adjustment to Remuneration of Independent Directors" and the "Resolution in Respect of Adjustment to Remuneration of External Supervisors" considered and passed at the 2016 First Extraordinary General Meeting; offers remuneration to Executive Directors, Chairman of Board of Supervisors and other senior management according to the "Policies on Remunerations of Senior Management of China Merchants Bank Co., Ltd.". The remuneration consists of basic remuneration and performance-based remuneration, which shall be paid deferred in accordance with regulatory requirements. At the same time, the Company has established a mechanism related to performance-based remuneration deduction. The Company offers remuneration to Employee Supervisors (excluding Chairman of Board of Supervisors) in accordance with the policies on remunerations of employees of the Company. All of the Directors and Supervisors nominated by shareholders of the Company do not receive any remuneration from the Company. For details of the remuneration of the Directors and Supervisors and the five highest paid individuals of the Company, please refer to Notes 11 and 12 to the financial statements.

The Board of Directors of the Company evaluates the performance of the senior management according to the "Policies on Remunerations of Senior Management of China Merchants Bank Co., Ltd." and the "Assessment Standards of the H-Share Appreciation Rights Incentive Scheme for the Senior Management". According to the "Measures on Evaluation of Performance of Directors and Supervisors of CMB", the Board of Supervisors evaluates the annual duty performance of the Directors and Supervisors through monitoring their duty performance in the ordinary course, conducting duty performance interviews, reviewing and evaluating their annual duty performance records (including but not limited to, attendance of meetings, participation of researches, provision of recommendations and the term of office in the Company), the "Duty Performance Self-Evaluation Questionnaire" completed by each Director and Supervisor, and then reports the same to the shareholders' general meeting and regulatory authorities. According to the "Policies on Evaluation of Duty Performance of Senior Management by the Board of Supervisors (Trial)", the Board of Supervisors evaluates the annual duty performance of senior management through monitoring their duty performance in the ordinary course and accessing to their duty performance information (including but not limited to, major speeches, major meeting minutes and the evaluation of the duty performance of senior management by the Board of Directors) and work reports, and then reports the same to the shareholders' general meeting and regulatory authorities.

5.4.6 Securities transactions of Directors, Supervisors and relevant employees

The Company has adopted the Model Code set out in Appendix 10 to the Hong Kong Listing Rules as the code of conduct for Directors and Supervisors of the Company in respect of their dealings in the Company's securities. At the same time, the Company has also set guidelines on the trading of the Company's securities by Directors, Supervisors and relevant employees, and the contents of the guidelines are no less exacting than the Model Code.

Except Tian Huiyu, a former Director who has been arrested according to law and cannot be contacted, according to the enquiry, the rest of the Directors and all Supervisors of the Company have been in compliance with the Model Code and the guidelines set by the Company during the reporting period.

5.4.7 Interests and short positions of Directors, Supervisors and Chief Executives under Hong Kong laws and regulations

As at 31 December 2022, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (as defined in the SFO), which were required to be notified to the Company and Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including the interests and short positions which the Directors, Supervisors and chief executives of the Company were taken or deemed to have under such provisions of the SFO, or which were required to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise required to be notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Hong Kong Listing Rules, were as follows:

Name	Position	Class of shares	Long/short position	Capacity	No. of Shares (shares)	Percentage of the relevant class of shares in issue (%)	Percentage of the total issued ordinary shares (%)
Wang Liang	Executive Director, President and Chief Executive Officer, Secretary of the Board of Directors	A Share	Long position	Beneficial owner	300,000	0.00145	0.00119
Zhou Song	Non-Executive Director	A Share	Long position	Interest of spouse	23,282	0.00011	0.00009
Xiong Liangjun	Chairman of the Board of Supervisors, Employee Supervisor	A Share	Long position	Beneficial owner	240,000	0.00116	0.00095
Wang Wanqing	Employee Supervisor	A Share	Long position	Beneficial owner	183,000	0.00089	0.00073
Cai Jin	Employee Supervisor	A Share	Long position	Beneficial owner	128,600	0.00062	0.00051
		H Share	Long position	Beneficial owner	4,550	0.00010	0.00002

5.5 Board of Directors

The Board of Directors is an independent policy-making body of the Company, responsible for executing resolutions passed by the shareholders' general meetings; formulating of the Company's major principles and policies, including development strategy, risk preference, internal control and internal auditing systems, and remuneration regulations; deciding on the Company's operating plans, investment and financing proposals; preparing annual financial budgets, final accounts and profit appropriation plans; and appointing and evaluating members of senior management. The Company adopts a system in which the President assumes full responsibility under the leadership of the Board of Directors. The senior management team has discretionary powers in terms of operation and makes daily decisions on operation management within the scope of authorisation by the Board of Directors, and the Board of Directors would not intervene in any specific matters in the Company's daily operation and management.

The Board of Directors of the Company facilitates scientific and reasonable decision-making through the establishment of a diversified directorship structure, and continues to improve the decision-making and operational efficiency through promoting the effective operation of special committees. The Board of Directors focuses on key issues, directions and strategies, and continues to strengthen the corporate philosophy of balanced, healthy and sustainable development. The Board of Directors ensures the Company to achieve dynamically balanced development in "Quality, Efficiency and Scale" through effective management of its strategy, risks, capital, remuneration, internal control and related party transactions, etc., thus providing a solid basis for the Company to enhance its operation and management capabilities.

5.5.1 Composition of the Board of Directors and diversity policy

As at the end of the reporting period, the Board of Directors of the Company has fifteen members, including eight Non-Executive Directors, one Executive Director, and six Independent Non-Executive Directors. All the eight Non-Executive Directors are seasoned management personnel such as the Chairman of the Board of Directors, General Manager, Deputy General Manager or Chief Financial Officer of large state-owned enterprises. They have extensive experience in corporate management, finance and accounting fields. The one Executive Director has been engaged in financial management for a long time with extensive professional experience. Among the six Independent Non-Executive Directors, there are renowned experts in accounting and finance, university professors and financial experts with international vision, and they all have in-depth knowledge about the development of the banking industry at home and abroad. One Independent Non-Executive Director from Hong Kong is proficient in International Financial Reporting Standards and the requirements of Hong Kong capital market. During the reporting period, the Board of Directors of the Company has one female Director who, together with other male Directors of the Company, offers professional opinions to the Company in their respective fields.

The Company attaches great importance to maintaining the diversity characteristics of the members of the Board of Directors, and revised the Articles of Association of the Company during the year to incorporate the diversity policy into the Articles of Association of the Company. Among them, the new responsibilities of the Nomination Committee under the Board of Directors are to "promote the diversity of the members of the Board of Directors, including but not limited to gender, age, culture, educational background and professional experience, and regularly review the diversity implementation". The diversified director structure of the Company has brought broad vision and high-level professional experience to the Board of Directors, and also maintained the independent elements within the Board of Directors to ensure that the Board of Directors of the Company effectively make independent judgements and scientific decisions when studying and deliberating major issues.

As of the end of the reporting period, the Company maintained the Board of Directors consisting of members of different genders, professional backgrounds and industry experience. The Nomination Committee under the Board of Directors shall evaluate the structure, number, composition and diversity implementation and effectiveness of the Board of Directors (including multiple aspects such as gender, skills, knowledge and experience) at least once a year according to the operating activities, asset size and equity structure of the Company, and advise on any changes to the Board of Directors to coordinate with the Company's strategy.

The list of Directors of the Company is set out in "Directors, Supervisors and Senior Management" in this report. To comply with the Hong Kong Listing Rules, the Independent Non-Executive Directors have been clearly identified in all the corporate communication documents of the Company which disclose their names.

5.5.2 Appointment, re-election and removal of Directors

In accordance with the Articles of Association of the Company, the Directors of the Company shall be elected or replaced by the shareholders at the shareholders' general meetings, and the term of office for the Directors shall be three years commencing from the date on which the approval from the PRC banking regulatory authority is obtained. A Director is eligible for re-election upon the expiry of his/her current term of office. The term of office for a Director shall not be terminated without any justification at a shareholders' general meeting before expiry of his/her term.

A Director may be removed by an ordinary resolution at a shareholders' general meeting before the expiry of his/her term of office in accordance with relevant laws and regulations (however, any claim made in accordance with contract shall not be affected).

The term of office for the Independent Non-Executive Directors of the Company shall be the same as that for other Directors of the Company. The term of office for the Independent Non-Executive Directors of the Company shall comply with the relevant laws and the requirements of the governing authority.

The procedures for appointment, re-election and removal of Directors, candidates' qualification and other requirements of the Company are set out in the Articles of Association and the implementation rules of the Nomination Committee of the Company. The Nomination Committee under the Board of Directors of the Company shall carefully consider the qualifications and experience of every candidate for a Director and recommends suitable candidates to the Board of Directors. Upon passing the candidate nomination proposal, the Board of Directors shall propose election of the related candidates at a shareholders' general meeting and submit the relevant resolution at a shareholders' general meeting for consideration and approval.

5.5.3 Responsibilities of Directors

As of the end of the reporting period, all incumbent Directors of the Company cautiously, earnestly and diligently exercised their rights under the Articles of Association of the Company and the domestic and overseas regulatory rules, devoted sufficient time and attention to the business of the Company, ensured that the business practices of the Company were fully compliant with the requirements of the laws and administrative regulations and economic policies of the country, gave all shareholders fair treatment, readily reviewed the business operation and management of the Company, and fulfilled the responsibilities stipulated under the laws and administrative regulations, departmental regulations and the Articles of Association of the Company. All Directors of the Company were aware of their joint and individual responsibilities towards shareholders. During the year, the average attendance rate of Directors at meetings of the Board of Directors and the special committees under the Board of Directors was 97.81%.

The Independent Non-Executive Directors of the Company have presented their professional opinions on the resolutions reviewed by the Board of Directors, including offering independent written opinions on significant matters such as the profit appropriation plan, nomination and election of Directors, engagement of accounting firms and related party transactions. In addition, the Independent Non-Executive Directors of the Company also gave full play to their professional advantages in the relevant special committees under the Board of Directors, and provided professional and independent opinions regarding corporate governance and operation management of the Company, thereby providing effective guarantee on the scientific decision-making of the Board of Directors.

The Board of Directors of the Company reviewed its work during the reporting period, believing that it has effectively performed its duties and safeguarded the interests of the Company and its shareholders. The Company is of the opinion that all the Directors have devoted sufficient time to perform their duties.

The Company attached great importance to the continuous training of Directors, so as to ensure that they have a proper understanding of the operations and businesses of the Company, and that they are fully aware of their responsibilities under the relevant laws, regulations and systems, the regulatory requirements of the CBIRC, the CSRC, Shanghai Stock Exchange and the Hong Kong Stock Exchange and the requirements of the Articles of Association of the Company. The Company has renewed the "Insurance for Liabilities of Directors, Supervisors and Senior Management" for all of its Directors.

During the reporting period, the Board of Supervisors of the Company made an appraisal on the annual duty performance of the Directors, and the annual duty performance and cross-appraisal of the Independent Non-Executive Directors, and reported the appraisal results to the shareholders' general meeting.

5.5.4 Chairman of the Board of Directors and the President

The Chairman of the Board of Directors and the President of the Company have been served by different persons and their duties have been clearly defined in accordance with the requirements of the Hong Kong Listing Rules. Mr. Miao Jianmin serves as the Chairman of the Company and is responsible for leading the Board of Directors, ensuring that all the Directors are updated regarding issues arising at board meetings, managing the operation of the Board of Directors, and ensuring that all major issues are discussed by the Board of Directors in a constructive and timely manner. In order to enable the Board of Directors to discuss all major and relevant matters in time, the Chairman of the Board of Directors worked together with senior management to ensure that the Directors duly receive appropriate, complete and reliable information for their reference and review. Mr. Wang Liang serves as the President and is responsible for the business operation of the Company and implementation of its strategies and business plans.

5.5.5 Attendance of Directors at relevant meetings

The following table sets forth the records of attendance of each Director at the meetings convened by the Board of Directors and the special committees under the Board of Directors and at the shareholders' general meeting during the reporting period. All Directors performed due diligence in their duties, capitalised on opportunities, tackled challenges and used their professional specialties and extensive experience to contribute their intelligence and strength to the operation and development of the Company. The Company has adopted the constructive opinions and suggestions raised by each of the Directors in aspects including strategy guideline, wealth management, Fintech, risk control and management, internal control and compliance, anti-money laundering, green finance development, inclusive finance development, related party transactions management, protection of consumer rights and improvement of incentive and restrictive mechanisms, and no objection has been raised by any of the Directors on the matters reviewed.

		Special committees under the Board of Directors						
Directors	Board of Directors	Strategy Committee	Nomination Committee	Remuneration and Appraisal Committee	Risk and Capital Management Committee	Audit Committee	Related Party Transactions Management and Consumer Rights Protection Committee	Shareholders' General Meeting
	Actual times of attendance/Required times of attendance							
Non-Executive Directors								
Miao Jianmin	18/18	8/8	3/3	/	/	/	/	1/1
Hu Jianhua	4/4	0/0	/	/	/	/	/	/
Sun Yunfei	4/4	0/0	/	/	/	2/2	/	/
Zhou Song	18/18	3/3	/	/	/	8/8	/	1/1
Hong Xiaoyuan	18/18	/	/	4/4	7/7	/	/	1/1
Zhang Jian	18/18	/	/	/	7/7	/	/	1/1
Su Min	18/18	/	/	/	/	/	5/5	1/1
Chen Dong	4/4	/	/	2/2	2/2	/	/	/
Fu Gangfeng (resigned)	15/15	8/8	/	/	/	/	/	1/1
Wang Daxiong (resigned)	8/8	/	/	0/0	3/3	/	/	1/1
Luo Sheng (resigned)	8/8	5/5	/	/	3/3	/	/	1/1
Executive Directors								
Wang Liang	18/18	3/3	0/0	/	7/7	/	/	1/1
Tian Huiyu (resigned)	3/8	2/5	1/3	/	/	/	/	0/1
Independent Non-Executive Directors								
Wong See Hong	18/18	/	3/3	/	/	8/8	5/5	1/1
Li Menggang	18/18	/	3/3	4/4	/	8/8	/	1/1
Liu Qiao	18/18	/	3/3	4/4	6/7	/	/	1/1
Tian Hongqi	18/18	/	/	/	/	8/8	5/5	1/1
Li Chaoxian	18/18	3/3	/	4/4	3/3	/	5/5	1/1
Shi Yongdong	18/18	/	/	/	7/7	8/8	/	1/1

Note: During the reporting period, the Board of Directors of the Company held a total of 18 meetings, of which eight were on-site meetings and ten were meetings convened in the form of written resolutions; the special committees under the Board of Directors held a total of 35 meetings, of which 13 were on-site meetings and 22 were meetings convened in the form of written resolutions.

5.5.6 Performance of duties by Independent Non-Executive Directors

The Board of Directors of the Company currently has six Independent Non-Executive Directors, which meets the requirement that at least one third of the total Directors of the Company shall be Independent Directors. The qualification, number and proportion of Independent Non-Executive Directors are in compliance with the relevant requirements of the CBIRC, the CSRC, Shanghai Stock Exchange and the Hong Kong Listing Rules. All the six Independent Non-Executive Directors of the Company are not involved in the circumstances set out in Rule 3.13 of the Hong Kong Listing Rules which would cause doubt on their independence. The Company has received from the Independent Non-Executive Directors their respective annual confirmation of independence which was made in accordance with Rule 3.13 of the Hong Kong Listing Rules. Therefore, the Company is of the opinion that all the Independent Non-Executive Directors have complied with the requirement of independence set out in the Hong Kong Listing Rules. The majority of members of the Nomination Committee, the Remuneration and Appraisal Committee, the Audit Committee and the Related Party Transactions Management and Consumer Rights Protection Committee under the Board of Directors of the Company are Independent Non-Executive Directors, and all of such committees are chaired by an Independent Non-Executive Director. During the reporting period, the six Independent Non-Executive Directors maintained communication with the Company through personal attendance at the meetings, special research and investigations and conferences. They effectively performed their roles as Independent Non-Executive Directors by diligently attending the meetings held by the Board of Directors and its various special committees, actively expressing their opinions and suggestions and attending to the interests and requests of minority shareholders. For details of the attendance of Independent Non-Executive Directors at the meetings convened by the Board of Directors and its special committees, please refer to "Attendance of Directors at relevant meetings" in this report.

During the reporting period, the Independent Non-Executive Directors of the Company expressed their independent opinions on significant matters such as the profit appropriation plan, nomination and election of directors, engagement of accounting firms and related party transactions. They made no objection to the resolutions of the Board of Directors and others of the Company during the year.

According to the "Rules Governing Independent Directors' Work on Annual Reports" of the Company, the Independent Non-Executive Directors of the Company listened to the reports on the operation of the Company in 2022, believing that such reports had fully and objectively reflected the operation of the Company as well as the progress of significant matters in 2022. They recognised and were satisfied with the work performed and the results achieved in 2022. They also reviewed the unaudited financial statements of the Company, and discussed with the certified public accountants in charge of annual audit in respect of major matters and formed their written opinions; they reviewed the procedures for convening board meetings in the year, the decision-making procedures for matters on the agenda and the adequacy of information about such meetings; they reviewed the continuing connected transactions of the Company and made confirmations as required by the Hong Kong Listing Rules.

5.5.7 Corporate governance functions

During the reporting period, the Board of Directors has performed the following duties on corporate governance:

1. Formulate and evaluate the policies and practices on corporate governance of the Company and make certain amendments as it deems necessary, so as to ensure the validity of those policies and practices;
2. Evaluate and supervise the trainings and the improvement of professional competence of Directors and senior management;
3. Evaluate and supervise the policies and practices of the Company for compliance with laws and regulatory requirements;
4. Formulate, evaluate and supervise the Code of Conduct and the Compliance Handbook applicable to the Directors and employees of the Company;
5. Review the compliance of the Company with the Code of Corporate Governance and the disclosures in the Report of Corporate Governance;
6. Manage, control, monitor and assess the risks of the Company and evaluate the internal control status of the Company. The Board of Directors is of the opinion that the risk management and internal control systems of the Company are effective.

5.5.8 Statement made by the Directors about their responsibility for the financial statements

The senior management of the Company provided the Board of Directors with adequate explanation and sufficient information to enable the Board of Directors to make informed assessment on the financial and other information submitted to it for approval. The Directors of the Company acknowledged their responsibility for preparing the financial statements for the year ended 31 December 2022 to present a true view of the operating results of the Company. So far as the Directors are aware, there is no material uncertainty related to events or conditions that might have a significant adverse effect on the Company's ability of sustainable operation.

5.5.9 Special committees under the Board of Directors

There are six special committees under the Board of Directors of the Company, namely the Strategy Committee, the Nomination Committee, the Remuneration and Appraisal Committee, the Risk and Capital Management Committee, the Audit Committee and the Related Party Transactions Management and Consumer Rights Protection Committee.

In 2022, all the special committees under the Board of Directors of the Company gave full play to their professional advantages and earnestly performed various duties, actively offering advices to the Board of Directors on strategic guidance, Fintech, risk management, internal control and compliance, inclusive finance, green finance, related party transactions management, consumer rights protection, incentive and restrictive mechanisms and construction of the Board of Directors. During the year, these committees held a total of 35 meetings to study and review 137 significant issues, and reported their review opinions and advices to the Board of Directors by submitting meeting minutes and holding on-site meetings, hence fully playing its role in assisting the Board of Directors to make scientific decisions.

The composition and duties of the six special committees under the Board of Directors of the Company and their work in 2022 are summarised as follows.

Strategy Committee

The members of the Strategy Committee include Non-Executive Directors Miao Jianmin (Chairman), Hu Jianhua, Sun Yunfei, Zhou Song, Wang Liang (Executive Director) and Li Chaoxian (Independent Non-Executive Director). The Strategy Committee is mainly responsible for formulating the operation and management goals and the medium-to-long term development strategies of the Company, as well as supervising and examining the implementation of its annual operation plan and investment plan.

Main authorities and duties:

1. Formulate the operational goals and the medium-to-long term development strategies of the Company, and make an overall assessment on strategic risks;
2. Consider material investment and financing plans and make proposals to the Board of Directors;
3. Supervise and review the implementation of the annual operational and investment plans;
4. Evaluate and monitor the implementation of the Board resolutions;
5. Make recommendations and proposals on important issues for discussion and determination by the Board of Directors;
6. Formulate data governance strategy and major issues related to data governance;
7. Review the ESG development strategy and basic management system, review the ESG-related work report, regularly evaluate the implementation of the ESG development strategy and promote the implementation of other ESG-related work required by the regulations;
8. Any other task delegated by the Board of Directors.

In 2022, the Strategy Committee under the Board of Directors of the Company convened eight meetings, namely, the Strategy Committee under the Eleventh Session of the Board of Directors convened its 13th meeting (8 March), the 14th meeting (31 March), the 15th meeting (17 May), the 16th meeting (8 June) and the 17th meeting (20 June), and the Strategy Committee under the Twelfth Session of the Board of Directors convened its 1st meeting (11 August), the 2nd meeting (19 September) and the 3rd meeting (21 October). The Strategy Committee focused on the Company's green development plan, inclusive financial development and annual work plan, human resources management and talent strategy implementation, the use of Fintech innovation project funds, annual financial budget and final account report, annual profit distribution plan, implementation of business plan, the change of Merchants Union Consumer Finance Company Limited into a joint stock limited company, and the formulation of institutional construction management regulations, redemption of overseas preferred shares and other proposals, further clarified the strategic direction and strategic focus, kept on strengthening the construction of three major capabilities, promoted the development of the business model of extensive wealth management, the operation model of Fintech and the open and integrated organisational model, and made every effort to create the best value creation bank. In order to strictly implement the guiding spirit of the Party Central Committee, the State Council and the regulatory authorities on green finance, the Company added green finance development responsibilities to the functions of the Strategy Committee under the Board of Directors, and changed the name of the "Strategy Committee under the Board of Directors" to the "Strategy and Sustainable Development Committee under the Board of Directors" (such change will be duly effective upon the completion of amendments to the Articles of Association), so as to jointly perform the ESG-related responsibilities and improve the top governance structure of the ESG.

Nomination Committee

The majority of members of the Nomination Committee are Independent Non-Executive Directors, and the committee was chaired by an Independent Non-Executive Director. The members of the Nomination Committee include Wong See Hong (Chairman), Li Menggang and Liu Qiao (all being Independent Non-Executive Directors), Miao Jianmin (a Non-Executive Director) and Wang Liang (an Executive Director). The Nomination Committee is mainly responsible for formulating the procedures and standards for election of the Directors and senior management, conducting preliminary verification on the qualification for appointment of the Directors and senior management and making proposals to the Board of Directors.

Main authorities and duties:

1. Review the structure, size and composition of the Board of Directors (including their expertise, knowledge and experience) at least once a year and make recommendations on any proposed changes to the Board of Directors to implement the strategies of the Company according to the Company's business operation, asset scale and shareholding structure of the Company;
2. Study the standards and procedures for selection of directors and senior management, and make recommendations to the Board of Directors;
3. Conduct extensive searches for qualified candidates for directors and senior management;
4. Conduct preliminary examination on the candidates for Directors and senior management and make recommendations to the Board of Directors;
5. Any other task delegated by the Board of Directors.

In 2022, the Nomination Committee under the Board of Directors of the Company convened three meetings, namely, the Nomination Committee under the Eleventh Session of the Board of Directors convened its 9th meeting (8 April), the 10th meeting (18 May) and the 11th meeting (19 May). At the expiration of the term of office of the Eleventh Session of the Board of Directors during the year, the Nomination Committee studied and formulated the plan for the change of session of the Board of Directors, clarified the number and composition of the members of the Board of Directors, and the way in which all Directors will be elected, and successively reviewed and passed the proposals on the appointment of Mr. Wang Liang as the President of China Merchants Bank, and the list of candidates for directors of the Twelfth Session of the Board of Directors, and regularly reviewed the members, structure and diversity implementation of the Board of Directors and its special committees, ensuring compliance with all regulatory requirements.

The specific process for the nomination and election of Directors of the Company is as follows: qualified nomination body recommends candidates for directorship to the Company, the Nomination Committee under the Board of Directors conducts a preliminary review of the qualifications and conditions of the candidates for directorship and proposing the qualified candidates to the Board of Directors for consideration, and upon consideration and approval by the Board of Directors, proposing the candidates for directorship to the shareholders' meeting in a written proposal (for details, please refer to the section of "Board of Directors" set out in the Articles of Association of the Company). In the selection process of candidates for directorship, the Nomination Committee under the Board of Directors takes full consideration of the compliance of the candidates with laws, regulations and other relevant requirements, independence, cultural and educational background or professional experience, as well as the structure, number, composition and diversity of the Board of Directors, and will make recommendations on any proposed changes to the Board of Directors in line with the Company's strategy.

Remuneration and Appraisal Committee

The majority of members of the Remuneration and Appraisal Committee are Independent Non-Executive Directors, and the committee was chaired by an Independent Non-Executive Director. The members of the Remuneration and Appraisal Committee currently include Li Menggang (Chairman), Liu Qiao, Li Chaoxian (all being Independent Non-Executive Directors), Hong Xiaoyuan and Chen Dong (both being Non-Executive Directors). The Remuneration and Appraisal Committee is mainly responsible for reviewing the remuneration management system and policies of the Company, formulating the remuneration package for the Directors and senior management, making proposals to the Board of Directors and supervising the implementation of such proposals.

Main authorities and duties:

1. Study the standards for assessment of Directors and senior management and make assessments and put forward proposals depending on the actual conditions of the Company;
2. Study and review the remuneration policies and proposals in respect of directors and senior management of the Bank, make recommendations to the Board of Directors and supervise the implementation of such proposals;
3. Review the regulations and policies in respect of remuneration of the Bank;
4. Any other task delegated by the Board of Directors.

In 2022, the Remuneration and Appraisal Committee under the Board of Directors of the Company convened four meetings, namely the Remuneration and Appraisal Committee under the Twelfth Session of the Board of Directors convened its 1st meeting (12 August), the 2nd meeting (27 September), the 3rd meeting (23 December) and the 4th meeting (29 December). In order to further optimise the appraisal policy and incentive plan, continuously guide cadres and employees to "base on the long-term development and grasp the present opportunities", implement the medium- and long-term strategic objectives formulated by the Board of Directors and promote the sustainable and healthy development of the Company, the Remuneration and Appraisal Committee deliberated and passed the proposals on the remuneration of senior management, the adjustment of the personal accident insurance and major disease insurance coverage standards for senior management and so on, steadily promoted the orderly implementation of remuneration management matters, continuously improved the connotation of incentive and restraint mechanism, reviewed and passed the Measures for the Administration of Recourse and Deduction of Performance Compensation and the deferred payment of senior management' compensation. The Remuneration and Appraisal Committee under the Board of Directors also put forth proposals on the remuneration of the senior management (including the Executive Directors) in accordance with the "Policies on Remunerations of Senior Management of China Merchants Bank Co., Ltd." and conducted regular assessment of their performance. According to the provisions of the H-share Appreciation Rights Scheme, the granted appreciation rights have been subject to effective appraisal and grant price adjustment, ensuring the continuous operation of the Company's medium- and long-term incentive mechanism.

Risk and Capital Management Committee

The members of the Risk and Capital Management Committee are Hong Xiaoyuan (Chairman), Zhang Jian, Chen Dong (all being Non-Executive Directors), Wang Liang (an Executive Director), Liu Qiao and Shi Yongdong (both being Independent Non-Executive Directors). The Risk and Capital Management Committee is mainly responsible for supervising the status of risk management by the senior management of the Company in relation to various major risks, making regular assessment on the risk policies, risk-withstanding ability and capital management status of the Company and submitting proposals on perfecting the management of risks and capital of the Company.

Main authorities and duties:

1. Supervise the status of risk control by the senior management of the Company in relation to credit risk, market risk, operational risk, liquidity risk, strategic risk, compliance risk, reputation risk, country risk and other risks;
2. Make regular assessment on the risk policies, management status, risk-withstanding ability and capital status of the Bank;
3. Perform relevant duties under the Advanced Measurement Approach for Capital Measurement pursuant to the authorisation given by the Board of Directors;
4. Submit proposals on perfecting the management of risks and capital of the Company;
5. Arrange and instruct risk prevention works in accordance with the authorisation of the Board of Directors;
6. Any other task delegated by the Board of Directors.

In 2022, the Risk and Capital Management Committee under the Board of Directors of the Company convened seven meetings, namely the Risk and Capital Management Committee under Eleventh Session of the Board of Directors convened its 18th meeting (11 March), 19th meeting (14 March) and 20th meeting (19 May) and the Risk and Capital Management Committee under Twelfth Session of the Board of Directors convened its 1st meeting (5 August), the 2nd meeting (15 August), the 3rd meeting (9 November) and the 4th meeting (23 December). The Risk and Capital Management Committee constantly implemented the dynamically balanced development philosophy of "Quality, Efficiency and Scale" of the Board of Directors, adhered to the prudent risk management concept, focused on strengthening the construction of comprehensive risk management system under the business model of extensive wealth management and actively implemented the objective requirements of the Board of Directors to "outperform the market and outperform the industry". The Risk and Capital Management Committee insisted on implementing the quarterly regular meeting mechanism, assisted the Board of Directors to continuously strengthen the comprehensive risk management function, emphasised the handling of the three relationships between scale and speed, structure and allocation, and comprehensive and off-balance-sheet risk management, reasonably controlled the growth rate of risk-weighted assets and guided the bank-wide business deployment in a top-down approach through asset allocation. The Company focused on the three major business areas of real estate, private agency sales and financial asset management, heard special reports, paid close attention to risk exposure and resolution and effectively cultivated risk management capabilities that match business development. The Company paid high attention to the impact of changes of the international pattern on the banking industry in all aspects and regularly reviewed reports on compliance with anti-money laundering and sanctions, risk assessment of money laundering and terrorist financing and compliance work of institutions in the United States. The Company attached great importance to capital management, reviewed and heard the mid-term plan of capital management, internal capital adequacy assessment, consolidated management work and other reports, constantly strengthened the capital constraint mechanism and enhanced the risk compensation ability.

Audit Committee

The majority of members of the Audit Committee are Independent Non-Executive Directors, and the committee was chaired by an Independent Non-Executive Director. The members of the Audit Committee are Tian Hongqi (Chairman), Wong See Hong, Li Menggang, Shi Yongdong (all being Independent Non-Executive Directors) and Zhou Song (a Non-Executive Director). None of the above persons has ever served as a partner of the incumbent auditors of the Company. The Audit Committee is mainly responsible for examining the accounting policies and financial position of the Company; and is responsible for the annual audit work of the Company, proposing the appointment or replacement of external auditors and examining the status of the internal audit and internal control of the Company.

Main authorities and duties:

1. Propose the appointment or replacement of external auditors;

2. Monitor the internal audit system of the Company and its implementation, and evaluate the work procedures and work effectiveness of the internal audit department;

3. Coordinate the communication between internal auditors and external auditors;

4. Audit the financial information of the Company and disclosure of such information, and is responsible for the annual audit work of the Company, including issue of a conclusive report on the truthfulness, accuracy, completeness and timeliness of the information contained in the audited financial statements, and submit the same to the Board of Directors for consideration;

5. Examine the internal control system of the Company, and put forward the advices to improve the internal control of the Company;

6. Review and supervise the mechanism for the Company's employees to whistle blow any misconduct in respect of financial statements, internal control or otherwise, so as to ensure that the Company always handles the whistle blowing issues in a fair and independent manner and takes appropriate actions;

7. Examine the accounting policies, financial reporting procedures and financial position of the Company;

8. Any other task delegated by the Board of Directors.

In 2022, the Audit Committee under the Board of Directors of the Company convened eight meetings, namely, the Audit Committee under the Eleventh Session of the Board of Directors convened its 17th meeting (8 March), the 18th meeting (14 March), the 19th meeting (2 April), the 20th meeting (20 April) and the 21st meeting (12 May), and the Audit Committee under the Twelfth Session of the Board of Directors convened its 1st meeting (16 August), the 2nd meeting (25 October) and the 3rd meeting (14 November). The Audit Committee, based on the quarterly regular meeting system and taking the regular report and internal and external audit work report as the starting point, reviewed and approved the annual report, interim report and quarterly report, and supervised and verified the authenticity, accuracy, completeness and timeliness of the financial report information. The Company reviewed and passed the annual, interim and quarterly internal audit plan and work report, the five-year plan for the development of internal audit work, the amendments to the constitutional documents of internal audit, the engagement of accounting firms and other proposals, heard the external auditor's audit plan, audit results, management recommendations and other reports, timely targeted the problems found in internal audit, strengthened the rectification and accountability of internal self-inspection and regulatory concerns, promoted the formation of an effective communication mechanism between internal audit and external audit by continuously strengthening the communication with internal and external audit. The Company attached great importance to the construction of science and technology audit system, carried out special research, fully played an important role in supervising operation and management, revealing risks and problems and improving management level and effectively fulfilled relevant responsibilities.

According to "Work Procedures on Annual Reports for Audit Committee under the Board of Directors"《董事會審計委員會年報工作規程》adopted by the Company, the Audit Committee under the Board of Directors of the Company performed the following duties in preparing and reviewing the annual report for 2022:

1. The Audit Committee considered and discussed the accounting firm's audit plan for 2022 and the unaudited financial statements of the Company;

2. In the course of annual audit and after the issue of a preliminary audit opinion by the auditors in charge of annual audit, the Audit Committee reviewed the report on the operation of the Company for 2022, exchanged opinions on the significant matters and audit progress with the auditors in charge of annual audit, reviewed the financial statements of the Company, and then formed written opinions on the above issues;

3. Before the convening of the annual meeting of the Board of Directors, the Audit Committee reviewed and prepared a resolution on the Company's Annual Report for 2022 which was submitted to the Board of Directors for consideration and approval. Moreover, the Audit Committee reviewed and submitted to the Board of Directors the conclusion report prepared by the auditors in charge of annual audit in respect of the audit work of the Company in 2022.

Related Party Transactions Management and Consumer Rights Protection Committee

The majority of members of the Related Party Transactions Management and Consumer Rights Protection Committee are Independent Non-Executive Directors, and the committee was chaired by an Independent Non-Executive Director. The members of the Related Party Transactions Management and Consumer Rights Protection Committee are Li Chaoxian (Chairman), Wong See Hong and Tian Hongqi (all being Independent Non-Executive Directors) and Su Min (a Non-Executive Director). The Related Party Transactions Management and Consumer Rights Protection Committee is mainly responsible for inspection, supervision and review of related party transactions of the Company and protection of the legitimate rights and interests of consumers.

Main authorities and duties:

1. Identify related parties;
2. Inspect, supervise and review the major related party transactions and continuing connected transactions, and control the risks associated with related party transactions;
3. Review the administrative measures on related party transactions, and monitor the establishment and improvement of the related party transactions management system of the Company;
4. Review the announcements on related party transactions;
5. Review the strategies, policies and objectives of the consumer rights protection work;
6. Review the report on the consumer rights protection work and the relevant resolution;
7. supervise and evaluate the comprehensiveness, timeliness and effectiveness of the consumer rights protection work of the Company, the duty performance of senior management in the protection of consumer rights, and the information disclosure of consumer rights protection work;
8. Any other task delegated by the Board of Directors.

In 2022, the Related Party Transactions Management and Consumer Rights Protection Committee of the Company convened five meetings, namely, the Related Party Transactions Management and Consumer Rights Protection Committee under the Eleventh Session of the Board of Directors convened its 10th meeting (9 March) and the 11th meeting (26 May). The Related Party Transactions Management and Consumer Rights Protection Committee under the Twelfth Session of the Board of Directors convened its 1st meeting (19 September), the 2nd meeting (14 October) and the 3rd meeting (20 December). The Related Party Transactions Management and Consumer Rights Protection Committee focused on reviewing the fairness of related party transactions, assisting the Board of Directors to ensure the legality and compliance of related party transaction management, implementing the relevant responsibilities of consumer rights protection according to regulatory requirements and deliberated and passed the Related Party Transaction Report for 2021, the List of Related Parties in 2022 and other proposals, reviewed and approved the related party transactions between the Company and China Communications Construction Company Limited, China Merchants Fund, CMB Wealth Management and other related parties, reviewed and approved the "Work Report on Consumer Rights Protection for 2021", the "Bank-wide Customer Complaint Analysis Report for 2021" and other matters, reviewed the regulatory notification document on consumer rights protection and the Company's main consumer rights protection system.

5.6 Board of Supervisors

The Board of Supervisors is a supervisory body of the Company and is accountable to the shareholders' general meetings, and effectively oversees the strategic management, financial activities, internal control, risk management, legal operation, corporate governance, as well as the duty performance of the Board of Directors and senior management with an aim to protect the legitimate rights and interests of the Company, its shareholders, employees, creditors and other stakeholders.

5.6.1 Composition of the Board of Supervisors

As of the end of the reporting period, the Board of Supervisors of the Company consists of nine members, including three Shareholder Supervisors, three Employee Supervisors and three External Supervisors. The proportion of Employee Supervisors and External Supervisors in the members of the Board of Supervisors each meets the regulatory requirements. The three Shareholder Supervisors are from large state-owned enterprises where they serve important posts and have extensive experiences in business management and professional knowledge in finance and accounting; the three Employee Supervisors have long participated in banking operation and management, and thus accumulated rich professional experience in finance; and the three External Supervisors have professional expertise and rich practical experience in corporate governance, investment management, applied science and other areas. Members of the Board of Supervisors of the Company have professional ethics and professional competence required for their performance of duties which ensures the effective supervision by the Board of Supervisors.

A Nomination Committee and a Supervisory Committee are established under the Board of Supervisors.

5.6.2 How the Board of Supervisors performs its supervisory duties

The Board of Supervisors performs its supervisory duties primarily by: holding regular meetings of Board of Supervisors and its related special committees, attending shareholders' general meetings, board meetings and its special committee meetings, attending major meetings on operation and management held by the senior management, reviewing various documents of the Company, reviewing work reports and specific reports of the senior management, conducting opinion exchanges and discussions, carrying out special investigations and surveys at domestic and overseas branches of the Company on a collective or separate basis and having talks with Directors and the senior management over their duty performance during the year, communicating with external auditors regularly, etc. By doing so, the Board of Supervisors comprehensively monitors the development strategy, operation and management status, risk management status and internal control and compliance status of the Company as well as duty performance of the Directors and the senior management, and puts forward the constructive and targeted operation and management advice and supervision opinions.

5.6.3 Duty performance of the Board of Supervisors during the reporting period

During the reporting period, the Board of Supervisors convened a total of fourteen meetings, of which five were on-site meetings and nine were meetings convened in the form of written resolutions. 37 proposals regarding development strategies, business operation, financial activities, internal control, risk management, related party transactions, consolidation management, corporate governance, data governance, social responsibilities, anti-money laundering work, consumer rights protection, evaluation of the duty performance of Directors, Supervisors and senior management and audit on the resignation of senior management were considered, and 20 special reports involving implementation of risk appetite, disposal of non-performing assets, capital adequacy ratio, equity management, internal audit, prevention and control of crimes, green finance, were delivered or reviewed at those meetings.

During the reporting period, the Company convened 1 shareholders' general meeting and 8 on-site board meetings. Supervisors attended the shareholders' general meeting and were present at all the on-site board meetings and supervised the legitimacy and compliance of convening the shareholders' general meeting and the board meetings, voting procedures, the Directors' attendance at those meetings, expression of opinions and voting details.

During the reporting period, all the three External Supervisors were able to perform their supervisory duties independently. The External Supervisors discharged their supervisory duties by attending shareholders' general meetings, meetings of the Board of Supervisors, and special committee meetings of the Board of Supervisors, participating in shareholders' general meeting and meetings of the Board of Directors or any of its related special committees, participating in the Board of Supervisors' investigations and surveys conducted at branch level on a collective or separate basis, proactively familiarising themselves with the operation and management and the implementation of strategies of the Company, and actively participating in studies and reviews on significant matters. During the adjournment of the meetings of the Board of Directors and the Board of Supervisors, the External Supervisors reviewed various documents and reports of the Company, and exchange opinions with the Board of Directors and senior management in respect of the problems concerned in a timely manner, thereby playing an active role in enabling the Board of Supervisors to perform their supervisory duties.

During the reporting period, the Board of Supervisors of the Company had no objection to each of the supervisory matters.

5.6.4 Operation of the special committees under the Board of Supervisors

The Nomination Committee and the Supervisory Committee are established under the Board of Supervisors, each consisting of four Supervisors, and those committees were all chaired by External Supervisors.

The Nomination Committee under the Board of Supervisors

The members of the Nomination Committee under the Board of Supervisors include Cai Hongping (Chairman), Peng Bihong, Zhang Xiang and Cai Jin. The major duties of the Nomination Committee are as follows: to make proposals to the Board of Supervisors on the size and composition of the Board of Supervisors; to study the standards and procedures for the election of Supervisors and propose the same to the Board of Supervisors; to conduct extensive searches for qualified candidates for Supervisors; to undertake preliminary examination on the qualifications of the candidates for Supervisors nominated by Shareholders and provide relevant recommendations; to supervise the procedures for election of Directors; to evaluate the duty performance of the Board of Directors, Board of Supervisors and senior management and their members, and submit reports to the Board of Supervisors; to supervise whether the remuneration management system, performance-based remuneration recovery mechanism and policies of the whole Bank and the remuneration package for its senior management are scientific and reasonable.

During the reporting period, the Nomination Committee under the Board of Supervisors held a total of three meetings, at which it reviewed and considered the report of the Board of Supervisors on the duty performance of the Directors, Supervisors and the senior management in 2021, and reviewed and approved the plan for the change of the Twelfth Session of the Board of Supervisors and the List of Candidates for Shareholder Supervisors and External Supervisors of the Twelfth Session of the Board of Supervisors.

The Supervisory Committee under the Board of Supervisors

The members of the Supervisory Committee under the Board of Supervisors include Xu Zhengjun (Chairman), Luo Sheng, Wu Heng and Cao Jian. The major duties of the Supervisory Committee are as follows: to formulate the supervisory plans for performance of supervisory duties by the Board of Supervisors; to formulate the supervisory plans for financial activities of the Company and conduct relevant examinations; to supervise the adoption by the Board of Directors of prudent business philosophy and value standards and its formulation of suitable development strategies in line with the actual situations of the Company; to conduct supervision and assessment on the important financial decisions of the Board of Directors and the senior management and their implementations, the establishment and improvement of the internal control governance structure and the overall risk management governance structure and the division of duties of relevant parties and their duty performance; to formulate the specific plans for reviewing the operation decisions, internal control and risk management of the Company under the authorisation of the Board of Supervisors when necessary; to formulate the plans for conducting resignation audit on Directors, President and other senior management when necessary.

During the reporting period, the Supervisory Committee under the Board of Supervisors convened a total of two meetings, at which it reviewed and considered the work plan of the Board of Supervisors for 2022 and the audit on the resignation of senior management and other issues. In addition, members of the Supervisory Committee under the Board of Supervisors were also present at various on-site meetings convened by the Risk and Capital Management Committee and Audit Committee under the Board of Directors. They also reviewed the consideration and discussion of the above special committee on the financial decisions, risk management, capital management, internal control compliance, internal and external audit and other aspects of the Company, and offered comments and suggestions on some of the issues.

5.6.5 Independent opinions from the Board of Supervisors

During the reporting period, the Board of Supervisors has proactively and effectively carried out supervision on the financial activities, internal control, risk management, lawful operation as well as the duty performance of the Board of Directors and the senior management of the Company pursuant to the Company Law of the People's Republic of China, the Articles of Association of the Company and the supervisory duties delegated by relevant supervisory authorities.

Independent opinions on relevant matters from the Board of Supervisors are as follows:

Lawful Operation

During the reporting period, the business activities of the Company complied with the Company Law of the People's Republic of China, the Commercial Banking Law of the People's Republic of China and the Articles of Association of the Company, the internal control system was improved, and the decision-making procedures were lawful and valid. None of the Directors and senior management of the Company were found to have non-disclosed behaviours relating to the violation of relevant laws, regulations or the Articles of Association of the Company or causing detriment to the interests of the Company and shareholders when performing their duties.

Authenticity of Financial Statements

Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu separately audited the 2022 annual financial report prepared in accordance with the PRC Generally Accepted Accounting Principles and International Financial Reporting Standards and have separately issued standard auditing reports with unqualified opinions. The financial reports truthfully, objectively and accurately reflect the financial status and operating results of the Company.

Use of Proceeds

During the reporting period, the use of proceeds of the Company was consistent with such usages as committed in the Prospectus of the Company.

Purchase and Disposal of Assets

During the reporting period, the Company was not aware of any insider trading in its acquisition and sale of assets which would damage shareholders' interests or cause loss in the assets of the Company.

Related Party Transactions

In terms of the related party transactions during the reporting period, the Board of Supervisors was not aware of any conduct in contravention of the arm's length basis or were detrimental to the interests of the Company and its shareholders.

Implementation of Resolutions Passed at Shareholders' General Meeting(s)

The Board of Supervisors lodged no objections to the reports and proposals submitted by the Board of Directors to the shareholders' general meeting in 2022, supervised the implementation of the resolutions of the shareholder's general meeting(s), and concluded that the Board of Directors had duly implemented relevant resolutions passed at the shareholders' general meeting(s).

Internal Control

The Board of Supervisors had reviewed the "Report on Assessment of Internal Control of China Merchants Bank Co., Ltd. for 2022", and concurred with the Board of Directors' representations regarding the completeness, reasonableness and effectiveness of the internal control system of the Company as well as its implementation.

5.7 Investigations/Surveys and Trainings Conducted by Directors and Supervisors during the Reporting Period

During the reporting period, the Board of Directors and the Board of Supervisors of the Company actively organised investigations/surveys and training, through which the duty performance, decision-making ability and effectiveness of supervision of our Directors and Supervisors continued to improve.

During the reporting period, all Non-Executive Directors of the Company reviewed the Sharing of ESG Development and Practices of Commercial Banks, had an in-depth understanding of the development trend of international ESG and financial industry and the advanced practices of ESG of commercial banks, and guided the Company to give full play to the leading advantages of ESG of commercial banks and comprehensively improve its own ESG governance capacity.

During the reporting period, the Directors of the Company participated in relevant trainings or researches according to the requirements on duty performance, the contents of which included corporate governance, policies and regulations, banking operation and management and compliance in anti-money laundering and sanctions and green finance. Independent Non-Executive Directors, Mr. Li Menggang, Mr. Liu Qiao, Mr. Li Chaoxian, and Mr. Shi Yongdong have participated in the follow-up training for independent Directors held by Shanghai Stock Exchange, and systematically studied the supervision of information disclosure of listed companies, research on accounting issues, interpretation of laws, regulations and latest policies and other subjects. The above researches and trainings helped improve the duty performance of the Directors, ensured that the Directors were fully aware of the information required for duty performance and continued to make contributions to the Board of Directors of the Company.

During the reporting period, the Board of Supervisors of the Company coordinated and dynamically adjusted the research arrangement, and conducted four domestic collective investigations, involving six branches and sub-branches. The investigation adhered to the problem-oriented approach and, by digging deep into the weak links and shortcomings of branches and sub-branches in operation management, risk prevention and control, internal control and compliance, etc., assisted the branches and sub-branches in finding out problems and causes from their roots. Also, specific supervisory opinions and suggestions have been put forward in terms of strengthening Party building and primary-level Party organisation construction, implementing the Headquarter strategies, upholding core values, improving risk management as well as internal control and compliance management, and fulfilling social responsibilities. Through the "Work Summary of the Board of Supervisors (《監事會工作要情》)", the Board of Supervisors conveyed the actual status of the branches and their appeals and suggestions to the Head Office to the Board of Directors and senior management, established and improved the tracking and supervision mechanism, and proposed targeted solutions for individual problems, and for universal and common problems, drew inferences from one instance, advanced work in all areas by using the experience gained on key points for reference, promoted the whole bank to solve the problems from the system and mechanism, forming a closed loop of "discovering problems, analysing problems, and solving problems".

During the reporting period, all Supervisors of the Company participated in online training of "Anti-Money Laundering and Sanctions Compliance" in accordance with regulatory requirements, systematically studied the latest classification and rating results of the Company, the implementation of institutional money laundering risk assessments, interpretations of new trends and new regulations for sanctions compliance and comprehensive anti-money laundering law enforcement inspection and rectification. They deepened the understanding of the Board of Supervisors on money laundering risk of the Company and the implementation of anti-money laundering efforts, and further improved the capacity of the Board of Supervisors for performing their supervision duties in anti-money laundering and sanctions compliance. The Board of Supervisors of the Company was present at the meeting of Non-Executive Directors and listened to a report themed "Sharing of ESG Development and Practices of Commercial Banks" to understand the international ESG development trends and learn ESG practices of our industry peers, so as to gain an in-depth understanding of the current status of ESG management of the Company, and systematically enhance the professional capability of the Board of Supervisors in the field of ESG. The Chairman of the Board of Supervisors of the Company participated in the first training course for the chairmen of the board of supervisors held by the China Association of Listed Companies. By learning lessons from typical cases of violations of laws and regulations, the Chairman of the Board of Supervisors strengthened the study of legal responsibilities of supervisors and key points for performing duties, strengthened the expertise of the Chairman of the Board of Supervisors, and enhanced the ability of the Board of Supervisors for performing duties.

5.8 Company Secretary under Hong Kong Listing Rules

During the reporting period, Mr. Wang Liang and Ms. Ho Wing Tsz Wendy of Tricor Services Limited, an external services provider, were the joint company secretaries of the Company under the Hong Kong Listing Rules. Mr. Wang Liang is the major contact person of the Company on internal issues.

During the reporting period, Mr. Wang Liang and Ms. Ho Wing Tsz Wendy attended the relevant professional trainings for not less than 15 hours in compliance with the requirements of Rule 3.29 of the Hong Kong Listing Rules.

5.9 Major Amendments to the Articles of Association of the Company

During the reporting period, the Company revised the Articles of Association. For details of the revised contents, please refer to the 2021 Annual General Meeting documents, shareholders' circulars and relevant announcements published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company. At present, the revised Articles of Association of the Company are subject to approval by the CBIRC.

5.10 Communication with Shareholders

The Company attaches great importance to communication with its shareholders, and has established an effective communication mechanism with investors. The Board of Directors has always adhered to strict compliance with regulatory requirements, performed the obligation to disclose information in compliance with the law, further enriched the information disclosed in regular reports and made efforts to improve the quality of the disclosed information of China Merchants Bank to satisfy demand of investors. Through the Company's official website, investors' mailbox, hotline and "SSE E-interaction" platform, the Company provided communication channels for investors in the form of shareholders' meetings, investor briefings, results road shows, investor research, securities analyst research, etc., which fully satisfied the needs of our investors and analysts at home and abroad to communicate with the Company.

The Board of Directors of the Company has reviewed the implementation of shareholder communication policies such as investor relations management and information disclosure during the reporting period of the Company, and believes that the above work of the Company is positive and effective. As of the end of the reporting period, the valuation of the Company's A+H shares remained to be among the top in the domestic banking industry. The Company has obtained the highest rating of A in the annual information disclosure evaluation of listed companies on Shanghai Stock Exchange for the ninth consecutive year.

Investor relations

During the reporting period, the Company held one annual general meeting in the form of on-site + webcast, held one annual results press conference, one interim results exchange meeting and two quarterly results exchange meetings through webcast; more than 8,000 institutional investors, analysts and media reporters at home and abroad participated in the annual results press conference, representing a record high in the number of participants. At the exchange meeting, the Chairman and senior management elaborated on the Company strategic direction, the three capacity building of "wealth management, Fintech and risk management", dynamically balanced development of "Quality, Efficiency and Scale", and responded to the market doubts directly, reiterating that the Company has always adhered to the "three unchanged" principle, namely, to keep the President assuming full responsibility under the leadership of the Board of Directors unchanged, to keep the market-oriented incentive and restraint mechanism unchanged, and to keep the stability of the management team and talents unchanged, and will maintain strategic determination and stable operating results. At the same time, they gave detailed answers to other market and media concerns such as the impact of the real estate risk, decline in the net interest margin and the fee and commission income from retail wealth management of the Company, ESG progress and other matters, and the market response was positive. The Company released the records of investor exchanges on its official website in a timely manner after the meeting. In addition, following the release of 2021 annual results, senior management led the team to conduct road shows, conducted 32 meetings with institutional investors of A Shares and H Shares of the Company, and promoted the Company's performance highlights, long-term strategy and investment value to 109 leading investment institutions.

During the reporting period, the Company participated in investment strategy meetings held by a total of 41 investment banks and securities companies. The Company received 97 online researches of securities analysts and investors and met with more than 1,400 institutional investors. In response to the senior management change, the Company took the initiative to organise more than 100 telephone and video conferences from April to November 2022, and communicated with more than 500 investment institutions, involving more than 1,200 institutional investors and analysts. The Company also answered hundreds of phone calls from our investors and processed hundreds of messages from our investors on the Company's official website, investors' mailbox, and "SSE E-interaction" platform.

The Company has recorded the above-mentioned investor reception and communication activities in accordance with relevant regulatory requirements, and has properly kept the relevant documents.

Information disclosure

During the reporting period, keeping up with the changes of external regulations and taking daily work practices into consideration, the Company comprehensively revised the "Management System for Information Disclosure of China Merchants Bank Co., Ltd." and the "Management System for Inside Information and Insiders of China Merchants Bank Co., Ltd.", which specified and improved the contents regarding information disclosure obligor, insider information and insider, sensitive period range for securities trading, basic principles to be followed in fulfilling information disclosure obligations and carrying out investor relations management, as well as duties of the Board of Directors and Board of Supervisors on information disclosure, providing a solid institutional guarantee for improving the quality of information disclosure compliance management. During the reporting period, according to the regulatory rules, the Company continues to strengthen the management of insider information and insiders, and timely organises the registration of insider information archives.

During the reporting period, the Company strictly complied with statutory obligations of information disclosure, and disclosed all major information truthfully, accurately, completely, and timely on Shanghai Stock Exchange and the Hong Kong Stock Exchange. The Company further took initiative to improve the transparency of information disclosure. The Company optimised the disclosure of non-interest income in the periodic report to better demonstrate the operational effectiveness of extensive wealth management business model. The Company continued to strengthen the disclosure of hot market issues, especially for key information the investors particularly concerned about such as the risk control of the real estate and retail credit business, which have been analysed in the form of special topics. The Company reconstructed the disclosure structure of ESG chapters, and increased the disclosure of information about ESG rating, serving the real economy and improving the accessibility of financial services, and continuously upgraded the production of visual annual report to provide better reading experience to investors.

Investor inquiries

Office of the Board of Directors of China Merchants Bank

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Investors may login onto the page of "CMB Info – Investor Relations – Contact Us" on the Company's official website (www.cmbchina.com) and click the URL link "Email" thereon to leave a message for us.

5.11 Shareholders' Rights

Convening of extraordinary shareholders' general meetings

An extraordinary shareholders' general meeting shall be convened by the Board of Directors upon request in writing by shareholders individually or jointly holding more than 10% of the Company's voting shares at such meeting. The Board of Directors shall, in accordance with the laws, administrative regulations and the Articles of Association of the Company, provide a written reply of approval or disapproval for convening an extraordinary shareholders' general meeting within 10 days upon receiving the request. If the Board of Directors agrees to convene an extraordinary shareholders' general meeting, a notice of such meeting shall be issued within 5 days upon the approval for a resolution from the Board of Directors.

If the Board of Directors does not agree to convene an extraordinary shareholders' general meeting or fails to make a reply within 10 days after receiving the request, the proposers are entitled to propose to the Board of Supervisors in writing to convene an extraordinary shareholders' general meeting. If the Board of Supervisors agrees to convene an extraordinary shareholders' general meeting, a notice of such meeting shall be issued within 5 days upon receiving the request. If the Board of Supervisors fails to give such notice of the meeting within the specified timeframe, the shareholders individually or jointly holding more than 10% of the Company's voting shares for more than 90 consecutive days may convene and preside over an extraordinary shareholders' general meeting on their own.

Making interim proposals at the shareholders' general meetings

If the Company convenes a shareholders' general meeting, shareholders individually or jointly holding more than 3% of the total issued voting shares of the Company may submit interim proposals in writing to the Company at least 15 working days before the convening of the shareholders' general meeting and submit the same to the convenor. The convenor shall issue a supplemental notice of the shareholders' general meeting within 2 business days upon receiving the interim proposals, and announce the contents of such proposals.

Please refer to section 1.1.4 in Chapter I "Company Information" for the relevant contact details of making interim proposals to the shareholders' general meetings.

Convening of extraordinary board meeting

An extraordinary board meeting may be held if it is requisitioned by shareholders representing more than 10% of the voting rights. The Chairman shall convene the extraordinary board meeting within 10 days upon receiving such proposal requisitioned by shareholders representing more than 10% of the voting rights.

Making inquiries and suggestions to the Board of Directors

Shareholders are entitled to review the information on the Company in accordance with the provisions of the Articles of Association of the Company upon the submission of written documents certifying the class and quantity of shares of the Company held by the shareholders, on condition that the identity of whom has been verified by the Company. For shareholders who need to access relevant information on the Company or have any enquiries about their shareholdings in the Company, please refer to sections 1.1.4 and 1.1.9 in Chapter I "Company Information" for details of the relevant contacts.

Shareholders are entitled to supervise the operation of the Company and put forward suggestions or inquiries on it, please refer to Chapter V "Investor Inquiries" for details of the relevant contacts.

Special provisions on rights of holders of preference shares

In the event of any of the following circumstances, the Company shall notify the preference shareholders of the convening of a shareholders' general meeting and follow the procedures for notifying the ordinary shareholders set forth in the Articles of Association of the Company. The preference shareholders of the Company shall be entitled to attend the shareholders' general meeting and vote with ordinary shareholders on the following matters: (1) amendments to the Articles of Association in relation to preference shares; (2) reduction of the registered capital of the Company by more than 10% at one time or in the aggregate; (3) merger, division, dissolution or change of corporate form of the Company; (4) issuance of preference shares; and (5) other circumstances as specified by laws, administrative regulations or the Articles of Association.

If the Company fails to pay dividends on preference shares as agreed for a total of three fiscal years or two consecutive fiscal years, the voting rights of the preference shareholders shall be restored, and the preference shareholders shall have the right to attend the shareholders' general meeting and vote with ordinary shareholders from the day following the date on which the shareholders' general meeting resolves not to distribute the dividends of the preference shares as agreed for that year. The voting rights of the aforesaid preference shareholders shall remain in effect until such time as the Company pays the dividends in full for that year.

Other rights

The ordinary shareholders of the Company are entitled to receive distributable profits and other forms of profit appropriation based on their shareholdings. The preference shareholders of the Company are entitled to preferential profit appropriation.

Other rights conferred by laws, administrative regulations and the Articles of Association of the Company.

5.12 Profit Appropriation

5.12.1 The profit appropriation plan for 2022

Ten percent of the audited net profit of the Company for 2022 of RMB128.484 billion, equivalent to RMB12.848 billion, was allocated to the statutory surplus reserve, while 1.5% of the balance of the end-of-period assets with the Company bearing risks and losses, equivalent to RMB15.025 billion, was appropriated to the general reserve. As at the end of 2022, 2.5% of the Company's mutual fund custody fee income, equivalent to RMB264 million, was appropriated to the risk reserve for the mutual fund custody business. Based on the total share capital of A Shares and H Shares on the record date for implementation of the profit appropriation, the Company proposed to declare a cash dividend of RMB1.738 (tax included) for every share to all shareholders of the Company whose names appear on the register, denominated and declared in Renminbi, payable in Renminbi for holders of A Shares and in Hong Kong Dollars for holders of H Shares. The actual appropriations amount in HKD would be calculated based on the average RMB/HKD benchmark rate to be released by the People's Bank of China for the previous week (including the day of the shareholders' general meeting) before the date of the shareholders' general meeting. The retained profits will be carried forward to the next year. In 2022, the Company did not transfer any capital reserve into share capital. The above profit appropriation plan is subject to consideration and approval at the 2022 Annual General Meeting of the Company.

For the other information on the closing date for registration, the period for closure of register of members and the profit appropriation plan for the shareholders who are entitled to attend the Company's 2022 Annual General Meeting and those who are entitled to receive the final dividends for 2022, the Company will make further announcement(s) at appropriate times. The Company expects that the distribution of final dividends to the H Shareholders will be completed by 30 August 2023.

5.12.2 Profit appropriation of the Company for the last three years

Year	Number of bonus shares for every share held (No. of shares)	Cash dividend for every share held (inclusive of tax, in RMB)	Number of shares issued on capitalisation of surplus reserve for every share held (No. of shares)	Total cash dividends (inclusive of tax, in millions of RMB)	Net profit attributable to holders of ordinary shares in the consolidated financial statements for the year (in millions of RMB)	Proportion of cash dividend to net profit attributable to holders of ordinary shares in the consolidated financial statements (%)
2020	–	1.253	–	31,601	95,691	33.02
2021	–	1.522	–	38,385	116,309	33.00
2022(Note)	–	1.738	–	43,832	132,775	33.01

Note: The profit appropriation plan for 2022 is subject to consideration and approval at the 2022 Annual General Meeting of the Company.

5.12.3 The formulation and implementation of the Company's cash dividend policies

1. As specified in the Articles of Association of China Merchants Bank Co., Ltd., the profit appropriation policies of the ordinary shares of the Company are:

    (1) Profit appropriation of the Company shall focus on reasonable returns on investment of the investors, and such policies shall maintain continuity and stability.

    (2) The Company may distribute dividends in cash, shares or a combination of cash and shares, and it shall distribute dividends mainly in cash. Subject to compliance with prevailing laws, regulations and the requirements of relevant regulatory authority on the capital adequacy ratio, as well as the requirements of general working capital, business development and the need for substantial investment, merger and acquisition plans of the Company, the cash dividend to be distributed by the Company to shareholders of ordinary shares each year in principle shall not be less than 30% of the net profit after taxation attributable to shareholders of ordinary shares audited in accordance with the PRC accounting standards for that year. The Company may pay interim cash dividend. Unless another resolution is passed at the shareholders' general meeting, the Board of Directors shall be authorised by the shareholders at a shareholders' general meeting to approve the interim profit appropriation plan.

    (3) If the Company generated profits in the previous accounting year but the Board of Directors did not make any cash profit appropriation proposal after the end of the previous accounting year, the Company shall state the reasons for not distributing the profit and the usage of the profit retained in the periodic report and the Independent Directors shall give an independent opinion in such regard.

    (4) If the Board of Directors considers that the price of the shares of the Company does not match the size of the share capital of the Company or where the Board of Directors considers necessary, the Board of Directors may propose a profit appropriation plan in the form of shares and implement the same upon consideration and approval at a shareholders' general meeting, provided that the above-mentioned cash profit appropriation requirements are satisfied.

    (5) The Company shall pay cash dividends and other amounts to holders of domestic shares listed domestically and such sums shall be calculated, declared and paid in Renminbi. The Company shall pay cash dividends and other amounts to holders of H Shares and such sums shall be calculated and declared in Renminbi and paid in Hong Kong Dollars. The foreign currencies required by the Company for payment of cash dividends and other sums to shareholders of overseas listed foreign shares shall be handled according to the relevant requirements of foreign exchange administration of the State.

    (6) Where appropriation of the Company's fund by a shareholder, which is in violation of relevant rules, has been identified, the Company shall make a deduction against the cash dividend to be paid to such shareholder, and such amount shall be used as the reimbursement of the funds appropriated.

    (7) The Company shall disclose the implementation progress of the cash dividend policy and other relevant matters in its periodic reports in accordance with the applicable requirements.

2. During the reporting period, the profit appropriation plan of the Company for 2021 was implemented in strict accordance with the relevant provisions of the Articles of Association of China Merchants Bank Co., Ltd. It was considered and approved by the 37th meeting of the Eleventh Session of the Board of Directors of the Company and submitted for consideration and approval at the 2021 Annual General Meeting. The minority shareholders were afforded opportunities to fully express their views and requests. The criteria and proportion of cash dividend were clear and specific, and the Board of Directors of the Company has implemented the profit appropriation plan. The profit appropriation plan of the Company and its implementation have provided adequate protection for the legitimate rights and interests of minority investors. The profit appropriation plan of the Company for 2022 will also be implemented in strict accordance with the relevant provisions of the Articles of Association of China Merchants Bank Co., Ltd.. It will be considered and approved by the 15th meeting of the Twelfth Session of the Board of Directors of the Company and submitted for consideration and approval at the 2022 Annual General Meeting of the Company. The Independent Directors of the Company have expressed their independent opinions on the profit appropriation plans for 2021 and 2022.

5.13 Taxes and Tax Deductions

The shareholders of the Company paid relevant taxes according to the following regulations and the tax laws updated from time to time, enjoyed possible tax deductions as the case may be, and shall consult with its professional tax and legal consultants for specific payment affairs. The laws, regulations, and rules cited as follows are relevant provisions promulgated as of 31 December 2022.

A-share shareholders

For natural person shareholders and securities investment fund shareholders holding the Company's A shares, according to relevant provisions of the Notice on the Issues Concerning the Implementation of the Policies for Differentiated Individual Income Tax Imposed upon the Dividends and Bonuses from Listed Companies (關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知) (Cai Shui [2012] No.85) and the Notice on the Issues Concerning the Policies for Differentiated Individual Income Tax Imposed upon the Dividends and Bonuses from Listed Companies (關於上市公司股息紅利差別化個人所得稅政策有關問題的通知) (Cai Shui [2015] No.101), if the holding period is within one month (including one month), the full amount of dividends and bonuses shall be included in the taxable income, and the actual tax burden is 20%; if the holding period is from 1 month to 1 year (including 1 year), 50% of the dividends and bonuses shall be included in the taxable income, and the actual tax burden is 10%; if the holding period exceeds one year, the dividends and bonuses shall be temporarily exempted from individual income tax.

For qualified foreign institutional investor (QFII) shareholders who hold the Company's A shares, the Company shall, in accordance with the provisions as set forth in the Notice on the Issues Concerning Chinese Resident Enterprises' Withholding of Enterprise Income Tax for Payment of Dividends, Bonuses, and Interest to QFII (關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知) (Guo Shui Han [2009] No.47), the Company shall withhold and pay the enterprise income tax at the tax rate of 10%. If qualified foreign institutional investor (QFII) shareholders are involved in enjoying tax treaty (arrangement) treatment, the withholding of enterprise income tax shall be implemented in accordance with the Announcement of the State Administration of Taxation on Administrative Measures for Non-resident Taxpayers to be Entitled to Benefits under Tax Treaty (國家稅務總局關於發佈〈非居民納稅人享受協定待遇管理辦法〉的公告) (State Administration of Taxation Announcement No.35 of 2019) and the Notice on the Issues Concerning Chinese Resident Enterprises' Withholding of Enterprise Income Tax for Payment of Dividends, Bonuses, and Interest to QFII (關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知) (Guo Shui Han [2009] No.47).

For investors (including enterprises and individuals) of The Stock Exchange of Hong Kong Limited (SEHK) investing in the Company's A shares listed on Shanghai Stock Exchange (referred to as Northbound Trading , according to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) (Cai Shui [2014] No. 81), the dividends and bonuses shall be distributed in RMB by the Company through China Securities Depository and Clearing Corporation Limited Shanghai Branch to the account of the nominal holder of A shares. The Company will withhold income tax at the tax rate of 10% and apply to the competent taxation authority for withholding declaration. For Northbound Trading investors who are tax residents of other countries or regions and the income tax rate for dividends and bonuses is lower than 10% as stipulated in the tax treaty signed between its domicile country or region and China, the withholding of enterprise income tax shall be implemented in accordance with the Announcement of the State Administration of Taxation on Administrative Measures for Non-resident Taxpayers to Enjoy Treaty Benefits under Tax Treaty (State Administration of Taxation Announcement No.35 of 2019) and the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81).

For other A-share shareholders (including institutional investors) who are resident enterprises under the Law of the People's Republic of China on Enterprise Income Tax, the income tax shall be declared and paid by themselves.

H-share shareholders

According to relevant provisions of the Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (關於國稅發[1993]045 號文件廢止後有關個人所得稅徵管問題的通知) (Guo Shui Han [2011] No. 348) and the Notice on the Issues Concerning Chinese Resident Enterprises' Withholding of Enterprise Income Tax for Distribution of Dividends to H-share Shareholders Who Are Foreign Non-resident Enterprises (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知) (Guo Shui Han [2008] No.897), the Company withholds dividend income tax at the tax rate of 10% for individual and enterprise shareholders of the Company's H shares. However, if otherwise set forth in relevant tax laws, regulations, and treaties, the Company shall handle specifically in accordance with the collection and administration requirements of the taxation authorities.

For investors investing in the Company's H shares through Southbound Trading, according to the relevant requirements of the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) and the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127), the Company shall withhold individual income tax at the tax rate of 20% for dividends received by individual investors in the Chinese mainland from investing in the Company's H shares through Southbound Trading; dividends received by securities investment funds in the Chinese mainland from investing in the Company's H shares through Southbound Trading shall be taxed as individual investors; the Company will not withhold income tax on dividends for corporate investors in the Chinese mainland, and the tax payable shall be declared and paid by the relevant enterprises themselves.

Shareholders of domestic preferred shares

The individual income tax payment matters related to the dividends of domestic preferred shares obtained by individuals through non-public issuance shall be handled in accordance with relevant taxation laws and regulations of China.

According to the Law of the People's Republic of China on Enterprise Income Tax and the Regulations for Implementation of the Law on Enterprise Income Tax, the dividend income of domestic preferred shares among eligible resident enterprises shall be tax-free income, and the dividend income of domestic preferred shares obtained by non-resident enterprises shall be tax-deductible. The enterprise income tax shall be levied at the tax rate of 10%.

5.14 Information on Employees

As of 31 December 2022, the Group had a total of 112,999 employees[35] (including dispatched employees).

The classification of the Group's employees by gender is: 48,939 males and 64,060 females, with a relatively balanced gender ratio.

The classification of the Group's employees by profession is: 18,746 employees in corporate finance, 51,526 employees in retail finance, 6,495 employees in risk management, 16,478 employees in operation and management, 10,846 employees in research and development, 1,000 employees in administrative and logistics support and 7,908 employees in comprehensive management.

The classification of the Group's employees by educational background is: 25,546 employees with master's degrees and above, 72,346 employees with bachelor's degrees and 15,107 employees with junior college degrees or below.

The distribution of the Group's employees by regions is: 28,555 employees in the Yangtze River Delta, 13,941 employees in the Bohai Rim, 35,289 employees in the Pearl River Delta and the Western Taiwan Straits Economic Zone, 5,114 employees in the Northeast, 11,691 employees in the Central, 15,332 employees in the West and 3,077 employees outside the Chinese mainland.

The classification of the Group's employees in research and development by educational background is: 4,987 employees with master's degrees or above, 5,739 employees with bachelor's degrees and 120 employees with junior college degrees or below. The age structure is as follows: 6,379 employees aged 30 and below, 3,665 employees aged 30-40 (excluding 30, but including 40), 685 employees aged 40-50 (excluding 40, but including 50) and 117 employees aged 50-60 (excluding 50, but including 60).

The Company is committed to eliminating gender discrimination in recruitment. In terms of remuneration management, the Company adheres to the principle of equal remuneration and benefits for each gender, and provides employees with equal training and career development opportunities. For details, please refer to 4.3.6 "Human Resources Development" in this report. The Company will continue to take steps to promote diversity among employees at all levels.

Staff remuneration policy and training

The remuneration policy of the Company is consistent with the business objectives, cultural concepts and value orientation, with the goal of "improving the market-oriented remuneration incentive and constraint mechanism, serving the strategy and business development and fully mobilising the enthusiasm of the team", following the remuneration management principle of "strategic orientation, risk constraint, efficiency priority, fairness and market adaptation", and adhering to the remuneration payment concept of "get more pay for more work in a flexible way". In order to mitigate various operational and management risks, the Company has established relevant mechanisms for deferred payment of remuneration and performance remuneration recovery and deduction according to regulatory requirements and operational management needs.

During the reporting period, the Company implemented the performance remuneration recovery and deduction against 2,876 people, with the performance remuneration recovery and deduction amount of RMB58.24 million.

The Company has established a multi-level, professional and digital talent training system, and adopts a diversified training method that combines online and offline training. The contents of training mainly focus on knowledge of its business and products, professional ethics and security, cultural values and leadership, covering employees' needs for career growth at different levels.

For details of the Company's human resources development, please refer to section 4.3.6 "Human Resources Development" in this report.

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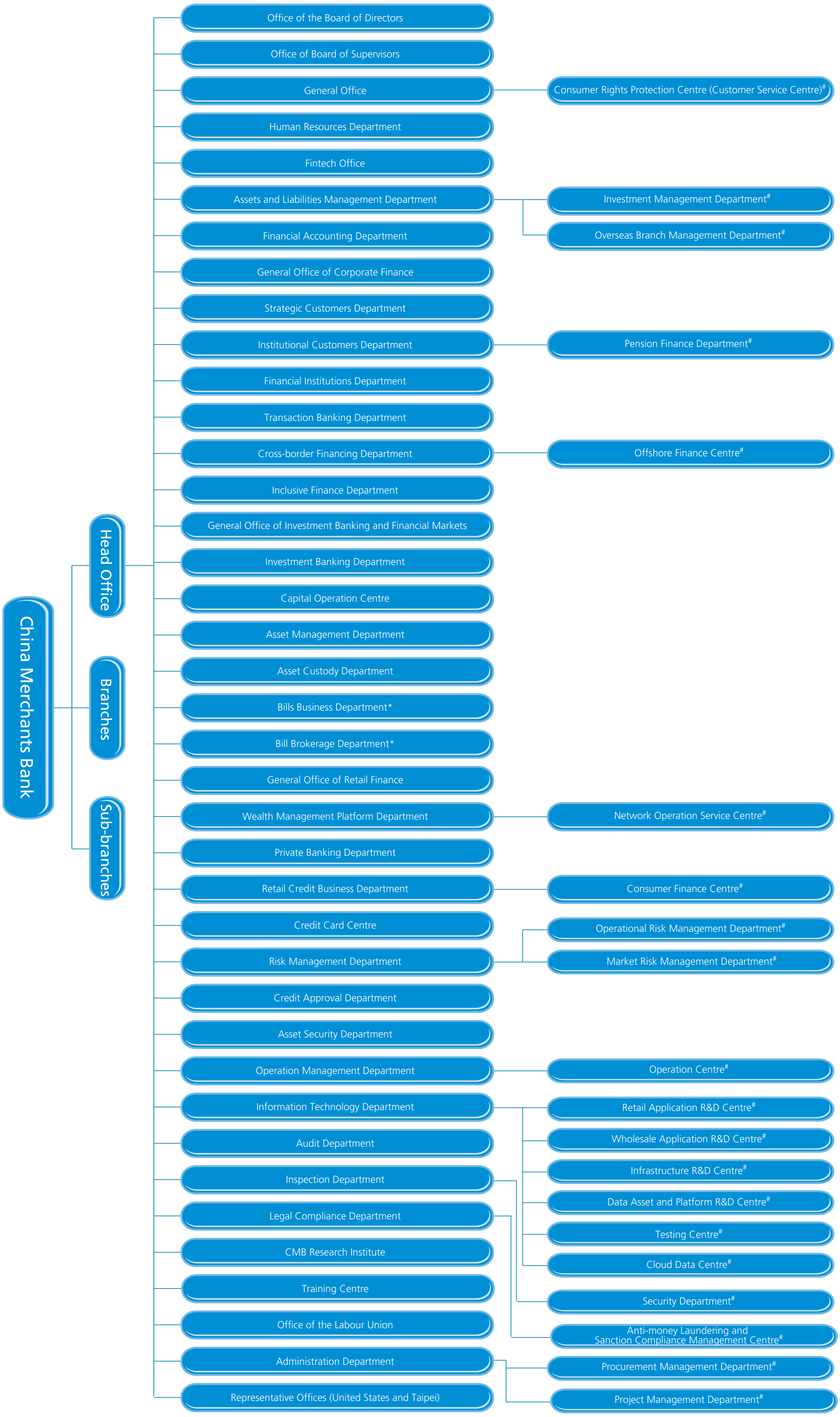
35 Including employees of the Company, CMB Wing Lung Bank and its subsidiaries, CMB Financial Leasing, CMB International Capital and its subsidiaries, CMB Wealth Management, China Merchants Fund and its subsidiaries, CIGNA & CMB Life Insurance, CIGNA & CMAM, MUCFC, CMB Network Technology and CMB YunChuang.

5.15 Organisational Structure of the Company



Note : #secondary department
*independent secondary department

5.16 Head Office and Branches and Representative Offices

Region	Name of branch	Business address	No. of branches	Asset scale (in millions of RMB)
Head Office	Head Office	7088 Shennan Boulevard, Futian District, Shenzhen	1	2,988,598
	Credit Card Centre	686 Lai'an Road, Pudong New District, Shanghai	1	845,150
	Capital Operation Centre	Floor 6, Building 2, No. 1088, Lujiazui Ring Road, Pudong New Area, Shanghai	1	821,739
Yangtze River Delta	Shanghai Branch	1088 Lujiazui Ring Road, Pudong New District, Shanghai	103	383,565
	Shanghai Pilot Free Trade Zone Branch	56 Bohang Road, China (Shanghai) Pilot Free Trade Zone	1	11,191
	Nanjing Branch	199 Lushan Road, Jianye District, Nanjing	84	255,642
	Hangzhou Branch	300 Fuchun Road, Shangcheng District, Hangzhou	73	264,468
	Ningbo Branch	342 Min' an East Road, Ningbo	34	93,204
	Suzhou Branch	36 Wansheng Street, Industrial Park, Suzhou	34	150,113
	Wuxi Branch	6-107, 6-108 1st Financial Street, Binhu District, Wuxi	21	66,181
	Wenzhou Branch	Block 2, 4, 5, Hongshengjin Garden, Wuqiao Avenue, Lucheng District, Wenzhou	15	38,839
	Nantong Branch	111 Gongnong Road, Nantong	17	42,016
Bohai Rim	Beijing Branch	156 Fuxingmen Nei Dajie, Xicheng District, Beijing	125	455,473
	Qingdao Branch	65 Hai'er Road, Laoshan District, Qingdao	54	72,447
	Tianjin Branch	255 Guangdong Road and 9 Qianjin Road, Hexi District, Tianjin	43	103,952
	Jinan Branch	Building 1, District 4, No. 7000, Jingshi Road, High-tech Zone, Jinan	61	123,871
	Yantai Branch	66 Zhujiang Road, Economic & Technological Development Area, Yantai	17	28,581
	Shijiazhuang Branch	172 Zhonghua South Street, Shijiazhuang	18	31,906
	Tangshan Branch	45 Beixinxi Road, Lubei District, Tangshan	11	11,165
Pearl River Delta and the Western Taiwan Straits Economic Zone	Guangzhou Branch	5 Huasui Road, Tianhe District, Guangzhou	73	239,577
	Shenzhen Branch	2016 Shennan Boulevard, Futian District, Shenzhen	123	513,739
	Fuzhou Branch	316 Jiangbinzhong Boulevard, Fuzhou	38	79,341
	Xiamen Branch	18 Lingshiguan Road, Siming District, Xiamen	31	73,934
	Quanzhou Branch	180 Jiangbin North Road, Fengze Street, Quanzhou	17	30,614
	Dongguan Branch	200 Hongfu Road, Nancheng District, Dongguan	28	71,453
	Foshan Branch	12 Denghu Road East, Guicheng Street, Nanhai District, Foshan	35	77,744
Northeast	Shenyang Branch	12 Shiyiwei Road, Heping District, Shenyang	51	49,751
	Dalian Branch	17 Renmin Road, Zhongshan District, Dalian	36	51,123
	Harbin Branch	3 Zhongyang Avenue, Daoli District, Harbin	39	44,566
	Changchun Branch	9999 Renmin Avenue, Nanguan District, Changchun	24	25,192

Region	Name of branch	Business address	No. of branches	Asset scale (in millions of RMB)
Central	Wuhan Branch	188 Yunxia Road, Jianghan District, Wuhan	103	195,751
	Nanchang Branch	1111 Huizhan Road, Honggutan District, Nanchang	53	105,989
	Changsha Branch	39 Chazishan East Road, Yuelu District, Changsha	48	86,679
	Hefei Branch	169 Funan Road, Hefei	40	83,338
	Zhengzhou Branch	96 Nongye Road East, Zhengzhou	51	99,845
	Taiyuan Branch	265 Nan Zhong Huan Road, Xiaodian District, Taiyuan	24	36,556
	Haikou Branch	Building C, Haian Yihao, 1 Shimao Road North, Haikou	10	28,644
West	Chengdu Branch	No. 1, the 3rd section of Renmin Road South, Wuhou District, Chengdu	59	109,013
	Lanzhou Branch	9 Qingyang Road, Chengguan District, Lanzhou	25	40,030
	Xi'an Branch	1 Gaoxin No.2 Road, Xi'an	70	129,326
	Chongqing Branch	88 Xingguang Road, New North District, Chongqing	52	123,137
	Urumchi Branch	2 Huanghe Road, Urumchi	16	31,182
	Kunming Branch	1 Chongren Street, Wuhua District, Kunming	55	68,688
	Hohhot Branch	9 Chilechuan Avenue, Saihan District, Hohhot	24	35,264
	Nanning Branch	No.136-5 Minzu Avenue, Qingxiu District, Nanning	20	37,616
	Guiyang Branch	West 2nd Tower, International Finance Centre, Guanshanhu District, Guiyang	17	29,900
	Yinchuan Branch	138 Beijingzhong Road, Jinfeng District, Yinchuan	15	16,974
	Xining Branch	4 Xinning Road, Chengxi District, Xining	11	11,636
Overseas	Hong Kong Branch	31/F, Three Exchange Square, 8 Connaught Place, Central, Hong Kong	1	117,125
	USA Representative Office	535 Madison Avenue,18th Floor, New York, U.S.A	1	/
	New York Branch	535 Madison Avenue,18th Floor, New York, U.S.A	1	28,937
	Singapore Branch	1 Raffles Place, Tower2, #32-61, Singapore	1	12,032
	Taipei Representative Office	333, Section 1, Jilong Road, Xinyi District, Taipei	1	/
	Luxembourg Branch	20 Boulevard Royal, L-2449, Luxembourg	1	13,621
	London Branch	18/F, 20 Fenchurch Street, London, UK	1	9,712
	Sydney Branch	L39, GPT, 1 Farrer Place, Sydney, NSW	1	14,426
Total	/	/	**1,910**	**9,510,556**

5.17 Internal Control

During the reporting period, the Company continued to conduct educational program in respect of compliance, case study and code of conduct while constantly strengthening employees' awareness of risks, compliance, policies and overall landscapes, actively carried out the theme activity of "compliance culture publicity season", vigorously promoted the concept of compliance, continuously promoted the professional ethics of integrity, compliance and discipline and actively built a compliance culture of "not allowed to violate, daring not to violate and unwilling to violate". The Company further strengthened the internal supervision and inspection work, orderly promoted the on-site joint inspection, further promoted the opening and sharing of the audit Eagle Eye system to the business departments and branches of the Head Office, organised the business lines and branches to make full use of the data model, audio and video, business image system and other inspection tools, continuously increased the strength of off-site inspection and data verification and earnestly performed their business supervision responsibilities. In addition, the Company fully implemented the rectification work of the problems found in the internal and external inspection and effectively guaranteed the compliance operation and stable development of the Company's businesses.

The Company organised evaluation campaigns on the status of internal control of the whole Bank in 2022. As reviewed by the Board of Directors of the Company, no significant defects in terms of completeness, reasonableness and effectiveness were found in the Company's internal control system. For details, please refer to the "Report of evaluation on Internal Control of China Merchants Bank Co., Ltd. in 2022", and the "Auditors' Report on Internal Control of China Merchants Bank Co., Ltd. in 2022" issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP with standard unqualified opinions.

5.18 Internal Audit

The Company implements an independent and vertical internal audit management system. The Board of Directors shall take the ultimate responsibility for the independence and effectiveness of the internal audit, review and approve the internal audit charter, audit organisation system, medium- and long-term audit plan and annual audit plan, appoint the head of the Audit Department, provide necessary guarantee for the independent and objective implementation of internal audit and assess the independence and effectiveness of internal audit. The Head Office has set up an Audit Department to undertake specific internal audit responsibilities, accept the leadership of the Head Office Party Committee, be responsible for and report to the Board of Directors and its Audit Committee and accept the guidance of the Board of Supervisors. The Head Office Audit Department has nine audit divisions to strengthen the continuous audit and rectification follow-up of regional branches and institutions. The Head Office Audit Department has set up nine teams to increase support and guidance to the audit division and four corresponding audit teams to strengthen the audit of Head Office departments, overseas institutions, anti-money laundering work, credit card business, etc.

During the reporting period, the Company revised the Internal Audit Articles of China Merchants Bank Co., Ltd. to further strengthen internal control and risk management, and regulate internal audit work. The Company focused on the implementation of national economic and financial policies, followed the key points of strategy, risk and supervision, adhered to the value and problem orientation, carried out audit inspection around serving the real economy, green finance, inclusive finance and other aspects, prevented risks, promoted rectification, consolidated the foundation, promoted the construction of digital audit, strengthened audit rectification and effectively promoted the steady development of bank-wide operation and management.

5.19 Compliance with the Corporate Governance Code

The Company has applied the principles set out in the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules to its corporate governance structure and practices, and the application of such principles is set out in this report. During the reporting period, the Company had complied with the principles and code provisions of the Corporate Governance Code and adhered to the majority of the recommended best practices thereunder.

Business starts, companionship lasts

Important Events

6.1 Principal Business Activities

The Company is engaged in banking and related financial services.

6.2 Financial Highlights

Details are set out in Chapter II Summary of Accounting Data and Financial Indicators.

6.3 Reserve Available for Distribution

For details of changes in the reserve available for distribution of the Company, please refer to the "Statement of Changes in Equity" in the financial statements.

6.4 Fixed Assets

Changes in fixed assets of the Company as at the end of the reporting period are detailed in Note 28 to the financial statements.

6.5 Purchase, Sale or Repurchase of Listed Securities of the Company

Neither the Company nor its subsidiaries had purchased, sold or repurchased any of the Company's listed securities during the reporting period.

6.6 Pre-emptive Rights

There is no provision for pre-emptive rights under the Articles of Association of the Company and the shareholders of the Company have not been granted any pre-emptive rights.

6.7 Retirement and Welfare

Details about retirement welfare provided by the Company to its employees are detailed in Note 39 to the financial statements.

6.8 Principal Customers

As at the end of the reporting period, the net operating income contributed by the top 5 customers of the Company did not exceed 30% of the total net operating income of the Company.

6.9 Compliance with Laws and Regulations

During the reporting period, the Company has complied in all material aspects with the relevant laws and regulations that would have a material impact on the operations of the Company.

6.10 Directors' Interests in the Businesses Competing with Those of the Company

During the reporting period, none of the Directors of the Company has any interests in the businesses which compete or are likely to compete, either directly or indirectly, with those of the Company.

6.11 Financial, Business and Kinship Relations among Directors, Supervisors and Senior Management

Save as disclosed herein, the Company is not aware that there has been any financial, business, kinship or other material or connected relations among the Directors, Supervisors and senior management of the Company.

6.12 Contractual Rights and Service Contracts of Directors and Supervisors

During the reporting period, the Directors and Supervisors of the Company have no material interests in contracts of significance to which the Company or any of its subsidiaries was a party. None of the Directors and Supervisors of the Company has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (excluding statutory compensation).

6.13 Disciplinary Actions Imposed on the Company, Directors, Supervisors or Senior Management

During the reporting period, the Company was not subject to criminal investigations for suspected crimes. The Company, its Directors, Supervisors and senior management members were not subject to criminal punishment, or subject to investigations by the CSRC or administrative punishment by the CSRC for suspected violations of laws and regulations, or subject to administrative punishments by other competent authorities that have major impact on the operation of the Company. In April 2022, Tian Huiyu, the former Secretary to the Party Committee, the former Director and the former President of the Company, who was under the disciplinary review and investigation by the Central Commission for Discipline Inspection and the National Supervisory Commission (中央紀委國家監委) for suspected serious violations of discipline and law. In October 2022, Tian Huiyu was dismissed from the Communist Party of China and public office and arrested according to law, for which the People's Procuratorate has filed a public prosecution with the People's Court currently. In addition, none of the other Directors, Supervisors and senior management members of the Company were subject to compulsory measures in accordance with the law for suspected crimes, or subject to detention by the disciplinary inspection and supervision authorities for suspected serious violations of laws and regulations or duty-related crimes that affected the performance of their duties, or subject to compulsory measures taken by other competent authorities for suspected violations of laws and regulations that affected the performance of their duties.

6.14 Explanation on the Integrity of the Company

During the reporting period, there were no circumstances where the Company failed to fulfill any obligation under effective court judgements or repay any due debt of a significant amount.

6.15 Undertakings

In the course of the rights issue of A shares and H shares in 2013, each of China Merchants Group Ltd., China Merchants Steam Navigation Co., Ltd. (招商局輪船股份有限公司) (now renamed as China Merchants Steam Navigation Co., Ltd. (招商局輪船有限公司)) and China Ocean Shipping (Group) Company (now renamed as China Ocean Shipping Company Limited) had undertaken that they would not seek for related party transactions on terms more favourable than those given to other shareholders; they would repay the principal and interest of the loans granted by the Company on time; they would not interfere with the daily operations of the Company. Upon expiration of the lock-up period of the allocated shares, they would not transfer their allocated shares until they obtain the approval from the regulatory authorities on the share transfer and the shareholder qualification of transferees; and upon obtaining the approval from the Board of Directors and the shareholders' general meeting of the Company, they would continue to support the reasonable capital needs of the Company; they would not impose unreasonable performance indicators on the Company. For details, please refer to the A Share Rights Issue Prospectus dated 22 August 2013 on the websites of Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company. So far as the Company is aware, as at the end of the reporting period, the above shareholders had not violated the aforesaid undertakings.

According to the relevant requirements of the CSRC, the Company considered and approved the "Resolution Regarding the Dilution of Current Returns by the Non-public Issuance of Preference Shares and the Remedial Measures" at its 2016 Annual General Meeting, and formulated the remedial measures in respect of the dilution of current returns of the holders of ordinary shares which may be caused by the non-public issuance of preference shares. Meanwhile, the Directors and senior management of the Company also undertook to earnestly implement the remedial measures. For details, please refer to the documents of the 2016 Annual General Meeting of the Company published on the website of the Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company. So far as the Company is aware, as at the end of the reporting period, neither the Company nor its Directors and senior management had breached any of the aforesaid undertakings.

6.16 Significant Connected Transactions[36]

6.16.1 Overview of Connected Transactions

Pursuant to Chapter 14A of the Hong Kong Listing Rules, a majority of continuing connected transactions of the Company met de minimis exemption and the non-exempt continuing connected transactions fulfilled the relevant reporting and announcement required by the Hong Kong Listing Rules.

During the reporting period, there were 2 non-exempt connected transaction projects approved by the Board of Directors of the Company, namely:

At the 6th Meeting of the Twelfth Session of the Board of Directors of the Company, the Proposal on the Integration of CMB Wing Lung Insurance and China Merchants Insurance was reviewed and approved. For details, please refer to the relevant announcement of the Company dated on 28 September 2022.

At the 9th Meeting of the Twelfth Session of the Board of Directors of the Company, the Proposal on the Annual Caps for Continuing Connected Transactions with CMFM from 2023 to 2025 was reviewed and approved, agreeing to grant the annual caps of RMB1.5 billion, RMB1.8 billion, RMB2.2 billion for the continuing connected transactions with CMFM and its holding subsidiaries and associates from 2023 to 2025, respectively. For details, please refer to the relevant announcement of the Company dated 28 December 2022.

[36] Both "connected transactions" and "connected parties" in this section are terms used in Hong Kong Listing Rules.

6.16.2 Non-exempt continuing connected transactions

As at the end of the reporting period, the Company and China Merchants Securities Co., Ltd. held 55% and 45% of the equity interest in CMFM, respectively. Therefore, in accordance with the Hong Kong Listing Rules, CMFM and its associates ("CMFM Group") are connected parties of the Company, and the fund agency sales service provided by the Company to CMFM Group constituted non-exempt continuing connected transactions of the Company under the Hong Kong Listing Rules.

On 3 December 2019, the Company entered into a Business Co-operation Agreement with CMFM on normal commercial principles after arm's length negotiation for a term commencing on 1 January 2020 and expiring on 31 December 2022. CMFM Group shall calculate fees based on the rates specified in the fund offering documents and/or the offering prospectuses, and shall pay agency service fees to the Company according to the agreement. Meanwhile, the Company has announced the annual caps of RMB1.4 billion, RMB1.6 billion and RMB1.8 billion for the continuing connected transactions with CMFM Group for 2020, 2021 and 2022, respectively as approved by the Board of Directors. The relevant percentage ratios in respect of the annual caps for the service fees as calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules were not more than 5%. Therefore, these transactions would only be subject to the reporting, announcement and annual review requirements under the Hong Kong Listing Rules, and exempt from the independent shareholders' approval requirement. For details, please refer to the relevant announcement of the Company dated 3 December 2019.

During the reporting period, the continuing connected transactions between the Company and CMFM Group amounted to RMB1,101 million.

6.16.3 Confirmation from the Independent Non-Executive Directors and auditors

The Independent Non-Executive Directors of the Company have reviewed the above-mentioned non-exempt continuing connected transactions between the Company and CMFM Group and confirmed that:

1. The transactions were entered into in the ordinary and usual course of business of the Company;
2. The terms of the transactions are fair and reasonable, and are in the interest of the Company and its shareholders as a whole;
3. The transactions were entered into on normal commercial terms or better terms;
4. The transactions were conducted in accordance with the terms of relevant agreements.

Furthermore, pursuant to rule 14A.56 of the Hong Kong Listing Rules, the Company has engaged Deloitte Touche Tohmatsu to perform relevant assurance procedures on the continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board of Directors confirmed that the auditor has reported the results of its performing procedures to the Board of Directors.

Regarding the disclosed continuing connected transactions, nothing of these transactions has come to the attention of the auditor as to the circumstances described under rule 14A.56 of the Hong Kong Listing Rules. Deloitte Touche Tohmatsu has issued an assurance letter in respect of the findings of the above continuing connected transactions. The Company has submitted a copy of the letter to the Hong Kong Stock Exchange.

6.16.4 Significant transactions with related parties

The significant transactions between the Company and related parties are set out in note 61 to the financial statements. These transactions comprised those between the Company and its related parties in its ordinary course of business, including borrowings, investments, deposits, securities trading, agency services, custody and other fiduciary operations as well as off-balance sheet transactions. These transactions were conducted on normal commercial terms in the ordinary course of business of the Company. For those that constituted connected transactions under the Hong Kong Listing Rules, all of them have complied with the applicable requirements thereof.

6.17 Material Litigations and Arbitrations

Several litigations were filed during the daily operation of the Company, most of which were filed proactively for the purpose of recovering non-performing loans. As at the end of the reporting period, there were 224 pending on final judgement cases (including litigations and arbitrations) in which the Company was involved, with an aggregate principal and interest of RMB1,383 million. The Company believes that none of the above litigation and arbitration cases would have a material adverse impact on the financial position or operating results of the Company.

6.18 Material Contracts and Their Performance

Significant events in respect of holding in custody, contracting, hiring or leasing of assets

During the reporting period, the Company did not have any material contract signed in connection with holding in custody, contracting, hiring or leasing of any assets of other companies outside the normal scope of banking businesses, or vice versa.

Significant guarantees

Guarantee business falls within the Company's ordinary course of business. During the reporting period, save for the financial guarantees entered into in our normal business scope approved by the CBIRC, the Company did not have any other significant discloseable guarantees, nor was the Company a party to any guarantee contract in violation of the resolution procedures of external guarantees as required by laws, administrative regulations and the CSRC.

Explanatory notes and independent opinions of the Independent Non-Executive Directors on the guarantees of China Merchants Bank

In accordance with the relevant requirements of the CSRC and Shanghai Stock Exchange, the Independent Non-Executive Directors of the Company carried out a due diligence review of the external guarantees of the Company for 2022 on an open, fair and objective basis, and issued their opinions on the special review as follows:

After review, it was ascertained that the external guarantee business of China Merchants Bank was approved by the CBIRC, and it was carried out in the ordinary course of business of banks as a conventional business. As at 31 December 2022, the balance of the irrevocable guarantees of China Merchants Bank and its subsidiaries was RMB255.093 billion.

China Merchants Bank emphasises the risk management of the guarantee business. It has formulated specific management measures and operation workflow according to the risk profile of this business. In addition, China Merchants Bank has enhanced risk monitoring and safeguarded this business through management means such as on-site and off-site inspections. During the reporting period, the guarantee business of China Merchants Bank had been in normal operation and there was no circumstance in which a guarantee contract was entered into in violation of laws, administrative regulations and the external guarantee resolution procedures stipulated by the CSRC.

6.19 Use of Funds by Related Parties

During the reporting period, no related parties used any funds of the Company for non-operating purposes, and none of them used the funds of the Company through, among others, any related party transactions not entered into on an arm's length basis. Deloitte Touche Tohmatsu Certified Public Accountants LLP, being the auditor of the Company, has issued a special audit opinion in this regard.

6.20 Engagement of Accounting Firms

Upon the approval at the 2021 Annual General Meeting of the Company, the Company engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP as the domestic accounting firm of the Company and its domestic subsidiaries for 2022, and engaged Deloitte Touche Tohmatsu, an overseas related member organisation of Deloitte Touche Tohmatsu Certified Public Accountants LLP as the international accounting firm of the Company and its overseas subsidiaries for 2022. The term of each of the engagements is one year. The above-mentioned accounting firms have been engaged as auditors of the Company since 2016. Wu Lingzhi and Sun Weiqi are the certified public accountants who signed the audit report on the Company's financial statements for 2022 prepared in accordance with the PRC Generally Accepted Accounting Principles, who have been serving as the public accountants signing the financial statements of the Company since 2021 and 2022, respectively.

The financial statements of the Company for 2022 prepared under the PRC Generally Accepted Accounting Principles and the internal control of the Company as at the year end of 2022 were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, and the financial statements for 2022 prepared under International Financial Reporting Standards were audited by Deloitte Touche Tohmatsu. The total audit fees of the Group amounted to approximately RMB31.23 million, among which the audit fees for internal control were approximately RMB1.55 million. The Company paid the total non-audit fees of approximately RMB38.53 million to Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu for 2022. Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu confirmed that the provision of such non-audit services would not compromise their audit independence.

6.21 Explanation of Changes of Accounting Policies and Accounting Estimates

For details of the significant accounting policies and accounting estimates during the reporting period, please refer to Note 5 "Significant Accounting Estimates and judgements" to the financial statements.

6.22 Review of Annual Results

Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu, both being the external auditors of the Company, have audited the financial statements of the Company prepared in accordance with the PRC Generally Accepted Accounting Principles and the International Financial Reporting Standards, respectively, and each has issued an unqualified audit report. The Audit Committee under the Board of Directors of the Company has reviewed the Company's annual report for 2022.

6.23 Annual General Meeting

For the convening of its 2022 Annual General Meeting, the Company will make further announcement.

6.24 Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existing during the reporting period.

6.25 Permitted Indemnity Provision

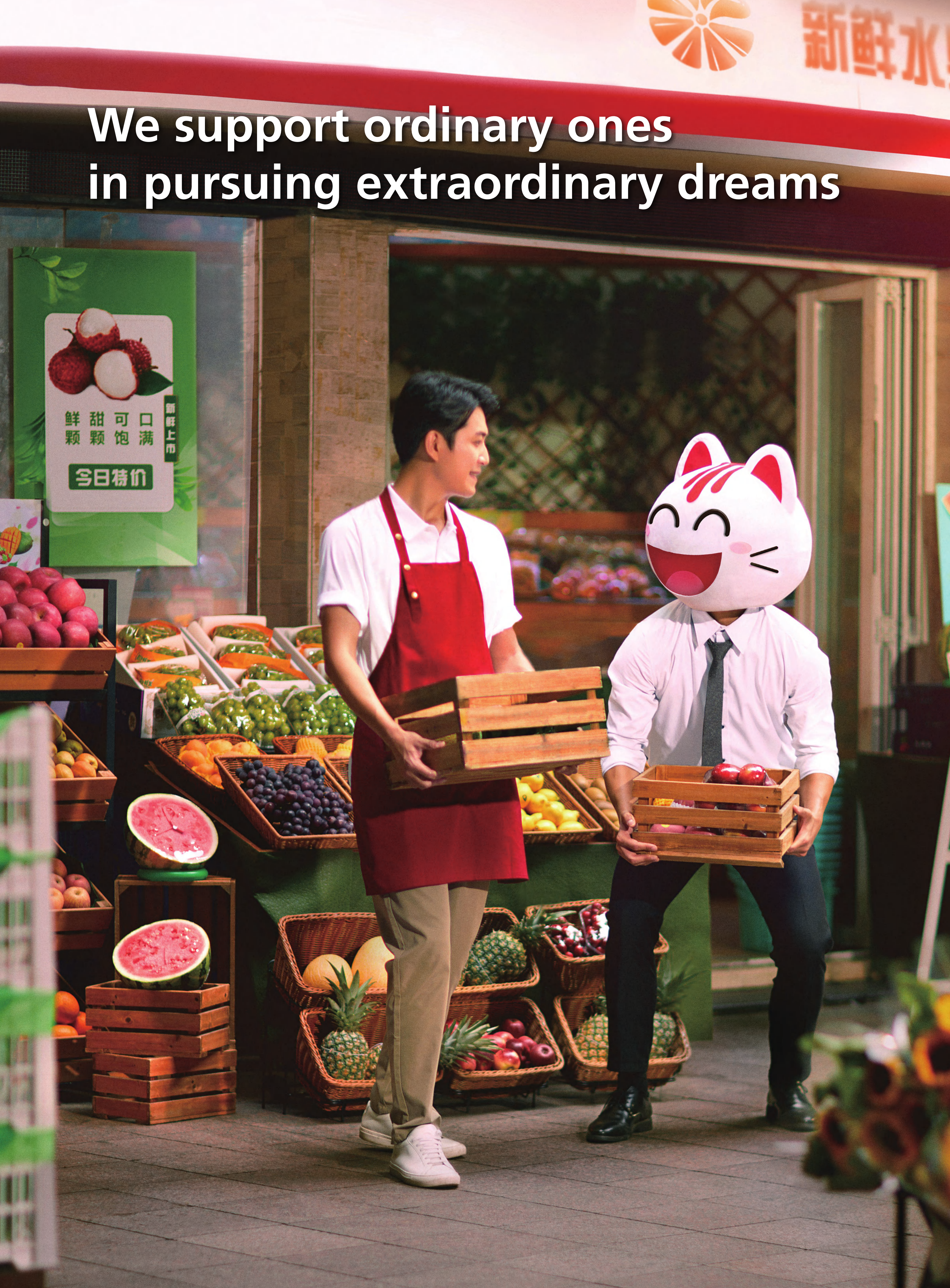
The Company has maintained appropriate insurance coverage for the liabilities of the Directors, Supervisors and senior management in respect of legal actions against its Directors, Supervisors and senior management arising out of corporate activities.

6.26 Publication of Annual Report

The Company prepared its annual report in both English and Chinese versions in accordance with the International Financial Reporting Standards and the Hong Kong Listing Rules, which are available on the websites of Hong Kong Exchanges and Clearing Limited and the Company. In the event of any discrepancies in interpretation between the English and Chinese versions, the Chinese version shall prevail.

The Company also prepared its annual report in Chinese version in accordance with the PRC Generally Accepted Accounting Principles and the preparation rules for annual reports, which is available on the websites of Shanghai Stock Exchange and the Company.

We support ordinary ones in pursuing extraordinary dreams



Changes in Shares and Information on Shareholders

7.1 Changes in Ordinary Shares of the Company During the Reporting Period

		31 December 2021		Changes in the No. of shares during the reporting period (share)	31 December 2022	
		No. of shares (share)	Percentage (%)		**No. of shares (share)**	**Percentage (%)**
1.	Shares subject to trading restrictions on sales	–	–	–	**–**	**–**
2.	Shares not subject to trading restrictions on sales	25,219,845,601	100.00	–	**25,219,845,601**	**100.00**
	(1) Ordinary shares in RMB (A Shares)	20,628,944,429	81.80	–	**20,628,944,429**	**81.80**
	(2) Foreign shares listed domestically	–	–	–	**–**	**–**
	(3) Foreign shares listed overseas (H Shares)	4,590,901,172	18.20	–	**4,590,901,172**	**18.20**
	(4) Others	–	–	–	**–**	**–**
3.	Total shares	25,219,845,601	100.00	–	**25,219,845,601**	**100.00**

As at the end of the reporting period, the Company had a total of 570,634 shareholders of ordinary shares, including 541,363 holders of A Shares and 29,271 holders of H Shares. Neither the holders of A Shares nor the holders of H Shares are subject to trading restrictions on sales.

As at the end of the previous month prior to the disclosure date of this report (i.e., 28 February 2023), the Company had a total of 575,262 holders of ordinary shares, including 546,110 holders of A Shares and 29,152 holders of H Shares. Neither the holders of A Shares nor the holders of H Shares are subject to trading restrictions on sales.

Based on the publicly available information and to the knowledge of the Directors, as at the end of the reporting period, the Company had maintained the public float in compliance with the requirement of the Hong Kong Listing Rules.

7.2 Top Ten Holders of Ordinary Shares and Top Ten Holders of Ordinary Shares Whose Shareholdings Are Not Subject to Trading Restrictions on Sales

Serial No.	Name of shareholders	Type of shareholders	Shares held at the end of the period (share)	Percentage of the total share capital (%)	Type of shares	Changes in the reporting period (share)	Number of shares held subject to trading restrictions on sales (share)	Number of shares pledged, marked or frozen (share)
1	HKSCC Nominees Ltd.	Overseas legal person	4,553,256,923	18.05	H Shares not subject to trading restrictions on sales	850,608	–	Unknown
2	China Merchants Steam Navigation Co., Ltd.	State-owned legal person	3,289,470,337	13.04	A Shares not subject to trading restrictions on sales	–	–	–
3	China Ocean Shipping Company Limited	State-owned legal person	1,574,729,111	6.24	A Shares not subject to trading restrictions on sales	–	–	–
4	Hong Kong Securities Clearing Company Limited	Overseas legal person	1,506,791,186	5.97	A Shares not subject to trading restrictions on sales	-10,664,593	–	–
5	Shenzhen Yan Qing Investment and Development Company Ltd.	State-owned legal person	1,258,542,349	4.99	A Shares not subject to trading restrictions on sales	–	–	–
6	China Merchants Financial Holdings Co., Ltd.	State-owned legal person	1,147,377,415	4.55	A Shares not subject to trading restrictions on sales	–	–	–
7	Hexie Health Insurance Co., Ltd. – Traditional – Ordinary insurance products	Domestic legal person	1,130,991,537	4.48	A Shares not subject to trading restrictions on sales	–	–	–
8	Shenzhen Chu Yuan Investment and Development Company Ltd.	State-owned legal person	944,013,171	3.74	A Shares not subject to trading restrictions on sales	–	–	–
9	Dajia Life Insurance Co., Ltd. – Universal products	Domestic legal person	804,907,835	3.19	A Shares not subject to trading restrictions on sales	-10,122,800	–	–
10	COSCO Shipping (Guangzhou) Co., Ltd.	State-owned legal person	696,450,214	2.76	A Shares not subject to trading restrictions on sales	–	–	–

Notes:

(1) Shares held by HKSCC Nominees Ltd. are the total shares in the accounts of holders of H Shares of China Merchants Bank trading on the transaction platform of HKSCC Nominees Ltd. Hong Kong Securities Clearing Company Limited is an institution designated by others to hold shares on behalf of them as a nominal holder, and the shares held by it are the shares of China Merchants Bank acquired by investors through Northbound Trading.

(2) As at the end of the reporting period, among the aforesaid top ten shareholders, HKSCC Nominees Ltd. is a subsidiary of Hong Kong Securities Clearing Company Limited; China Merchants Steam Navigation Co., Ltd., Shenzhen Yan Qing Investment and Development Company Ltd., China Merchants Financial Holdings Co., Ltd. and Shenzhen Chu Yuan Investment and Development Company Ltd. are all subsidiaries of China Merchants Group Ltd.; and China Ocean Shipping Company Limited and COSCO Shipping (Guangzhou) Co., Ltd. are both subsidiaries of China COSCO SHIPPING Corporation Limited. The Company is not aware of any affiliated relationship or action in concert among other shareholders.

(3) The above holders of A Shares did not hold the shares of the Company through credit securities accounts, neither were there cases of proxy, trustee nor waiver of voting rights.

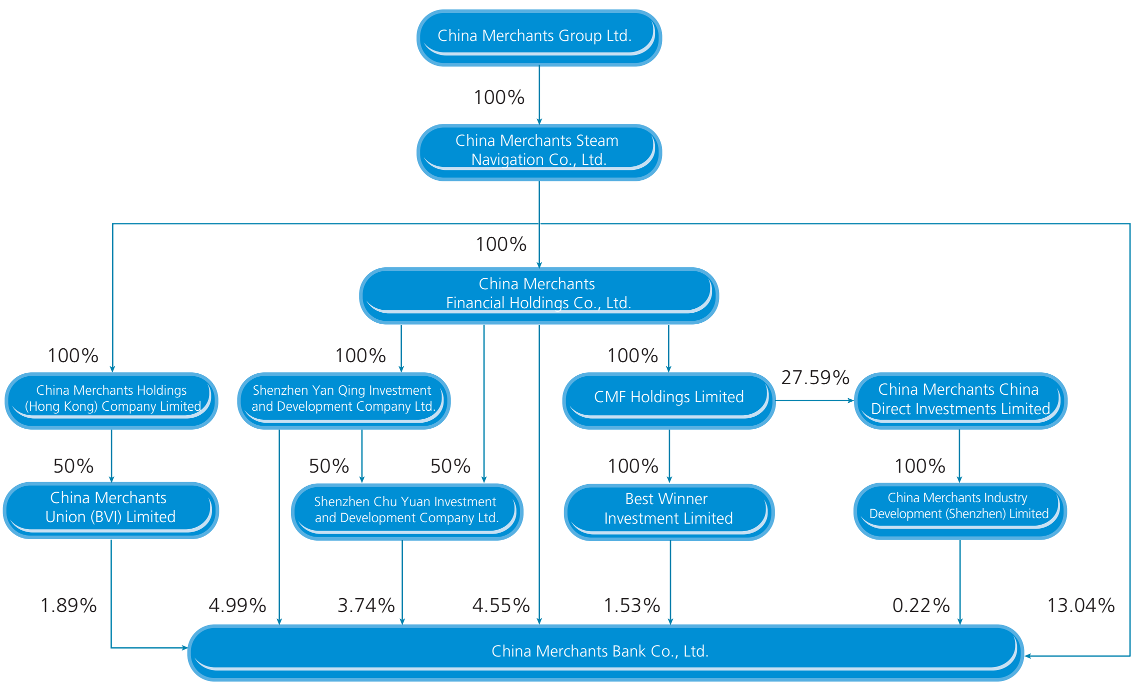
7.3 Information on Substantial Ordinary Shareholders

7.3.1 Information on the Company's largest shareholder

As at the end of the reporting period, China Merchants Group Ltd., through its subsidiaries, namely China Merchants Steam Navigation Co., Ltd., China Merchants Financial Holdings Co. Ltd., Shenzhen Yan Qing Investment and Development Company Ltd., Shenzhen Chu Yuan Investment and Development Company Ltd., China Merchants Union (BVI) Limited, Best Winner Investment Limited and China Merchants Industry Development (Shenzhen) Limited, indirectly held an aggregate of 29.97% shares in the Company. There was no pledge of the shares of the Company. Specifically, China Merchants Steam Navigation Co., Ltd. directly held 13.04% shares in the Company, and is the largest shareholder of the Company with a registered capital of RMB17 billion as at the end of the reporting period, and its legal representative is Miao Jianmin. It mainly engages in passenger and cargo shipping businesses; dockyard, warehouse and vehicle transportation; investment and management of tugboat and barge transportation business; repair, construction and trading of ships and offshore oil drilling equipment; sale, purchase and supply of various transportation equipment, spare parts and materials; ship and passenger/goods shipping agency; construction of water and land-based construction projects; and businesses such as investment and management of finance, insurance, trust, securities and futures industries.

As at the end of the reporting period, China Merchants Group Ltd. directly holds 100% equity interests in China Merchants Steam Navigation Co., Ltd. and is the controlling shareholder of the Company's largest shareholder, with a registered capital of RMB16.9 billion. Its legal representative is Miao Jianmin. China Merchants Group Ltd. is a central enterprise under the direct control of State-owned Assets Supervision and Administration Commission of the State Council. Its predecessor, China Merchants Steam Navigation Company, was founded in 1872, when China was in its late Qing Dynasty and was undergoing the Westernisation Movement. It was one of the enterprises which played a significant role in promoting the modernisation of China's national industries and commerce at that time. Nowadays, it has developed into a diversified conglomerate, with its businesses focusing on three core industries, namely integrated transportation, featured finance and comprehensive development of cities and industrial zones. It is realising the transformation from three main businesses to three major platforms of industrial operation, financial services, investment and capital operation.

The Company did not have any controlling shareholder and de facto controller. As at the end of the reporting period, the equity relationship among the Company, its largest shareholder and the controlling shareholder of its largest shareholder is illustrated as follows (in this report, any discrepancies between the total shown and the sum of the amounts listed are due to rounding):



7.3.2 Information on other shareholders holding more than 5% shares of the Company

As at the end of the reporting period, China COSCO SHIPPING Corporation Limited indirectly held an aggregate of 9.97% shares in the Company through its holding subsidiaries, namely China Ocean Shipping Company Limited, COSCO Shipping (Guangzhou) Co., Ltd., Guangzhou Haining Maritime Technology Consulting Co., Ltd. (廣州海寧海務技術諮詢有限公司), COSCO Shipping (Shanghai) Co., Ltd. (中遠海運(上海)有限公司), COSCO Shipping Investment Holdings Co., Limited (中遠海運投資控股有限公司) and Guangzhou Tri-Dynas Oil & Shipping Co., Ltd. (廣州市三鼎油品運輸有限公司). There was no pledge of the shares of the Company. Specifically, China Ocean Shipping Company Limited held 6.24% shares in the Company. China Ocean Shipping (Group) Company (the predecessor of China Ocean Shipping Company Limited) was established on 22 October 1983, with a registered capital of RMB16.191 billion as at the end of the reporting period. Its legal representative is Wan Min. The scope of its businesses includes: international shipping; ancillary business in international maritime transportation; acceptance of space booking, voyage charter and time charter from cargo owners at home and abroad; leasing, construction, trading and maintenance of vessels and containers and manufacture of related facilities; ship escrowing business; provision of ship materials, spare parts and communications services relating to shipping business at home and abroad; management of enterprises engaging in vessel and cargo agency business and seafarer assignment business.

China COSCO SHIPPING Corporation Limited held 100% equity interests in China Ocean Shipping Company Limited and is its controlling shareholder. Its de facto controller is the State-owned Assets Supervision and Administration Commission of the State Council. China COSCO SHIPPING Corporation Limited was established on 5 February 2016, with a registered capital of RMB11.0 billion as at the end of the reporting period. Its legal representative is Wan Min. The scope of its businesses includes: international shipping; ancillary business in international maritime transportation; imports and exports of goods and technology; marine, land, aviation international freight forwarding business; ship leasing; sales of ships, containers and steel products; offshore engineering equipment design; terminal and port investment; communication equipment sales, information and technical services; warehousing (except hazardous chemicals); engaged in technology development, technology transfer, technical consulting, technical services and equity investment funds in the field of shipping and spare parts.

7.3.3 Other substantial shareholders under the regulatory calibre

1. As at the end of the reporting period, Dajia Life Insurance Co., Ltd. held 3.19% shares in the Company, and has appointed a Supervisor in the Company. There was no pledge of the shares of the Company. The controlling shareholder of Dajia Life Insurance Co., Ltd. is Dajia Insurance Group Co., Ltd.. Dajia Insurance Group Co., Ltd. was established on 25 June 2019, with a registered capital of RMB20.36 billion as at the end of the reporting period, and its legal representative is He Xiaofeng. Its controlling shareholder and de facto controller is China Insurance Security Fund Co., Ltd..

2. As at the end of the reporting period, China Communications Construction Group Ltd. through its holding subsidiaries, namely China Communications Construction Company Limited, CCCC Capital Holdings Limited, CCCC Guangzhou Dredging Co., Ltd., CCCC Fourth Harbour Engineering Co., Ltd., CCCC Shanghai Dredging Co., Ltd., Zhen Hua (Shenzhen) Engineering Co., Ltd. and CCCC Third Harbour Consultants Co., Ltd., indirectly held an aggregate of 1.68% shares in the Company, and has appointed a Supervisor in the Company. There was no pledge of the shares of the Company. China Communications Construction Group Ltd. was established on 8 December 2005, with a registered capital of RMB7.274 billion as at the end of the reporting period, and its legal representative is Wang Tongzhou. Its de facto controller is the State-owned Assets Supervision and Administration Commission of the State Council.

3. As at the end of the reporting period, SAIC Motor Corporation Limited held 1.23% shares in the Company and has appointed a Supervisor in the Company. There was no pledge of the shares of the Company. SAIC Motor Corporation Limited was established on 16 April 1984, with a registered capital of RMB11.683 billion as at the end of the reporting period, and its legal representative is Chen Hong. Its de facto controller is the State-owned Assets Supervision and Administration Commission of Shanghai.

7.3.4 Substantial shareholders' interests and short positions in the shares of Company under Hong Kong laws and regulations

As at 31 December 2022, substantial shareholders had interests and short positions in the shares of the Company under Hong Kong laws and regulations as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO (in this report, any discrepancies between the total shown and the sum of the amounts listed are due to rounding) as follows:

Name of substantial shareholder	Class of shares	Long/short position	Capacity	No. of shares (shares)	Notes	Percentage of the relevant class of shares in issue (%)	Percentage of the total issued ordinary shares (%)
China Merchants Group Ltd.	A	Long	Interest of controlled corporation	6,697,550,412			
		Long	Others	55,196,540			
				6,752,746,952	1	32.73	26.78
	H	Long	Interest of controlled corporation	806,680,423	1	17.57	3.20
China Merchants Steam Navigation Co., Ltd.	A	Long	Beneficial owner	3,289,470,337			
		Long	Interest of controlled corporation	3,408,080,075			
		Long	Others	55,196,540			
				6,752,746,952	1	32.73	26.78
	H	Long	Interest of controlled corporation	806,680,423	1	17.57	3.20
China Merchants Financial Holdings Co., Ltd. *(former name: China Merchants Finance Investment Holdings Co., Ltd.)*	A	Long	Beneficial owner	1,147,377,415			
		Long	Interest of controlled corporation	2,260,702,660			
		Long	Others	55,196,540			
				3,463,276,615	1	16.79	13.73
	H	Long	Interest of controlled corporation	328,776,923	1	7.16	1.30
CMF Holdings Limited	A	Long	Interest of controlled corporation	58,147,140	1	0.28	0.23
	H	Long	Interest of controlled corporation	328,776,923	1	7.16	1.30
Best Winner Investment Limited	A	Long	Beneficial owner	58,147,140	1	0.28	0.23
	H	Long	Beneficial owner	328,776,923	1	7.16	1.30
Shenzhen Yan Qing Investment and Development Company Ltd.	A	Long	Beneficial owner	1,258,542,349			
		Long	Interest of controlled corporation	944,013,171			
				2,202,555,520	1	10.68	8.73

Name of substantial shareholder	Class of shares	Long/short position	Capacity	No. of shares (shares)	Notes	Percentage of the relevant class of shares in issue (%)	Percentage of the total issued ordinary shares (%)
China Ocean Shipping Company Limited	A	Long	Beneficial owner	1,574,729,111		7.63	6.24
Hexie Health Insurance Co. Ltd.	A	Long	Beneficial owner	1,130,991,537	2	5.48	4.48
Pagoda Tree Investment Company Limited (中國華馨投資有限公司)	H	Long	Interest of controlled corporation	477,903,500	3	10.41	1.89
Compass Investment Company Limited	H	Long	Interest of controlled corporation	477,903,500	3	10.41	1.89
CNIC Corporation Limited	H	Long	Interest of controlled corporation	477,903,500	3	10.41	1.89
Verise Holdings Company Limited	H	Long	Interest of controlled corporation	477,903,500	3	10.41	1.89
China Merchants Union (BVI) Limited	H	Long	Beneficial Owner	477,903,500	3	10.41	1.89
JPMorgan Chase & Co.	H	Long	Interest of controlled corporation	33,977,454			
		Long	Investment manager	150,539,041			
		Long	Person having a security interest in shares	607,430			
		Long	Approved lending agent	95,031,305			
				280,155,230	4	6.10	1.11
		Short	Interest of controlled corporation	42,970,110	4	0.94	0.17
BlackRock, Inc.	H	Long	Interest of controlled corporation	288,568,698	5	6.29	1.14
		Short	Interest of controlled corporation	638,000	5	0.01	0.00
UBS Group AG	H	Long	Interest of controlled corporation	270,059,488	6	5.88	1.07

Notes：

(1) For details of China Merchants Group Ltd. and its subsidiaries' interests in the Company, please refer to section 7.3.1 "Information on the Company's largest shareholder".

(2) New China Asset Management Co., Ltd. is the trustee of all the A shares in the Company held by Hexie Health Insurance Co., Ltd., by virtue of which New China Asset Management Co., Ltd. was deemed to hold interests in all the A shares in the Company held by Hexie Health Insurance Co., Ltd..

(3) Pagoda Tree Investment Company Limited was deemed to hold interests in the 477,903,500 H shares in the Company held by China Merchants Union (BVI) Limited by virtue of its wholly owned subsidiary of Compass Investment Company Limited:

(3.1) China Merchants Union (BVI) Limited held 477,903,500 H shares (long position) in the Company. Verise Holdings Company Limited was deemed to hold interests in the 477,903,500 H shares in the Company held by China Merchants Union (BVI) Limited by virtue of holding the 50% interests in China Merchants Union (BVI) Limited.

(3.2) Verise Holdings Company Limited was wholly-owned by CNIC Corporation Limited. Therefore, CNIC Corporation Limited was deemed to hold interests in the 477,903,500 H shares in the Company which were deemed to be held by Verise Holdings Company Limited.

(3.3) Compass Investment Company Limited was deemed to hold interests in the 477,903,500 H shares in the Company which were deemed to be held by CNIC Corporation Limited by virtue of holding the 98.9% interests in CNIC Corporation Limited.

The 477,903,500 H shares referred to in (3) and (3.1) to (3.3) above represented the same shares.

(4) JPMorgan Chase & Co. was deemed to hold a total of 280,155,230 H shares (long position) and 42,970,110 H shares (short position) in the Company by virtue of its control over a number of companies. The equity interests and short positions of JPMorgan Chase & Co. in the Company included a lending pool of 95,031,305 H shares. Besides, 21,230,191 H shares (long position) and 8,347,700 H shares (short position) were held through derivatives as follows:

1,381,500 H shares (long position) and 880,500 H shares (short position)	– through physically settled listed derivatives
357,950 H shares (long position) and 442,150 H shares (short position)	– through cash settled listed derivatives
689,241 H shares (long position) and 1,644,116 H shares (short position)	– through physically settled unlisted derivatives
18,801,500 H shares (long position) and 5,380,934 H shares (short position)	– through cash settled unlisted derivatives

(5) BlackRock,Inc. was deemed to hold a total of 288,568,698 H shares (long position) and 638,000 H shares (short position) in the Company by virtue of its control over a number of companies. The equity interests of BlackRock,Inc. in the Company included 277,000 H shares (long position) and 638,000 H shares (short position) which were held through derivatives as follows:

277,000 H shares (long position) and 638,000 H shares (short position)	– through cash settled unlisted derivatives

(6) UBS Group AG was deemed to hold a total of 270,059,488 H shares (long position) in the Company by virtue of its control over a number of companies. The equity interests of UBS Group AG in the Company included 19,141,763 H shares (long position) which were held through derivatives as follows:

3,954,831 H shares (long position)	– through physically settled listed derivatives
5,000 H shares (long position)	– through cash settled listed derivatives
1,251,135 H shares (long position)	– through physically settled unlisted derivatives
13,930,797 H shares (long position)	– through cash settled unlisted derivatives

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

7.4 Issuance and Listing of Securities

During the reporting period, the Company did not issue any new ordinary shares. The Company did not have any internal staff shares. Save for the disclosure related to "Preference Shares" in this chapter, no equity-linked agreements of the Company were entered into during the reporting period or subsisted at the end of the reporting period.

For issuance of bonds of the Company and its subsidiaries, please refer to Note 43 to the financial statements.

During the reporting period, the use of proceeds of the Company was consistent with such usages as committed in the Prospectus of the Company.

7.5 Preference Shares

7.5.1 Issuance and listing of preference shares

Pursuant to the approvals by the regulatory authorities, the Company made a non-public issuance of 50,000,000 non-cumulative perpetual offshore preference shares on 25 October 2017. The issuance price is USD20 each and the coupon dividend rate per annum is 4.40% (excluding tax, i.e., the actual dividend yield to be received by the holders of the preference shares is 4.40%). The offshore preference shares of the issuance were listed on the Hong Kong Stock Exchange on 26 October 2017 (abbreviated name of shares: "CMB 17USDPREF"; stock code: 04614; number of listed shares: 50,000,000). The total proceeds from the issuance of the offshore preference shares amounted to USD1.0 billion and, after deduction of the expenses relating to the issuance, has fully been used to replenish the Company's additional Tier 1 Capital. The Company fully redeemed the offshore preference shares on 25 October 2022.

Pursuant to the approvals by the regulatory authorities, the Company made a non-public issuance of 275,000,000 domestic preference shares on 22 December 2017. The issuance price is RMB100 each and the coupon dividend rate per annum is 4.81% (including tax). The domestic preference shares of the issuance have been listed and traded on the integrated business platform of Shanghai Stock Exchange since 12 January 2018 (abbreviated name of shares: "Zhao Yin You 1 (招銀優 1)"; stock code: 360028; number of listed shares: 275,000,000). The total proceeds from the issuance of the domestic preference shares amounted to RMB27.5 billion and, after deduction of the expenses relating to the issuance, has fully been used to replenish the Company's additional Tier 1 Capital. On 18 December 2022, five years after the issuance of the domestic preference shares, the Company adjusted the coupon dividend rate per annum to 3.62% (including tax) in accordance with market rules. For details, please refer to the relevant announcements published by the Company on the websites of the Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company, respectively.

7.5.2 Number of shareholders of preference shares and their shareholdings

As at the end of the reporting period, the Company had a total of 18 holders of preference shares (or their nominees), and all of them were domestic shareholders of preference shares. As at the end of the previous month before the disclosure date of this report (i.e., 28 February 2023), the Company had a total of 18 holders of preference shares (or their nominees), and all of them were domestic shareholders of preference shares.

As at the end of the reporting period, the shareholdings of the Company's top ten holders of domestic preference shares were as follows:

No.	Name of shareholders	Type of shareholders	Type of shares	Shares held at the end of the period (share)	Percentage of shareholdings (%)	Changes (share)	Number of shares subject to trading restrictions on sales (share)	Number of shares pledged, marked or frozen (share)
1	China Mobile Communications Group Co., Ltd	State-owned legal person	Domestic preference share	106,000,000	38.55	–	–	–
2	CCB Capital – "Qianyuan – Private (乾元－私享)", an open private banking RMB wealth management product (daily calculated) of China Construction Bank – Anxin Private (安鑫私享) No.2 Special Asset Management Scheme of CCB Capital	Others	Domestic preference share	40,000,000	14.55	–	–	–
3	BOC Asset – Bank of China – Bank of China Limited, Shenzhen Branch	Others	Domestic preference share	25,000,000	9.09	–	–	–
4	China National Tobacco (Henan Province) Company	State-owned legal person	Domestic preference share	20,000,000	7.27	–	–	–
	Ping An Property & Casualty Insurance Company of China, Ltd. – traditional – ordinary insurance products	Others	Domestic preference share	20,000,000	7.27	–	–	–
6	China National Tobacco (Anhui Province) Company	State-owned legal person	Domestic preference share	15,000,000	5.45	–	–	–
	China National Tobacco (Sichuan Province) Company	State-owned legal person	Domestic preference share	15,000,000	5.45	–	–	–
8	Everbright Securities Asset Management – China Everbright Bank – Xinyou (鑫優) No. 2 Collective Asset Management Scheme of Everbright Securities Asset Management	Others	Domestic preference share	9,000,000	3.27	–	–	–
9	Everbright Securities Asset Management – China Everbright Bank – Xinyou (鑫優) Collective Asset Management Scheme of Everbright Securities Asset Management	Others	Domestic preference share	7,200,000	2.62	-800,000	–	–
10	Changjiang Pension Insurance – Bank of China – China Pacific Life Insurance Co., Ltd.	Others	Domestic preference share	5,000,000	1.82	–	–	–
	China National Tobacco (Liaoning Province) Company	State-owned legal person	Domestic preference share	5,000,000	1.82	–	–	–

Notes:

(1) The shareholdings of holders of domestic preference shares are presented under separate account according to the register of members of preference shares of the Company.

(2) China National Tobacco (Henan Province) Company, China National Tobacco (Anhui Province) Company, China National Tobacco (Sichuan Province) Company and China National Tobacco (Liaoning Province) Company are all subsidiaries of China National Tobacco Corporation; "Everbright Securities Asset Management – China Everbright Bank – Xinyou (鑫優) No. 2 Collective Asset Management Scheme of Everbright Securities Asset Management" and "Everbright Securities Asset Management – China Everbright Bank – Xinyou (鑫優) Collective Asset Management Scheme of Everbright Securities Asset Management" are both managed by Everbright Securities Asset Management Co., Ltd.. Save for the above, the Company is not aware of any affiliated relationship or action in concert among the above holders of preference shares or between the above holders of preference shares and the Company's top ten holders of ordinary shares.

(3) "Percentage of shareholdings" represents the percentage of the number of domestic preference shares held by the holders of preference shares to the total number of domestic preference shares.

7.5.3 Dividend distribution of preference shares

Dividend distribution of offshore preference shares

In accordance with the relevant requirements under the "Resolution Regarding the Plan for the Non-public Issuance of Offshore Preference Shares of the Company", which was considered and approved at the 2016 Annual General Meeting, the first class meeting of the holders of A Shares for 2017 and the first class meeting of the holders of H Shares for 2017, the Company fully paid the dividends for offshore preference shares on 25 October 2022, which was in compliance with the relevant distribution conditions and distribution procedures.

The dividends for offshore preference shares of the Company are paid once a year in cash. The offshore preference shares adopt non-cumulative dividend payment method. After the dividends are distributed to the holders of offshore preference shares in accordance with the agreed dividend rate, these shareholders will not participate in the remaining profit distribution with the ordinary shareholders. Pursuant to the relevant terms of the offshore preference shares, the dividend rate per annum of the offshore preference shares is 4.40% (excluding tax, i.e., the actual dividend yield to be received by the holders of the preference shares is 4.40%). According to relevant laws and regulations, the Company shall withhold an income tax at a rate of 10% when distributing the dividends for the offshore preference shares to the offshore non-resident enterprises. According to the terms and conditions of the offshore preference shares, the Company is responsible to pay relevant income tax. The total amount of the proceeds from the issuance of the Company's offshore preference shares was USD1.0 billion, and the total amount of dividends for the offshore preference shares was USD48,888,888.89, comprising of USD44,000,000.00 which was actually paid to the holders of the offshore preference shares, and the withholding tax amounted to USD4,888,888.89.

Dividend distribution of domestic preference shares

In accordance with the relevant requirements under the "Resolution Regarding the Plan for the Non-public Issuance of Domestic Preference Shares of the Company", which was considered and approved at the 2016 Annual General Meeting, the first class meeting of the holders of A Shares for 2017 and the first class meeting of the holders of H Shares for 2017, the Company fully paid the dividends for domestic preference shares on 19 December 2022, which was in compliance with the relevant distribution conditions and distribution procedures.

The dividends for domestic preference shares of the Company are paid once a year in cash. The domestic preference shares adopt non-cumulative dividend payment method. After the dividends are distributed to the holders of domestic preference shares in accordance with the agreed dividend rate, these shareholders will not participate in the remaining profit distribution with the ordinary shareholders. Pursuant to the terms of dividends payment for domestic preference shares, based on the coupon dividend rate of 4.81% for domestic preference shares, the cash dividends per preference share paid were RMB4.81 (including tax), and based on 275 million of domestic preference shares in issue, the total amount of the dividends paid was RMB1,322.75 million (including tax).

For the details of dividend distribution for domestic and offshore preference shares, please refer to the relevant announcements published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company on 29 August 2022 and 9 December 2022, respectively.

7.5.4 Repurchase or conversion of preference shares

The "Resolution on the Full Redemption of USD1.0 Billion Offshore Preference Shares of China Merchants Bank Co., Ltd." was considered and approved at the 41st meeting of the Eleventh Session of the Board of Directors of the Company held on 20 May 2022, agreeing the full redemption of USD1.0 billion offshore preference shares. Thereafter, the Company received a letter of reply from the CBIRC, which had no objection to such redemption.

Pursuant to the terms and conditions of the offshore preference shares of the Company, the Company has redeemed all the offshore preference shares on 25 October 2022 (the "Redemption Date"). The redemption price per offshore preference share is the aggregate of an amount equal to the liquidation preference amount of each offshore preference share plus any declared but unpaid dividends accrued in respect of the period from (and including) the immediately preceding dividend payment date to (but excluding) the Redemption Date. The total redemption price is USD1.044 billion, being the liquidation preference amount of offshore preference shares of USD1.0 billion plus dividends of USD44 million.

For details, please refer to the relevant announcements published by the Company on the websites of the Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company, respectively.

During the reporting period, there were no conversions of preference shares of the Company, respectively.

7.5.5 Restored voting rights of preference shares

During the reporting period, the voting rights of the Company's domestic and offshore preference shares in issue had not been restored.

7.5.6 Accounting policies for preference shares and the reason of adoption

The Company made accounting judgements on the preference shares issued and outstanding of the Company in accordance with the requirements of the relevant accounting principles, including the "International Financial Reporting Standard 9 – Financial Instruments" and the "International Accounting Standard 32 – Financial Instruments: Presentation" issued by the International Accounting Standards Board. As the preference shares issued and outstanding of the Company carry no obligation to deliver cash and cash equivalents, nor have they any contractual obligations to deliver a variable number of its own equity instruments for settlement, they were therefore measured as equity instruments.

A simple but quality life is our constant focus

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Independent Auditor's Report

Deloitte. 德勤

To the shareholders of China Merchants Bank Co., Ltd.

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

Opinion

We have audited the consolidated financial statements of China Merchants Bank Co., Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group") set out on pages 168 to 315, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowances of loans and advances to customers at amortised cost, debt investments at amortised cost, and financial guarantees and loan commitments	
We identified expected credit loss ("ECL") allowance of loans and advances to customers at amortised cost, debt investments at amortised cost and financial guarantees and loan commitments as a key audit matter due to the materiality of these items' balance and significant management judgement and estimates involved in deriving the ECL estimates. As at 31 December 2022, as set out in Note 22(a), the Group reported loans and advances to customers at amortised cost of RMB5,443,438 million and expected credit loss allowances of RMB255,759 million; in Note 23(b), the Group reported debt investments at amortised cost of RMB1,599,139 million and expected credit loss allowances of RMB43,682 million; in Note 42, the Group reported the expected credit loss allowances of financial guarantees and loan commitments of RMB20,217 million. Key judgements and estimates in respect of the measurement of ECLs include: the significant management judgement and estimates of model design and its application; the identification of a significant increase in credit risk (SICR); the identification of credit impairment events; the determination of inputs used in the ECL model, as well as the determination of the forward-looking information to incorporate.	Our audit procedures in relation to the expected credit loss allowances of loans and advances to customers at amortised cost, debt investments at amortised cost and financial guarantees and loan commitments included the following: We understood management's process and tested the design and operating effectiveness of key controls across the processes relevant to the ECL estimation of the Group. These controls included the development, validation and review of the ECL model; the controls over the model data input, including manual input controls and automated transmission controls; the automated controls over the ECL model calculation process; the controls over the identification of SICR indicators and credit impairment events. We assessed whether the ECL model applied by the Group has covered all the exposures that should be taken into consideration. In respect of different portfolios of loans and advances to customers at amortised cost, debt investments at amortised cost and financial guarantees and loan commitments, we involved our internal modelling specialist to assist us in assessing the appropriateness of the Group's methodology of ECL modelling. We reviewed relevant documents and evaluated the appropriateness and application of the ECL model.

Key Audit Matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowances of loans and advances to customers at amortised cost, debt investments at amortised cost, and financial guarantees and loan commitments	
Principal accounting policies and significant accounting estimates and judgement applied in determining the expected credit loss allowances of loans and advances to customers at amortised cost, debt investments at amortised cost and financial guarantees and loan commitments are set out in Notes 4(5) and 5(4) to the consolidated financial statements.	With the support of our internal modelling specialist, we assessed the key definitions and application of parameters and assumptions in the ECL model. This included assessing stage determination, probability of default, loss given default, exposure at default and forward-looking information. We selected samples to check whether the calculation in the ECL model is consistent with the methodology. We selected samples to conduct credit reviews in order to assess the appropriateness of the significant judgements made by the management regarding the occurrence of SICR and credit impairment events, and whether the identification of such events are proper and timely. In addition, we selected samples and tested their data input into the ECL model to evaluate the completeness and accuracy of the data input. For loans and advances at amortised cost and debt investments at amortised cost at stage 3, we selected samples to test the reasonableness of future cash flows from the borrowers estimated by the Group, including the expected recoverable amount of collateral, to assess whether there were material misstatements in credit loss allowances.

Key Audit Matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Consolidation of structured entities	
We identified consolidation of structured entities as a key audit matter since significant judgement is applied by management to determine whether or not the Group has control over certain structured entities. The structured entities of the Group include wealth management products, asset management schemes, trust beneficiary rights, assets-backed securities and funds, as disclosed in Note 64 to the consolidated financial statements. As described in Note 4(1), the consolidation of structured entities is determined based on control. Control is achieved when the investor has power over the investee, the investor is exposed, or has rights, to variable returns from its involvement with the investee; and the investor has the ability to use its power to affect its returns. When performing the assessment on whether the Group has control over the structured entities, the Group considers several factors including, the scope of its decision-making authority over the structured entities, the rights held by other parties, the remuneration for managing the structured entities and the Group's exposure to variability of returns from interests that it holds in the structured entities.	Our audit procedures in relation to consolidation of structured entities included the following: We understood and tested the design and operating effectiveness of key controls over the management process in determining the consolidation scope for interests in structured entities as well as understood the purpose for setting up the structured entities. We reviewed the relevant contract terms, on a sample basis, and assessed the power of the Group over the structured entities, the rights of the Group to variable returns of the structured entities and the ability of the Group to use its power to affect its return, and evaluated management judgement on whether the Group has control over the structured entities and the conclusion about whether or not the consolidation criteria are met.

Other Information

The directors of the Bank are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Bank.
- Conclude on the appropriateness of the directors of the Bank'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Shi Chung Fai.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

24 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

(Expressed in millions of Renminbi unless otherwise stated)

	Notes	2022	2021
Interest income	6	**353,380**	327,056
Interest expense	7	**(135,145)**	(123,137)
Net interest income		**218,235**	203,919
Fee and commission income	8	**103,372**	102,318
Fee and commission expense		**(9,097)**	(7,871)
Net fee and commission income		**94,275**	94,447
Other net income	9	**29,705**	29,011
– Disposal of financial instruments at amortised cost		**170**	(657)
Operating income		**342,215**	327,377
Operating expenses	10	**(122,061)**	(116,879)
Operating profit before impairment losses and taxation		**220,154**	210,498
Expected credit losses	14	**(56,751)**	(65,962)
Impairment losses on other assets		**(815)**	(393)
Share of profits of joint ventures	25	**1,710**	2,877
Share of profits of associates	26	**815**	1,153
Profit before taxation		**165,113**	148,173
Income tax	15	**(25,819)**	(27,339)
Profit for the year		**139,294**	120,834
Attributable to:			
Equity holders of the Bank		**138,012**	119,922
Non-controlling interests		**1,282**	912
Earnings per share			
Basic and diluted (RMB Yuan)	17	**5.26**	4.61

The notes form part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

(Expressed in millions of Renminbi unless otherwise stated)

	Note	2022	2021
Profit for the year		**139,294**	120,834
Other comprehensive income for the year after tax			
Items that may be reclassified subsequently to profit or loss		**1,285**	5,856
– Share of other comprehensive (expense)/income from equity-accounted investees		**(1,155)**	133
– Net fair value (loss)/gain on debt instruments measured at fair value through other comprehensive income		**(5,617)**	4,156
– Net changes in expected credit losses of debt instruments measured at fair value through other comprehensive income		**3,471**	3,036
– Net movement in cash flow hedge reserve		**112**	105
– Exchange difference on translation of financial statements of foreign operations		**4,429**	(1,574)
– Other		**45**	–
Items that will not be reclassified to profit or loss		**38**	1,333
– Net fair value gain on equity instruments designated at fair value through other comprehensive income		**48**	1,318
– Remeasurement of defined benefit scheme		**(10)**	15
Other comprehensive income for the year, net of tax	16	**1,323**	7,189
Attributable to:			
Equity holders of the Bank		**1,053**	7,298
Non-controlling interests		**270**	(109)
Total comprehensive income for the year		**140,617**	128,023
Attributable to:			
Equity holders of the Bank		**139,065**	127,220
Non-controlling interests		**1,552**	803

The notes form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2022

(Expressed in millions of Renminbi unless otherwise stated)

	Notes	2022	2021
Assets			
Cash		**15,209**	13,310
Precious metals		**2,962**	4,639
Balances with central banks	18	**587,818**	553,898
Balances with banks and other financial institutions	19	**91,346**	80,350
Placements with banks and other financial institutions	20	**263,576**	194,421
Amounts held under resale agreements	21	**276,676**	524,601
Loans and advances to customers	22	**5,807,154**	5,335,391
Financial investments at fair value through profit or loss	23(a)	**423,467**	348,123
Derivative financial assets	60(f)	**18,671**	23,390
Debt investments at amortised cost	23(b)	**1,555,457**	1,185,841
Debt investments at fair value through other comprehensive income	23(c)	**780,349**	636,038
Equity investments designated at fair value through other comprehensive income	23(d)	**13,416**	6,995
Interests in joint ventures	25	**14,247**	14,779
Interests in associates	26	**9,597**	8,875
Investment properties	27	**1,268**	1,372
Property and equipment	28	**99,919**	80,415
Right-of-use assets	29(a)	**17,553**	18,403
Intangible assets	30	**3,402**	4,066
Goodwill	31	**9,999**	9,954
Deferred tax assets	32	**90,848**	81,639
Other assets	33	**55,978**	122,521
Total assets		**10,138,912**	9,249,021

The notes form part of these consolidated financial statements.

	Notes	2022	2021
Liabilities			
Borrowing from central banks		**129,745**	159,987
Deposits from banks and other financial institutions	34	**645,674**	753,018
Placements from banks and other financial institutions	35	**192,857**	170,650
Financial liabilities at fair value through profit or loss	36	**63,314**	63,761
Derivative financial liabilities	60(f)	**18,636**	27,282
Amounts sold under repurchase agreements	37	**107,093**	157,660
Deposits from customers	38	**7,590,579**	6,385,154
Salaries and welfare payable	39(a)	**23,866**	19,761
Tax payable	40	**19,458**	22,491
Contract liabilities	41	**6,679**	7,536
Lease liabilities	29(b)	**13,013**	13,812
Provisions	42	**22,491**	14,660
Debt securities issued	43	**223,821**	446,645
Deferred tax liabilities	32	**1,510**	1,353
Other liabilities	44	**125,938**	139,570
Total liabilities		**9,184,674**	8,383,340
Equity			
Share capital	45	**25,220**	25,220
Other equity instruments	46	**120,446**	127,043
– Preference shares	46(a)	**27,468**	34,065
– Perpetual bonds	46(b)	**92,978**	92,978
Capital reserve	47	**65,435**	67,523
Investment revaluation reserve	48	**11,815**	15,047
Hedging reserve	49	**151**	39
Surplus reserve	50	**94,985**	82,137
General reserve	51	**132,471**	115,288
Retained earnings		**449,139**	390,207
Proposed profit appropriation	52(b)	**43,832**	38,385
Exchange reserve	53	**2,009**	(2,144)
Total equity attributable to shareholders of the Bank		**945,503**	858,745
Non-controlling interests		**8,735**	6,936
– Non-controlling interest		**5,948**	3,300
– Perpetual debt capital	62(a)	**2,787**	3,636
Total equity		**954,238**	865,681
Total equity and liabilities		**10,138,912**	9,249,021

The notes form part of these consolidated financial statements.

Approved and authorised for issue by the Board of Directors on 24 March 2023.

Miao Jianmin
Director

Wang Liang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

(Expressed in millions of Renminbi unless otherwise stated)

		2022														
		Total equity attributable to equity holders of the Bank												Non-controlling interests		
			Other equity instruments													
	Notes	Share capital	Preference shares	Perpetual bonds	Capital reserve	Investment revaluation reserve	Hedging reserve	Surplus reserve	General reserve	Retained earnings	Proposed profit appropriation	Exchange reserve	Subtotal	Non-controlling interest	Perpetual debt capital	Total
At 1 January 2022		25,220	34,065	92,978	67,523	15,047	39	82,137	115,288	390,207	38,385	(2,144)	858,745	3,300	3,636	865,681
Changes in equity for the year		–	(6,597)	–	(2,088)	(3,232)	112	12,848	17,183	58,932	5,447	4,153	86,758	2,648	(849)	88,557
(a) Net profit for the year		–	–	–	–	–	–	–	–	138,012	–	–	138,012	1,080	202	139,294
(b) Other comprehensive income for the year	16	–	–	–	–	(3,212)	112	–	–	–	–	4,153	1,053	15	255	1,323
Total comprehensive income for the year		–	–	–	–	(3,212)	112	–	–	138,012	–	4,153	139,065	1,095	457	140,617
(c) Capital movement from equity holders		–	(6,597)	–	(2,088)	–	–	–	–	–	–	–	(8,685)	1,832	(1,104)	(7,957)
(i) Capital invested by non-controlling shareholders		–	–	–	(1,489)	–	–	–	–	–	–	–	(1,489)	1,842	–	353
(ii) Decrease in non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–	(10)	–	(10)
(iii) Redemption of preference shares	46(a)	–	(6,597)	–	(599)	–	–	–	–	–	–	–	(7,196)	–	–	(7,196)
(iv) Redemption of perpetual debt capital	62(a)	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,104)	(1,104)
(d) Profit appropriations		–	–	–	–	–	–	12,848	17,183	(79,100)	5,447	–	(43,622)	(279)	(202)	(44,103)
(i) Appropriations to statutory surplus reserve	50	–	–	–	–	–	–	12,848	–	(12,848)	–	–	–	–	–	–
(ii) Appropriations to general reserve	51	–	–	–	–	–	–	–	17,183	(17,183)	–	–	–	–	–	–
(iii) Dividends declared and paid for the year 2021		–	–	–	–	–	–	–	–	–	(38,385)	–	(38,385)	(279)	–	(38,664)
(iv) Distribution to perpetual debt capital	62	–	–	–	–	–	–	–	–	–	–	–	–	–	(202)	(202)
(v) Proposed dividends for the year 2022		–	–	–	–	–	–	–	–	(43,832)	43,832	–	–	–	–	–
(vi) Dividends to preference shares		–	–	–	–	–	–	–	–	(1,675)	–	–	(1,675)	–	–	(1,675)
(vii) Distribution to perpetual bonds		–	–	–	–	–	–	–	–	(3,562)	–	–	(3,562)	–	–	(3,562)
(e) Transfers within equity upon disposal of equity instruments designated at fair value through other comprehensive income		–	–	–	–	(20)	–	–	–	20	–	–	–	–	–	–
At 31 December 2022		25,220	27,468	92,978	65,435	11,815	151	94,985	132,471	449,139	43,832	2,009	945,503	5,948	2,787	954,238

The notes form part of these consolidated financial statements.

		2021														
		Total equity attributable to equity holders of the Bank												Non-controlling interests		
			Other equity instruments													
	Notes	Share capital	Preference shares	Perpetual bonds	Capital reserve	Investment revaluation reserve	Hedging reserve	Surplus reserve	General reserve	Retained earnings	Proposed profit appropriation	Exchange reserve	Subtotal	Non-controlling interest	Perpetual debt capital	Total
At 1 January 2021		25,220	34,065	49,989	67,523	8,207	(66)	71,158	98,082	338,664	31,601	(693)	723,750	2,851	3,753	730,354
Changes in equity for the year		–	–	42,989	–	6,840	105	10,979	17,206	51,543	6,784	(1,451)	134,995	449	(117)	135,327
(a) Net profit for the year		–	–	–	–	–	–	–	–	119,922	–	–	119,922	685	227	120,834
(b) Other comprehensive income for the year	16	–	–	–	–	8,644	105	–	–	–	–	(1,451)	7,298	8	(117)	7,189
Total comprehensive income for the year		–	–	–	–	8,644	105	–	–	119,922	–	(1,451)	127,220	693	110	128,023
(c) Capital contribution from equity holders		–	–	42,989	–	–	–	–	–	–	–	–	42,989	–	–	42,989
Issue of perpetual bonds	46(b)	–	–	42,989	–	–	–	–	–	–	–	–	42,989	–	–	42,989
(d) Profit appropriations		–	–	–	–	–	–	10,979	17,206	(70,183)	6,784	–	(35,214)	(244)	(227)	(35,685)
(i) Appropriations to statutory surplus reserve	50	–	–	–	–	–	–	10,979	–	(10,979)	–	–	–	–	–	–
(ii) Appropriations to general reserve	51	–	–	–	–	–	–	–	17,206	(17,206)	–	–	–	–	–	–
(iii) Dividends declared and paid for the year 2020		–	–	–	–	–	–	–	–	–	(31,601)	–	(31,601)	(244)	–	(31,845)
(iv) Distribution to perpetual debt capital	62	–	–	–	–	–	–	–	–	–	–	–	–	–	(227)	(227)
(v) Proposed dividends for the year 2021		–	–	–	–	–	–	–	–	(38,385)	38,385	–	–	–	–	–
(vi) Dividends to preference shares		–	–	–	–	–	–	–	–	(1,638)	–	–	(1,638)	–	–	(1,638)
(vii) Distribution to perpetual bonds		–	–	–	–	–	–	–	–	(1,975)	–	–	(1,975)	–	–	(1,975)
(e) Transfers within equity upon disposal of equity instruments designated at fair value through other comprehensive income		–	–	–	–	(1,804)	–	–	–	1,804	–	–	–	–	–	–
At 31 December 2021		25,220	34,065	92,978	67,523	15,047	39	82,137	115,288	390,207	38,385	(2,144)	858,745	3,300	3,636	865,681

The notes form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

(Expressed in millions of Renminbi unless otherwise stated)

	2022	2021
Operating activities		
Profit before taxation	**165,113**	148,173
Adjustments for:		
– Impairment losses on loans and advances	**45,157**	37,020
– Impairment losses on investments and other	**12,409**	29,335
– Unwinding of discount on the allowances of loans and advances	**(386)**	(247)
– Depreciation of property and equipment and investment properties	**10,279**	8,857
– Depreciation of right-of-use assets	**4,151**	4,259
– Amortisation of other assets	**1,193**	1,389
– Net gains on debt securities and equity investments	**(14,722)**	(15,388)
– Interest income on investments	**(65,808)**	(56,059)
– Interest expense on issued debt securities	**9,662**	12,532
– Share of profits of associates	**(815)**	(1,153)
– Share of profits of joint ventures	**(1,710)**	(2,877)
– Net gains on disposal of properties and equipment and other assets	**(282)**	(113)
– Interest expense on lease liabilities	**510**	555
Changes in:		
Balances with central banks	**(48,851)**	12,874
Loans and advances to customers	**(508,891)**	(564,924)
Other assets	**63,611**	(37,395)
Deposits from customers	**1,188,664**	718,742
Amounts due to banks and other financial institutions	**(135,569)**	73,321
Amounts due from banks and other financial institutions with original maturity over 3 months	**(46,825)**	2,160
Borrowing from central banks	**(30,073)**	(170,100)
Other liabilities	**(39,251)**	16,596
Cash generated from operating activities before income tax payment	**607,566**	217,557
Income tax paid	**(37,423)**	(35,509)
Net cash generated from operating activities	**570,143**	182,048
Investing activities		
Payment for the purchases of investments	**(1,898,898)**	(1,225,385)
Proceeds from disposals and redemptions of investments	**1,334,013**	1,160,739
Investment income received	**79,122**	71,197
Payment for the acquisition of subsidiaries, associates or joint ventures	**(484)**	(5,342)
Payment for the purchases of property and equipment and other assets	**(34,892)**	(24,160)
Proceeds from the disposals of property and equipment and other assets	**6,750**	2,399
Proceeds from the disposals of subsidiaries, associates or joint ventures	**463**	855
Net cash used in investing activities	**(513,926)**	(19,697)

The notes form part of these consolidated financial statements.

	Notes	2022	2021
Financing activities			
Proceeds from the issuance of negotiable interbank certificates of deposit	55(b)	**78,666**	319,707
Proceeds from the issuance of certificates of deposit	55(b)	**20,287**	14,692
Proceeds from the issuance of debt securities	55(b)	**21,481**	63,872
Proceeds from the issuance of perpetual bonds		**–**	42,989
Proceeds from non-controlling interests of subsidiaries		**2,667**	–
Proceeds from other financing activities	55(b)	**10,796**	6,860
Repayment of negotiable interbank certificates of deposit	55(b)	**(250,996)**	(226,012)
Repayment of certificates of deposit	55(b)	**(16,504)**	(21,363)
Repayment of debt securities	55(b)	**(78,735)**	(55,771)
Payment for lease liabilities	55(b)	**(4,932)**	(4,835)
Payment for redemption of preference shares		**(7,196)**	–
Payment for redemption of perpetual debt capital		**(1,104)**	–
Distribution paid on perpetual debt capital		**(202)**	(227)
Payment for dividends distribution		**(38,664)**	(31,845)
Distribution paid on preference shares		**(1,675)**	(1,638)
Distribution paid on perpetual bonds		**(3,562)**	(1,975)
Interest paid on financing activities		**(12,400)**	(11,398)
Payment for other financing activities	55(b)	**(14,959)**	(3,697)
Net cash (used in)/generated from financing activities		**(297,032)**	89,359
Net (decrease)/increase in cash and cash equivalents		**(240,815)**	251,710
Cash and cash equivalents as at 1 January		**801,754**	552,790
Effect of foreign exchange rate changes		**6,259**	(2,746)
Cash and cash equivalents as at 31 December	55(a)	**567,198**	801,754
Cash flows from operating activities include:			
Interest received		**285,050**	269,081
Interest paid		**108,496**	111,177

The notes form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in millions of Renminbi unless otherwise stated)

1. Organisation and principal activities

(1) Organisation

China Merchants Bank Co., Ltd. (the "Bank") is a commercial bank incorporated in Shenzhen, the People's Republic of China (the "PRC"). With the approval of the China Securities Regulatory Commission (the "CSRC") of the PRC, the A-Shares of the Bank were listed on Shanghai Stock Exchange on 9 April 2002. On 22 September 2006, the Bank's H-Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKEx").

As at 31 December 2022, apart from the Head Office, the Bank had 51 branches in the Chinese mainland, Hong Kong, New York, Singapore, Luxembourg, London and Sydney. In addition, the Bank has two representative offices in New York and Taipei.

(2) Principal activities

The principal activities of the Bank and its subsidiaries (the "Group") are providing corporate and personal banking services, conducting treasury business, providing asset management and other financial services.

2. Basis of preparation of consolidated financial statements

(1) Statement of compliance and basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and its interpretations promulgated by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(2) Basis of measurement

These financial statements are presented in Renminbi ("RMB") and unless otherwise stated, rounded to the nearest million. RMB is the functional currency of the domestic operations of the Group. The functional currencies of overseas branches and subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into RMB for the preparation of these financial statements according to Note 4(16).

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period and the measurement principles as explained below.

2. Basis of preparation of consolidated financial statements *(continued)*

(2) Basis of measurement *(continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

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

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

Judgements made by management in the application of IFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the future periods are discussed in Note 5.

3. Application of new and amendments to IFRSs

Amendments to IFRSs effective in current year applied by the Group

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

The above-mentioned application of the amendments to IFRSs has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Standards and amendments that are issued but not yet effective and have not been adopted by the Group

		Effective for annual period beginning on or after
IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	the date to be determined

The new and amendments to IFRSs mentioned above are not expected to have material impact on the consolidated financial statements in the foreseeable future.

4. Principal accounting policies

(1) Business combination

Financial statements include financial statements of the Bank and its subsidiaries. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. If the intra-group transaction indicates that the relevant assets have impairment losses, the losses shall be recognised in full.

When necessary, adjustments are made by the Group to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Bank, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity, separately from equity attributable to the equity holders of the Bank. Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the net profit or loss and total comprehensive income for the year between non-controlling interests and the equity holders of the Bank.

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 4(5)) or, when appropriate, the cost on initial recognition of an investment in a joint venture (see Note 4(2)) or, an associate (see Note 4(3)).

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities or assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities or assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

4. Principal accounting policies *(continued)*

(1) Business combination *(continued)*

Business combinations or asset acquisitions *(continued)*

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair value of the assets transferred by the Group, liabilities incurred or assumed by the Group, and any equity interests issued by the Group. Acquisition related costs are recognised in the consolidated statement of profit or loss as incurred.

At the acquisition date, irrespective of non-controlling interests, the identifiable assets acquired and liabilities and contingent liabilities assumed are recognised at their fair values; except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively.

Non-controlling interests that represent ownership interests in the acquiree, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially recognised at either fair value or the non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

(2) Joint ventures

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligation for its liabilities.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

When judging whether there is a joint control, the Group usually considers the following cases:

– whether any party within the joint arrangement cannot control the relevant activities of the joint ventures;

– whether the decisions about the joint ventures' relevant activities require the unanimous consent of the parties sharing control.

The consolidated statement of profit or loss includes the Group's share of the results of joint ventures for the year and the consolidated statement of financial position includes the Group's share of the net assets of the joint ventures.

Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair value of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the joint ventures' net assets. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investments, is recognised immediately in profit or loss in the period in which investment is acquired.

The consolidated statement of profit or loss includes post-tax results of the joint ventures for the year, including any impairment loss on goodwill relating to the investment in the joint ventures recognised for the year (see Notes 4(4) and 4(11)).

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

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

When the Group ceases to have joint control over a joint venture and has no significant influence on it, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in the consolidated statement of profit or loss, previous other comprehensive income would be reclassified to profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 4(5)).

4. Principal accounting policies *(continued)*

(3) Associates

Associate is an entity in which the Group has significant influence, but not control, or joint 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 of those policies.

When judging whether there is any significant influence, the Group usually considers the following cases:

– representation on the Board of Directors or equivalent governing body of the investee;

– participation in policy-making processes;

– material transactions between the entity and its investee.

Investments in associates are accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair value of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the associates' net assets. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investments, is recognised immediately in profit or loss in the period in which investment is acquired.

The consolidated statement of profit or loss includes the Group's post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in the associates recognised for the year (see Notes 4(4) and 4(11)).

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

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

When the Group ceases to have significant influence over an associate entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in the consolidated statement of profit or loss, previous other comprehensive income would be reclassified to profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 4(5)).

(4) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest based on the fair value of net assets acquired in the acquiree and the fair value of the Group's previously held equity interests in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU") or group of CGUs, that is expected to benefit from the synergies of the combination and tested at least annually for impairment (see Note 4(11)).

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

4. Principal accounting policies *(continued)*

(5) Financial instruments

Initial recognition

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

All regular way purchases or sales of financial assets are recognised or derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

At initial recognition, financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. When determining the effective interest rate, the Group estimates the future cash flow on the basis of considering all contract terms of financial assets or financial liabilities, but does not consider the expected credit loss.

Classification and measurement of financial assets

The Group classifies its financial assets into the following measurement categories at initial recognition: financial assets at amortised cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

4. Principal accounting policies *(continued)*

(5) Financial instruments *(continued)*

Classification and measurement of financial assets *(continued)*

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment, which is not held for trading, in other comprehensive income ("OCI").

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets at amortised cost

Financial assets measured at amortised cost are subsequently measured with the effective interest method, and the gains or losses arising from amortisation or impairment are recognised in profit or loss. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve. Impairment losses are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if debt instruments had been measured at amortised cost. When debt instruments are derecognised, the cumulative gains or losses previously recognised in investment revaluation reserve are reclassified to profit or loss.

4. Principal accounting policies *(continued)*

(5) Financial instruments *(continued)*

Classification and measurement of financial assets *(continued)*

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments which are not held for trading as at FVTOCI. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other net income" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes fair value gains or losses, any dividend or interest earned on the financial asset, and is included in "other net income".

Impairment under ECL model

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets which are subject to impairment under IFRS 9 *Financial Instruments*, including financial assets at amortised cost, debt instrument assets at fair value through other comprehensive income, leases receivable, loan commitments and financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

The Group assesses the ECL of financial assets with forward-looking information. 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. In contrast, lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. Assessment are done based on the factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For the above financial instruments that apply the ECL model, except for the purchased or originated credit-impaired financial assets, an assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by the Group to determine whether to recognise lifetime ECL. When the credit risk of these financial instruments does not increase significantly after the initial recognition, the Group recognises a loss allowance for the financial instrument at an amount equal to 12-month ECL; in the event of a significant increase in credit risk, the Group recognises a loss allowance at an amount equal to lifetime ECL. The Group recognises the loss allowance of receivables that result from transactions that are within the scope of IFRS 15 *Revenue from contracts with customers* at an amount equal to lifetime ECL.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. The assessment of whether the credit risk has increased significantly is detailed in Note 60(a).

4. Principal accounting policies *(continued)*

(5) Financial instruments *(continued)*

Impairment under ECL model *(continued)*

Credit-impaired financial assets

The Group defines whether there is credit impairment based on the internal evaluation results of the credit risk management system for relevant financial assets. The Group considers that financial assets have been credit-impaired when its loan classification is substandard, doubtful or loss or is more than 90 days overdue.

Measurement and recognition of ECL

ECL is measured based on the probability of default, loss given default and the exposure at default. The measurement and recognition of ECL are detailed in Note 60(a).

Generally, ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 *Leases*.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected credit losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For undrawn loan commitments, ECL is the present value of the difference between the contractual cash flows that are due to the Group:

- if the holder of the loan commitments draws down the loan, and
- the cash flows that the Group expects to receive if the loan is drawn down.

The loss allowance for loan commitments and financial guarantee contracts is recognised in profit or loss and accumulated in provisions. As for debt instruments measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve without reducing the carrying amounts of these financial assets. The loss allowance for other financial assets which are subject to impairment under IFRS 9 *Financial Instruments* is recognised in profit or loss through a loss allowance account.

Classification and measurement of financial liabilities

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading (including derivatives belonging to financial liabilities) or (ii) designated as at FVTPL. Except for hedging accounting, financial liabilities measured at FVTPL are subsequently measured at fair value and all changes in fair value are recognised in profit or loss.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

4. Principal accounting policies *(continued)*

(5) Financial instruments *(continued)*

Classification and measurement of financial liabilities *(continued)*

Financial liabilities at FVTPL (continued)

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 *Financial Instruments* permits the entire combined contract to be designated as at FVTPL.

Other financial liabilities

Except for financial liabilities at FVTPL, financial liabilities formed by the transfer of financial assets that do not meet the conditions for derecognition or by continued involvement in transferred financial assets and financial liabilities, financial guarantee contract and loan commitment, other financial liabilities are classified as financial liabilities at amortised cost, which are subsequently measured at amortised cost and the gains or losses arising from derecognition or amortisation are included in profit or loss.

Hedge accounting

The Group designates certain derivatives as hedging instruments for fair value hedge and cash flow hedge. The Group documents the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking the hedge, at the inception of a hedging relationship. The Group also requires documentation of the assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risks.

Fair value hedge

The gains or losses on the hedging instrument are recognised in consolidated statement of profit or loss. When the hedging for the risk exposure relates to an non-trading equity instrument designated as at FVTOCI, the gains or losses on the hedging instrument are recognised in other comprehensive income.

The carrying amount of the hedged item not already measured at fair value is adjusted for the gain or loss attributable to the risk being hedged and is taken to consolidated statement of profit or loss. The adjustment to the carrying amount of the hedged item is based on a recalculated effective interest rate at the date that amortisation begins and shall be amortised to consolidated statement of profit or loss if the hedged item is a financial instrument measured at amortised cost. Amortisation begins as soon as an adjustment exists but no later than when the hedged item ceases to be adjusted for hedging gains and losses. If the hedged item is debt instruments measured at FVTOCI, the amounts previously recorded as cumulative adjustments of hedging gains or losses are amortised in similar method and recognised in the consolidated statement of profit or loss. The carrying amount of the hedged item is not adjusted.

Cash flow hedge

The effective portions of changes in the fair value of derivatives that are designated and qualified as cash flow hedge are recognised in other comprehensive income and accumulated separately in hedging reserve. Any gain or loss relating to an ineffective portion is recognised immediately in the consolidated statement of profit or loss.

For cash flow hedge of a recognised asset or liability, the associated cumulative gain or loss is reclassified from hedging reserve to the consolidated statement of profit or loss in the same period during which the hedged cash flows affect profit and loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss at that time remains in hedging reserve until the forecast transaction is ultimately recognised in the consolidated statements of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss is immediately reclassified to the consolidated statement of profit or loss.

4. Principal accounting policies *(continued)*

(5) Financial instruments *(continued)*

Hedge accounting *(continued)*

Hedge effectiveness testing

The Group has elected to adopt the general hedge accounting in IFRS 9 Financial Instruments. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- 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 that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Specific items

Cash equivalents

Cash equivalents comprise investments that are short term, highly liquid, readily convertible into known amounts of cash and subject to insignificant risk of changes in value, and unrestricted balances with the central banks, banks and other financial institutions, and amounts held under resale agreements, with original maturity of 3 months or less.

Balances and placements with banks and other financial institutions

Banks refer to those approved by the People's Bank of China ("PBOC") and other authorities. Other financial institutions represent finance companies, insurance companies, investment trust companies, leasing companies and insurance companies which are registered with and under the supervision of the China Banking and Insurance Regulatory Commission (the "CBIRC") and securities firms and investment fund companies which are registered with and under the supervision of other regulatory authorities. Balances and placements with banks and other financial institutions are measured at amortised cost.

Resale and repurchase agreements

Amounts for purchase of financial assets under resale agreements are accounted for under "amounts held under resale agreements". Amounts from sale of financial assets under repurchase agreements are accounted for under "amounts sold under repurchase agreements".

The difference between the purchase and resale consideration or sale and repurchase consideration is amortised over the period of the transaction using the effective interest method and is included in interest income or expense (as appropriate).

4. Principal accounting policies *(continued)*

(5) Financial instruments *(continued)*

Specific items *(continued)*

Financial investments

Equity investments are accounted for as financial assets at fair value through profit or loss or equity investments designated at fair value through other comprehensive income. Debt investments are classified as financial assets at fair value through profit or loss, debt investments at amortised cost, debt investments at fair value through other comprehensive income in accordance with the entity's business model, contractual cash flow characteristics and the fair value option.

Loans and advances to customers

Loans and advances directly granted by the Group to customers and finance leases receivables are accounted for as loans and advances to customers.

Loans and advances to customers are classified as loans and advances to customers at fair value through profit or loss (loans and advances to customers at FVTPL), loans and advances to customers at amortised cost, loans and advances to customers at fair value through other comprehensive income (loans and advances to customers at FVTOCI) in accordance with the entity's business model, contractual cash flow characteristics and the fair value option.

Derivative financial instruments

The Group's derivative financial instruments mainly include forward, foreign currency swaps, interest rate swaps and option contracts undertaken in response to customers' needs or for the Group's own risk management purposes. The Group enters into derivative contracts with other banks that can conduct such business and financial institutions to hedge against risks arising from derivative transactions undertaken for customers.

Derivative financial instruments are stated at fair value. Except for the gains or losses arising from the effective hedging portion of those derivatives in cash flow hedge and the gains or losses on the hedging instrument that hedges an non-trading equity instrument designated as at FVTOCI are recognised in other comprehensive income, all other gains or losses are recognised in the consolidated statement of profit or loss.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 *Financial Instruments* are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 Financial Instruments are treated as separate derivatives with the same terms when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the hybrid contracts are not measured at FVTPL. Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow hedging relationship.

Equity instruments

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. Consideration and transaction costs paid by the Group for repurchasing self-issued equity instruments are deducted from shareholders' equity.

4. Principal accounting policies *(continued)*

(5) Financial instruments *(continued)*

Specific items *(continued)*

***Equity instruments** (continued)*

A financial instrument is an equity instrument if, and only if, both conditions (i) and (ii) below are met:

(i) the financial 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 unfavorable to the Group; and

(ii) if the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group 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.

At initial recognition, the Group classifies the perpetual bonds and perpetual debt capitals issued or their components as financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial liabilities and equity instruments.

For perpetual bonds and perpetual debt capitals issued that classified as equity instruments, any distribution of interests during the instruments' duration is treated as profit appropriation. When the perpetual bonds and perpetual debt capitals are redeemed, the redeemed amount is charged to equity. Relevant transaction expenses are deducted from equity.

At initial recognition of preference shares, the Group classifies the preference shares issued or their components as financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial liabilities and equity instruments.

When the Group classifies preference shares issued as an equity instrument, fees, commissions and other transaction costs of preference shares issuance are deducted from equity. The dividends on preference shares are recognised as profit distribution at the time of declaration.

Derecognition of financial instruments

(a) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset; or
- has retained its rights to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either the Group has transferred substantially all the risks and rewards of ownership of the financial asset; or the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has retained its rights to receive cash flows from the asset but has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

The Group writes off a financial asset (if any) when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

4. Principal accounting policies *(continued)*

(5) Financial instruments *(continued)*

Derecognition of financial instruments *(continued)*

(b) Securitisation

As part of its operational activities, the Group securitises credit assets, generally through the sale of these assets to structured entities which issue securities to investors. Interests in the securitised financial assets may be retained in the form of senior or junior tranches, or other residual interests (retained interests).

When applying the accounting policies on securitised financial assets, the Group has considered both the degree of transfer of risks and rewards on the transferred financial assets and the degree of control exercised by the Group over the transferred financial assets:

- when the Group transfers substantially all the risks and rewards of ownership of the financial assets, the Group shall derecognise the financial assets;
- when the Group retains substantially all the risks and rewards of ownership of the financial assets, the Group shall continue to recognise the financial assets; and
- when the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial assets, the Group would determine whether it has retained control of the financial assets. If the Group has not retained control, it shall derecognise the financial assets and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer. If the Group has retained control, it shall continue to recognise the financial assets to the extent of its continuing involvement in the financial assets.

When a securitisation of financial assets does not qualify for derecognition, the relevant financial assets are not derecognised, and the consideration collected from third parties are recorded as a financial liability.

When the securitisation results in derecognition or partial derecognition of financial assets, the Group allocates the carrying amount of the transferred financial assets between the financial assets derecognised and the retained interests based on their relative fair values at the date of transfer. Gains or losses on securitisation, which is the difference between the consideration received and the allocated carrying amount of the financial assets derecognised, are recorded in "other net income". The retained interests continue to be recognised on the same basis before the securitisation.

(c) Sales of assets on condition of repurchase

Derecognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will derecognise the financial asset.

(d) Financial liabilities

A financial liability (or part of it) is derecognised when the obligation under the liability (or part of it) is discharged, cancelled or expired.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group currently has there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

4. Principal accounting policies *(continued)*

(6) Property, equipment, investment property and depreciation

Property, equipment and investment property, are stated at cost or deemed cost less accumulated depreciations and accumulated impairment losses. These also include land held under operating leases and buildings thereon, where the fair value of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease.

Depreciation is calculated to write off the cost of property, equipment and investment property over the following estimated useful lives, after taking into account an estimated residual value on a straight-line basis:

Land and buildings	20 years
Investment properties	20 years
Computer equipment	3 years
Leasehold improvements (leased property)	the estimated useful lives
Leasehold improvements (self-owned property)	the estimated useful lives
Aircraft, vessels and professional equipment	no more than 25 years
Other	3 – 5 years

Construction in progress represents property under construction and is stated at cost less impairment losses. Cost comprises the direct and indirect cost of construction. Construction in progress is transferred to an appropriate class of property or other asset when the asset is ready for its intended use. No depreciation is provided for construction in progress.

Subsequent expenditure relating to a property, equipment and investment property is capitalised only when it is probable that future economic benefits associated with the property and equipment will flow to the Group. All other expenditure is recognised in the consolidated statement of profit or loss as an expense as incurred.

Profits or losses on disposal of property, equipment and investment property are determined as the difference between the net disposal proceeds and the carrying amount of the property, equipment and investment property, and are accounted for in the consolidated statement of profit or loss as they arise.

(7) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Repossessed assets other than equity instrument are reported in "other assets".

Repossessed assets of equity instruments are detailed in Note 4(5).

(8) Intangible assets

Intangible assets are stated at cost less accumulated amortisation (only intangible assets with finite useful lives) and accumulated impairment losses (see Note 4(11)). Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. The Group does not have intangible assets with useful lives assessed to be indefinite as at the end of the reporting period.

The amortisation period of intangible assets is as follows:

Software and Other	Core deposit
2 – 20 years	28 years

Both the periods and method of amortisation are reviewed annually.

4. Principal accounting policies *(continued)*

(9) Leases

Definition of 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. The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 *Leases* at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

(a) Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group 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.

(b) Short-term leases and leases of low-value assets

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (lease term of 12 months or less and do not contain a purchase option) and leases of low value assets (the value of assets is equivalent to below RMB35,000).

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(c) Right-of-use assets

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The right-of-use asset is initially measured at cost. This cost includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, 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, a provision is recognised and measured under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

After the commencement date, the right-of-use assets are measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The Group recognises the depreciation of right-of-use assets as an operating expense on a straight-line basis. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers the ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

Accounting policy for any identified right-of-use asset impairment loss are disclosed in Note 4(11).

4. Principal accounting policies *(continued)*

(9) Leases *(continued)*

As a lessee *(continued)*

(d) Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

(e) Lease liabilities

Lease liability is presented as a separate line in the consolidated statement of financial position.

Except for short-term leases and leases of low-value asset, lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date using lessee's incremental borrowing rate as the discount rate.

Lease payments refer to the payment made by the lessee to the lessor in connection with the right to use the leased assets during the lease term. Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease; and
- the amount expected to be payable by the lessee under remaining value guarantees.

After the beginning date of the lease term, the Group calculates the interest expense of the lease liability in each period of the lease term at a fixed periodic interest rate, and recognised it in the current profit and loss or related asset costs.

After the commencement date, the Group remeasures the lease liability according to the present value calculated by the revised lease payment amount and the revised discount rate and makes a corresponding adjustment to the related right-of-use asset whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; or
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed remaining value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate. But if the change in lease payments results from a change in floating interest rates, the lessee shall use a revised discount rate that reflects changes in the interest rate.

4. Principal accounting policies *(continued)*

(9) Leases *(continued)*

As a lessor

Leases for which the Group is a lessor are classified as finance or operating leases. When the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Where the Group is a lessor under finance leases, an amount representing the net investment in the lease is included in the consolidated statement of financial position as "loans and advances to customers". Unrecognised finance income under finance leases are amortised using the effective interest method over the lease term. Accounting policy for impairment losses are disclosed in Note 4(5).

When the Group is a lessor of an operating lease, income derived from operating lease is recognised in the consolidated statement of profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Contingent lease income is charged to profit or loss in the accounting period in which it is incurred.

When a contract includes lease and non-lease components, the Group applies IFRS 15 *Revenue from Contracts with Customers* to allocate the consideration under the contract to each component.

As a buyer-lessor in a sale and leaseback transactions

For a transfer of asset that does not meet the requirements of IFRS 15 *Revenue from Contracts with Customers* to account for a sale of asset, the Group acting as a buyer-lessor does not recognise the transferred asset and recognises loan and advance to customers at an amount that equals the transfer proceed within the scope of IFRS 9 *Financial Instruments*.

(10) Insurance contracts

Insurance contracts classification

Insurance contracts are those contracts under which the Group has accepted significant insurance risk, relative to an insured event or occurrence. When necessary, the Group enters into reinsurance contracts to transfer insurance risks to reinsurer. A significant insurance risk test is performed at inception of the insurance contracts.

Insurance income recognition

Premiums from long-term life insurance contracts are recognised as revenue when due from policy holders. Premiums related to short-term non-life insurance contracts are recognised when received at the inception of the policy, as unearned insurance premiums in liabilities, and are amortised on a straight-line basis into the consolidated statement of profit or loss over the term of the policy. When the Group has transferred insurance risk through reinsurance contracts, the Group calculates the amount of premium ceded and the reinsurers' share of expenses and recognises them through the consolidated statement of profit or loss in accordance with the terms of the reinsurance contracts.

Insurance contract liabilities

Insurance contract liabilities are measured based on a reasonable estimate of the amount of payments that the Group will be required to make to fulfil its obligations under the insurance contracts, which represents the difference between expected future cash outflows and inflows related to such contracts. A reasonable estimate of expected future net cash flows is determined based on information currently available as at the end of the reporting period.

The Group has considered the impact of time value in the liability calculation for long-term life insurance. The Group performs liability adequacy tests based on information currently available as at the reporting date. Additional insurance contract liabilities should be recorded if any deficiency exists.

4. Principal accounting policies *(continued)*

(11) Impairment on tangible and intangible assets other than impairment under ECL model

The carrying amount of tangible and intangible assets including property and equipment, right-of-use assets, intangible assets, investment properties, interests in joint ventures, interests in associates, goodwill and other non-current assets are reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount of impairment loss is recognised in the consolidated statement of profit or loss. The recoverable amount of an asset is the greater of its fair value less disposal expense and present value of future expected cash flows. In assessing value in use, the estimated future cash flows are discounted to their present values.

Internal and external sources of information are reviewed at the end of the reporting period to identify any indications that other assets may be impaired.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated by the Group at the end of the reporting period whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset or a cash-generating unit is the greater of its fair value less disposal expense and the present value of future cash flows. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in the consolidated statement of profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

(12) Precious metals

Precious metals that are not related to the Group's trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals that are related to the Group's trading activities are initially recognised at fair value, with changes in fair value arising from remeasurement recognised directly in the consolidated statement of profit or loss in the period in which they arise.

4. Principal accounting policies *(continued)*

(13) Financial guarantee issued, provisions and contingent liabilities

Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The provision of financial guarantees issued is recognised in the consolidated statement of financial position in accordance with accounting policy set out in Note 4(5).

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is highly probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

(14) Income recognition

Revenue is the inflow of economic benefits that the Group has formed in its daily activities that will result in an increase in shareholders' equity and have nothing to do with the capital invested by shareholders.

Net interest income

Interest income and expense for all financial instruments except for those classified as at FVTPL are recognised in "Interest income" and "Interest expense" in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period, which is recognised in "Other net income".

Dividend income

Dividend income from investments is recognised when the dividend is declared and approved by the investee.

Rental income

Income derived from operating leases is recognised in the consolidated statement of profit or loss using the straight-line method over the lease term.

Premium income

Premium income represents gross insurance premium written less reinsurance ceded, as adjusted for unearned premium. Gross premiums written are recognised at the date of risk inception.

4. Principal accounting policies *(continued)*

(14) Income recognition *(continued)*

Fee and commission income

Under IFRS 15 *Revenue from Contracts with Customers*, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct goods or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised goods or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved. At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

For each performance obligation identified, the Group determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

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

Otherwise, revenue is recognised at a point in time.

If the revenue is recognised over time, the Group recognises revenue in accordance with the progress towards complete satisfaction of a performance obligation. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depicts the Group's performance in transferring control of goods or services.

4. Principal accounting policies *(continued)*

(14) Income recognition *(continued)*

Fee and commission income *(continued)*

If revenue is recognised at a point in time, the Group recognises the revenue when the customer obtains control of the distinct good or service. To determine the point in time at which a customer obtains control of a promised service, the following indicators of the transfer of control should also be considered. They include, but are not limited to:

- the Group has a present right to payment for the goods or services;
- the Group has transferred physical possession of the goods;
- the customer has the significant risks and rewards of ownership of the goods;
- the customer has accepted the goods or services.

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it can control the goods or service before transferring it to customers. The Group is an agent if its performance obligation is to arrange for the provision of the specified goods or service by another party. In this case, the Group does not control the specified goods or service provided by another party before that goods or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(15) Taxation

Current income tax and movements in deferred tax balances are recognised in the consolidated statement of profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax assets also arise from unused tax losses and unused tax credits. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates of expected returns of the assets or the repayment of the liabilities. Deferred tax assets and liabilities are not discounted.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced by the extent that it is no longer probable that the related tax benefit will be realised.

The Group shall recognise a deferred tax asset for all deductible temporary differences associated with investments in subsidiaries and interests in associates and joint ventures that both of the following conditions are satisfied: the temporary differences are likely to be reversed in the foreseeable future; and it is probably to obtain the taxable income used to offset the deductible temporary difference in the future. The Group shall recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries and interests in associates and joint ventures, except where both of the following conditions are satisfied: the investor 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.

4. Principal accounting policies *(continued)*

(15) Taxation *(continued)*

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

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

(16) Foreign currencies translations

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into as part of the effective portion of a hedge on certain foreign currency risks; or
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into currency units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in exchange reserve (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation, all of the exchange differences accumulated in exchange reserve in respect of that operation attributable to the owners of the Bank are reclassified to the consolidated statement of profit or loss.

4. Principal accounting policies *(continued)*

(17) Employee benefits

Salaries and staff welfare

Salaries, bonuses and other benefits are accrued in the period in which the associated services are rendered by employees.

Post-employment benefits

The Group participates in a number of defined contribution retirement benefit schemes managed by different provincial governments or independent insurance companies. Obligation for contributions to these schemes are jointly borne by the Group and the staff, and contributions paid by the Group are recognised as an expense in the consolidated statement of profit or loss as incurred.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in the consolidated statement of profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Share-based payment

The Group offers H share appreciation rights to its employee, namely H Share Appreciation Rights Scheme for the Senior Management ("the Scheme"), which is settled in cash. Cash-settled share-based payments are measured at the fair value of the liabilities incurred by the Group, which are determined based on the price of the share. The Group recognises the services for the period as related costs or expenses, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting at the end of each reporting period within the vesting period. Until the liability is settled, the Group remeasures the fair value of the liability at each reporting period end and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

The fair value of the H share appreciation rights is using Black-Scholes model, taking into account the terms and condition upon which the H share appreciation rights were granted.

4. Principal accounting policies *(continued)*

(18) Related parties

For the purposes of these consolidated financial statements, parties are considered to be related to the Group if the Group has the ability, directly, indirectly or jointly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to control, common control or common significant influence (except that the Group and the party are subject to common significant influence of the other party). Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(19) Segmental reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they meet most of these criteria.

(20) Fiduciary activities

The Group acts in a fiduciary capacity in entrusted loan and entrusted investment business. Assets held by the Group and the related undertakings to return such assets to customers are excluded from the consolidated statement of financial position as the risks and rewards of the assets reside with the customers. The Group only charges a relevant commission.

(21) Dividends or profit distributions

Dividends or profit distributions are recognised as a liability in the year in which they are approved and declared.

(22) General reserve

The general reserve is an integral part of equity. According to the relevant regulations, in addition to the impairment allowances, the Bank maintains a general reserve to make up for unidentified potential losses. In principle, the balance of general reserve shall not be less than 1.5% of the ending balance of risk assets. In addition, the general reserve includes 2.5% of the income of mutual fund custody businesses. The general reserve of the Group also includes the general reserve maintained by the subsidiaries of the Group according to the applicable laws and regulations of their industry or region.

5. Significant accounting estimates and judgements

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on the assets and liabilities at the end of the reporting period. These estimates involve assumptions about cash flows and the discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to the assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

(1) Control over structured entity

Where the Group acts as asset manager of structured entities, the Group makes judgement on whether it is the principal or an agent to assess whether the Group controls the structured entities and should consolidate them. When performing this assessment, the Group considers several factors including, among others, the scope of its decision-making authority over the structured entities, the rights held by other parties, the remuneration to which it is entitled in accordance with the related agreements for the assets management services, the Group's exposure to variability of returns from interests that it holds in the structured entities.

(2) Classification of financial assets

Business model assessment: Classification and measurement of financial assets of the Group involves significant judgement on business model. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. Specific considerations include how the performance of the assets is evaluated and measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

(3) Derecognition of financial assets transferred

In its normal course of business, the Group transfers its financial assets through various types of transactions including regular way sales and transfers, securitisation, financial assets sold under repurchase agreements. The Group applies significant judgement and estimate in assessing whether it has transferred these financial assets and qualified for a full derecognition.

Where the Group enters into structured transactions by which it transfers financial assets to structured entities, the Group analyses whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities and the Group needs to consolidate them. This will determine whether the following derecognition analysis should be conducted at the consolidated level or at the entity level from which the financial assets are transferred.

The Group analyses the contractual rights and obligations in connection with such transfers to determine whether derecognition criteria are met based on the following considerations:

- whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualifies for the "pass through" of those cash flows to independent third parties;
- the extent to which the associated risks and rewards of ownership of the financial assets are transferred. Significant judgement and estimate is applied in the Group's estimation with regard to the cash flows before and after the transfers and other factors that affect the outcomes of the Group's assessment on the extent that risks and rewards are transferred.

5. Significant accounting estimates and judgements *(continued)*

(4) Impairment under ECL model

- Significant increase in credit risk: ECL is measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. Refer to Note 60(a)(ii) for more details.

- Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to Note 60(a)(v) for details of the characteristics considered in this judgement. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.

- Models and assumptions used: The Group uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. Refer to Note 60(a)(iii)for more details.

- Forward-looking information: When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to Note 60(a)(iv) for more details.

- Probability of Default ("PD"): PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Refer to Note 60(a) (iii) for more details.

- Loss Given Default ("LGD"): LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Refer to Note 60(a)(iii) for more details.

5. Significant accounting estimates and judgements *(continued)*

(5) Fair value of financial instruments

For a number of financial instruments, no quoted prices in an active market exist. The fair value for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions, reference to the current fair value of similar instruments, discounted cash flow analysis or option pricing models. The Group has established a process to ensure that valuation techniques are constructed by qualified personnel and are validated and reviewed by personnel independent of the business unit that constructed the valuation techniques. Valuation techniques are certified before being implemented for valuation and are calibrated to ensure that outputs reflect actual market conditions. Valuation models established by the Group make the maximum use of market inputs and rely as little as possible on the Group's specific data. However, it should be noted that some inputs, such as credit and counterparty risk and risk correlations, require management estimates. Management estimates and assumptions are reviewed periodically and adjusted if necessary. If the fair value is measured using third party information such as broker quotes or pricing services, the valuation team will evaluate the evidence obtained from third party to support the conclusion that the relevant valuation meets the requirements of IFRS, including the category of the relevant valuation at the appropriate level in the fair value hierarchy.

(6) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reviewed periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(7) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis and when circumstances indicate that the carrying value may be impaired. This requires an estimation of the recoverable amount of the CGU or group of CGUs to which the goodwill is allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from CGU or group of CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

6. Interest income

	2022	2021
Loans and advances to customers	**265,601**	250,662
– Corporate loans	**86,754**	80,575
– Retail loans	**168,174**	159,124
– Discounted bills	**10,673**	10,963
Balances with central banks	**8,482**	7,792
Balances with banks and other financial institutions	**1,242**	902
Placements with banks and other financial institutions	**7,760**	5,526
Amounts held under resale agreements	**4,487**	6,115
Financial investments	**65,808**	56,059
– Debt investments at FVTOCI	**19,654**	15,875
– Debt investments at amortised cost	**46,154**	40,184
Total	**353,380**	327,056

Note: For the year ended 31 December 2022, included in the above is the interest income of RMB12,668 million accrued on loans and advances to customers at fair value through other comprehensive income (2021: RMB12,337 million).

7. Interest expense

	2022	2021
Deposits from customers	**105,836**	84,332
Borrowing from central banks	**2,828**	7,635
Deposits from banks and other financial institutions	**9,782**	11,993
Placements from banks and other financial institutions	**4,567**	3,519
Amounts sold under repurchase agreements	**1,960**	2,571
Debt securities issued	**9,662**	12,532
Lease liabilities	**510**	555
Total	**135,145**	123,137

8. Fee and commission income

	2022	2021
Commissions from wealth management	**30,903**	36,053
Commissions from asset management	**12,457**	10,856
Bank cards fees	**21,399**	19,377
Clearing and settlement fees	**15,051**	13,902
Commissions from credit commitment and lending business	**5,753**	6,321
Commissions on custodian business	**5,791**	5,433
Other	**12,018**	10,376
Total	**103,372**	102,318

In 2022, the Group optimised the grouping criteria for the detailed items of "Commissions from wealth management" and "Other" in the note to fee and commission income, and the comparative figures were re-presented accordingly.

9. Other net income

	2022	2021
Net (loss)/gain from fair value change	**(2,675)**	92
– financial instruments at fair value through profit or loss	**(2,204)**	544
– derivatives instruments	**(120)**	12
– precious metals	**(351)**	(464)
Net investment income	**18,013**	17,822
– financial instruments at FVTPL	**12,443**	14,839
– gain/(loss) on disposal of financial assets at amortised cost	**170**	(657)
– gain on disposal of debt instruments at FVTOCI	**5,161**	3,516
– of which: gain on disposal of bills	**3,291**	2,434
– dividend income from equity investments designated at FVTOCI	**153**	74
– other	**86**	50
Foreign exchange gain	**3,600**	3,351
Other income	**9,702**	6,868
– rental income	**9,181**	6,415
– insurance income	**521**	453
Other	**1,065**	878
Total	**29,705**	29,011

10. Operating expenses

	2022	2021
Staff costs	**70,657**	66,028
– Salaries and bonuses	**55,647**	51,031
– Social insurance and corporate supplemental insurance	**8,421**	8,011
– Other	**6,589**	6,986
Tax and surcharges	**3,005**	2,772
Depreciation of property and equipment and investment properties	**10,279**	8,857
Amortisation of intangible assets	**1,061**	1,153
Depreciation of right-of-use assets	**4,151**	4,259
Short-term leases expense and leases of low-value assets expense	**229**	250
Charge for insurance claims	**360**	311
Other general and administrative expenses (note)	**32,319**	33,249
Total	**122,061**	116,879

Note: Auditors' remuneration amounting to RMB31 million for the year ended 31 December 2022 (2021: RMB29 million) is included in other general and administrative expenses.

11. Directors' and supervisors' emoluments

The emoluments of the Directors and Supervisors during the year were as follows:

	2022				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000 (i)	Retirement scheme contributions RMB'000 (i)	Total RMB'000
Executive director					
Wang Liang	–	3,625	–	–	3,625
Subtotal	–	3,625	–	–	3,625
The executive director's emoluments shown above were for his services in connection with the management of the affairs of the Bank and the Group.					
Non-executive directors					
Miao Jianmin	–	–	–	–	–
Hu Jianhua (ii)	–	–	–	–	–
Sun Yunfei (ii)	–	–	–	–	–
Zhou Song	–	–	–	–	–
Hong Xiaoyuan	–	–	–	–	–
Zhang Jian	–	–	–	–	–
Su Min	–	–	–	–	–
Chen Dong (ii)	–	–	–	–	–
Subtotal	–	–	–	–	–
The non-executive directors shown above did not receive remuneration from the Bank.					
Independent non-executive directors and supervisors					
Wong See Hong	500	–	–	–	500
Li Menggang	500	–	–	–	500
Liu Qiao	500	–	–	–	500
Tian Hongqi	500	–	–	–	500
Li Chaoxian	500	–	–	–	500
Shi Yongdong	500	–	–	–	500
Xiong Liangjun	–	3,317	–	–	3,317
Luo Sheng (v)	–	–	–	–	–
Peng Bihong	–	–	–	–	–
Wu Heng	–	–	–	–	–
Xu Zhengjun	400	–	–	–	400
Cai Hongping (v)	202	–	–	–	202
Zhang Xiang (v)	202	–	–	–	202
Wang Wanqing	–	2,650	–	–	2,650
Cai Jin	–	1,548	–	–	1,548
Subtotal	3,804	7,515	–	–	11,319

The independent non-executive directors' and supervisors' emoluments shown above were for their services and employment as directors or supervisors of the Bank.

11. Directors' and supervisors' emoluments *(continued)*

	2022				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000 (i)	Retirement scheme contributions RMB'000 (i)	Total RMB'000
Former executive, non-executive directors and supervisors					
Fu Gangfeng (iv)	–	–	–	–	–
Tian Huiyu (iii)	–	–	–	–	–
Wang Daxiong (iii)	–	–	–	–	–
Luo Sheng (iii)	–	–	–	–	–
Guo Xikun (vi)	–	–	–	–	–
Ding Huiping (vi)	167	–	–	–	167
Han Zirong (vi)	167	–	–	–	167
Subtotal	334	–	–	–	334
The former executive, non-executive directors' and supervisors' emoluments shown above were for their services as directors or supervisors of the Bank.					
Total	4,138	11,140	–	–	15,278

Notes:

(i) The total remuneration before tax for the full-time directors, supervisors and executive officers of the Group is not yet finalised. Details of their remaining compensation will be disclosed separately when their total remuneration is confirmed.

(ii) In June 2022, according to the relevant resolutions passed at the 2021 Annual General Meeting of the Bank, Mr. Hu Jianhua, Mr. Sun Yunfei and Mr. Chen Dong were elected as Non-Executive Directors of the Bank, whose qualifications as the Directors were approved by the CBIRC in October 2022.

(iii) In June 2022, Mr. Wang Daxiong and Mr. Luo Sheng ceased to be Non-Executive Directors of the Bank after the end of the 2021 Annual General Meeting due to the expiry of their terms of office, and Mr. Tian Huiyu ceased to be an Executive Director of the Bank after the end of the 2021 Annual General Meeting.

(iv) In November 2022, Mr. Fu Gangfeng ceased to be the Vice Chairman and Non-Executive Director of the Bank due to change of work arrangement.

(v) In June 2022, according to the relevant resolutions passed at the 2021 Annual General Meeting of the Bank, Mr. Luo Sheng was elected as the Shareholder Supervisor of the Bank and Mr. Cai Hongping and Mr. Zhang Xiang were elected as External Supervisors of the Bank.

(vi) In June 2022, Mr. Guo Xikun ceased to be the Shareholder Supervisor of the Bank due to the expiry of his terms of office, and Mr. Ding Huiping and Mr. Han Zirong ceased to serve as External Supervisors of the Bank due to the expiry of their terms of office.

(vii) As of 31 December 2022, the Group had offered 10 phases of H share appreciation rights under the Scheme. Details of the Scheme are set out in Note 39 (a)(iii).

11. Directors' and supervisors' emoluments *(continued)*

	2021				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000 (i)	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Tian Huiyu	–	4,158	–	40	4,198
Wang Liang	–	3,302	1,403	40	4,745
Subtotal	–	7,460	1,403	80	8,943

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Bank and the Group.

Non-executive directors					
Miao Jianmin	–	–	–	–	–
Fu Gangfeng	–	–	–	–	–
Zhou Song	–	–	–	–	–
Hong Xiaoyuan	–	–	–	–	–
Zhang Jian	–	–	–	–	–
Su Min	–	–	–	–	–
Wang Daxiong	–	–	–	–	–
Luo Sheng	–	–	–	–	–
Subtotal	–	–	–	–	–

The non-executive directors shown above did not receive remuneration from the Bank.

Independent non-executive directors and supervisors					
Wong See Hong	500	–	–	–	500
Li Menggang	500	–	–	–	500
Liu Qiao	500	–	–	–	500
Tian Hongqi	500	–	–	–	500
Li Chaoxian (ii)	183	–	–	–	183
Shi Yongdong (ii)	183	–	–	–	183
Xiong Liangjun (iii)	–	3,164	1,344	48	4,556
Peng Bihong	–	–	–	–	–
Wu Heng	–	–	–	–	–
Guo Xikun (iv)	–	–	–	–	–
Ding Huiping	400	–	–	–	400
Han Zirong	400	–	–	–	400
Xu Zhengjun	400	–	–	–	400
Wang Wanqing	–	2,747	–	48	2,795
Cai Jin (v)	–	123	–	48	171
Subtotal	3,566	6,034	1,344	144	11,088

The independent non-executive directors' and supervisors' emoluments shown above were for their services and employment as directors or supervisors of the Bank.

11. Directors' and supervisors' emoluments *(continued)*

	2021				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000 (i)	Retirement scheme contributions RMB'000	Total RMB'000
Former executive, non-executive directors and supervisors					
Liu Jianjun (vi)	–	1,373	531	19	1,923
Leung Kam Chung, Antony (ii)	317	–	–	–	317
Zhao Jun (ii)	317	–	–	–	317
Liu Yuan (vii)	–	2,368	898	31	3,297
Wen Jianguo (viii)	–	–	–	–	–
Liu Xiaoming (ix)	–	1,979	–	48	2,027
Subtotal	634	5,720	1,429	98	7,881
The former executive, non-executive directors' and supervisors' emoluments shown above were for their services as directors or supervisors of the Bank.					
Total	4,200	19,214	4,176	322	27,912

Notes:

(i) On 29 September 2022, the Board of Directors approved the discretionary bonuses of the Bank's directors, supervisors and executive officers for 2021.

(ii) In June 2021, according to the relevant resolutions passed at the 2020 Annual General Meeting of the Bank, Mr. Li Chaoxian and Mr. Shi Yongdong were elected as the Independent Non-Executive Directors of the Bank, whose qualifications as the Independent Non-Executive Directors were approved by the CBIRC in August 2021. At the same time, Mr. Leung Kam Chung, Antony and Mr. Zhao Jun ceased to be the Independent Non-Executive Directors of the Bank due to the expiry of their terms of office.

(iii) In August 2021, Mr. Xiong Liangjun was elected as the Employee Supervisor of the Bank at the employee representative meeting of the Bank. According to the resolutions passed at the 21st meeting of the Eleventh Session of the Board of Supervisors of the Bank, Mr. Xiong Liangjun was elected as the Chairman of the Board of Supervisors of the Bank.

(iv) In June 2021, according to the relevant resolutions passed at the 2020 Annual General Meeting of the Bank, Mr. Guo Xikun was elected as the Shareholder Supervisor of the Bank.

(v) In December 2021, Ms. Cai Jin was elected as the Employee Supervisor of the Bank at the employee representative meeting of the Bank.

(vi) In May 2021, Mr. Liu Jianjun ceased to be the Executive Director, Executive Vice President and Secretary of the Board of Directors of the Bank due to change of work arrangement.

(vii) In August 2021, Mr. Liu Yuan ceased to be the Chairman of Board of Supervisors and Employee Supervisor of the Bank due to change of work arrangement.

(viii) In April 2021, Mr. Wen Jianguo ceased to be the Shareholder Supervisor of the Bank due to change of work arrangement.

(ix) In December 2021, Mr. Liu Xiaoming ceased to be the Employee Supervisor of the Bank due to change of work arrangement.

(x) As of 31 December 2021, the Group had offered 10 phases of H share appreciation rights under the Scheme. Details of the Scheme are set out in Note 39 (a)(iii).

During the year of 2022 and 2021, no emoluments were paid by the Group to any of the persons who are directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

During the year of 2022 and 2021, there was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration.

12. Five highest paid individuals

During the year ended 31 December 2022, the five highest paid individuals included six persons in total, two of them were with the same emoluments and being the third highest paid individuals, and two of them were with the same emoluments and being the fourth highest paid individuals. During the year ended 31 December 2021, the five highest paid individuals included five persons in total, two of them were with the same emoluments and being the fourth highest paid individuals. Of these highest paid individuals, two (2021: three) were directors or supervisors of the Bank whose emoluments were included in Note 11 above. The aggregate emolument of the remaining four (2021: two) highest paid individuals who were neither directors nor supervisors of the Bank is as follows:

	2022	2021
	RMB'000	RMB'000
Salaries and other emoluments	**11,764**	6,048
Discretionary bonuses	**–**	2,568
Contributions to defined contribution retirement schemes	**–**	85
Total	**11,764**	8,701

These highest paid individuals who were neither directors nor supervisors of the Bank whose emoluments fell within the following bands is set out below:

	2022	2021
HKD		
3,000,001 – 3,500,000	**4**	–
3,500,001 – 4,000,000	**–**	2
4,000,001 – 4,500,000	**–**	–
4,500,001 – 5,000,000	**–**	–
5,000,001 – 5,500,000	**–**	–

13. Loans to directors, supervisors and executive officers

Loans to directors, supervisors and executive officers of the Group are as follows:

	2022	2021
Aggregate amount of relevant loans made by the Group outstanding at year end	**34**	61
Maximum aggregate amount of relevant loans made by the Group outstanding during the year	**47**	66

14. Expected credit losses

	2022	2021
Loans and advances to customers	45,157	37,020
– Loans and advances at amortised cost (Note 22(c)(i))	40,175	35,678
– Loans and advances at FVTOCI (Note 22(c)(ii))	4,982	1,342
Amounts due from banks and other financial institutions	(3,284)	6,110
Financial investments	3,879	15,848
– Debt investments at amortised cost (Note 23(b)(iii))	4,234	13,201
– Debt investments at FVTOCI (Note 23(c)(ii))	(355)	2,647
Financial guarantees and loan commitments	7,112	5,639
Other	3,887	1,345
Total	56,751	65,962

15. Income tax

(a) Income tax in the consolidated statement of profit or loss represents:

	2022	2021
Current income tax expense	34,276	38,141
– Chinese mainland	33,133	37,222
– Hong Kong	973	767
– Overseas	170	152
Deferred taxation	(8,457)	(10,802)
Total	25,819	27,339

(b) A reconciliation of income tax expense in the consolidated statement of profit or loss and that calculated at the applicable statutory tax rate is as follows:

	2022	2021
Profit before taxation	165,113	148,173
Tax at the PRC statutory income tax rate of 25% (2021: 25%)	41,278	37,043
Tax effects of the following items:		
– Effects of non-deductible expenses	1,593	1,392
– Effects of non-taxable income	(17,114)	(12,053)
– Effects of different applicable rates in other jurisdictions	(215)	(258)
– Transfer out of previously recognised deferred tax assets	955	1,716
– Tax effect of perpetual bond interest expense	(942)	(550)
– Other	264	49
Income tax expense	25,819	27,339

Note: Taxation for Hong Kong and overseas operations are charged at the applicable rates of tax prevailing in relevant regions.

16. Other comprehensive income

(a) Income tax effects relating to each component of other comprehensive income

	2022			2021		
	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount
Items that may be reclassified to profit or loss	732	553	1,285	8,382	(2,526)	5,856
– Net fair value (loss)/gain on debt instruments measured at FVTOCI	(7,353)	1,736	(5,617)	5,675	(1,519)	4,156
– Net changes in expected credit losses of debt instruments measured at FVTOCI	4,631	(1,160)	3,471	4,060	(1,024)	3,036
– Net movement in cash flow hedge reserve	135	(23)	112	88	17	105
– Share of other comprehensive (expense)/ income from equity-accounted investees	(1,155)	–	(1,155)	133	–	133
– Exchange difference on translation of financial statements of foreign operations	4,429	–	4,429	(1,574)	–	(1,574)
– Other	45	–	45	–	–	–
Items that will not be reclassified subsequently to profit or loss	40	(2)	38	1,176	157	1,333
– Net fair value gain on equity instruments designated at FVTOCI	52	(4)	48	1,158	160	1,318
– Remeasurement of defined benefit scheme	(12)	2	(10)	18	(3)	15
Other comprehensive income	772	551	1,323	9,558	(2,369)	7,189

(b) Movements relating to components of other comprehensive income are as follows:

	2022	2021
Net fair value (loss)/gain on debt instruments measured at FVTOCI		
Changes in fair value recognised during the year	(1,746)	6,793
Reclassification adjustments for amounts transferred to profit or loss upon disposal	(3,871)	(2,637)
Net movement in investment revaluation reserve during the year recognised in other comprehensive income	(5,617)	4,156
Net changes in expected credit losses of debt instruments measured at FVTOCI		
Changes in expected credit losses recognised during the year	3,471	3,036
Net movement in investment revaluation reserve during the year recognised in other comprehensive income	3,471	3,036
Net fair value gain on equity instruments designated at FVTOCI		
Changes in fair value recognised during the year	48	1,318
Net movement in investment revaluation reserve during the year recognised in other comprehensive income	48	1,318
Net movement in cash flow hedge reserve		
Effective portion of changes in fair value of hedging instruments	112	74
Reclassification adjustment for realised gain to profit or loss	–	31
Net movement in hedging reserve during the year recognised in other comprehensive income	112	105

17. Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders of the Bank and the weighted average number of shares in issue for the year. As there were no diluted potential ordinary shares for the years of 2022 and 2021, there was no difference between basic and diluted earnings per share for both years.

	2022	2021
Net profit attributable to equity holders of the Bank	**138,012**	119,922
Less: Net profit attributable to preference shareholders of the Bank	**(1,675)**	(1,638)
Net profit attributable to holders of perpetual bonds	**(3,562)**	(1,975)
Net profit attributable to ordinary shareholders of the Bank	**132,775**	116,309
Weighted average number of shares in issue (in million shares)	**25,220**	25,220
Basic and diluted earnings per share (in RMB Yuan)	**5.26**	4.61

Note:

The Bank issued non-cumulative preference shares in 2017 and non-cumulative perpetual bonds in 2020 and 2021. For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares and interests on non-cumulative perpetual bonds declared during the year should be deducted from the amounts attributable to equity holders of the Bank.

The conversion feature of preference shares is considered to be contingently issuable ordinary shares. The triggering events of conversion did not occur as of 31 December 2022 and 2021. Therefore the conversion feature of preference shares has no effect on the diluted earnings per share calculation for both years.

18. Balances with central banks

	2022	2021
Statutory deposit reserve (note (i))	**534,232**	484,878
Surplus deposit reserve (note (ii))	**50,846**	65,819
Other deposits with central banks (note (iii))	**2,455**	2,958
Interest receivable	**285**	243
Total	**587,818**	553,898

Notes:

(i) The Group places statutory deposit reserves with the People's Bank of China ("PBOC") and overseas central banks where it has operations. The statutory deposit reserves are not available for the Group's daily operations. The statutory deposit reserve funds of the Bank's institutions located in the Chinese mainland are calculated at 7.5% and 6% of eligible RMB deposits and foreign currency deposits respectively as at 31 December 2022 (31 December 2021: 8% and 9% of eligible RMB deposits and foreign currency deposits respectively). Eligible deposits include deposits from government authorities and other organisations, retail deposits, corporate deposits, and net credit balances of entrusted business and RMB deposits placed by financial institutions outside the Chinese mainland. The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions.

(ii) Surplus deposit reserve maintained with the PBOC and central banks outside the Chinese mainland are mainly for clearing and settlement purposes.

(iii) Other deposits with central banks primarily represent fiscal deposits and foreign exchange reserve placed with the PBOC.

19. Balances with banks and other financial institutions

	2022	2021
Principal (a)	**91,587**	80,664
Impairment allowances (a)(b)	**(509)**	(378)
Subtotal	**91,078**	80,286
Interest receivable	**268**	64
Total	**91,346**	80,350

(a) Analysed by nature of counterparties

	2022	2021
Balances in the Chinese mainland	**57,809**	37,453
– Banks	**54,808**	35,620
– Other financial institutions	**3,001**	1,833
Balances outside the Chinese mainland	**33,778**	43,211
– Banks	**33,390**	41,430
– Other financial institutions	**388**	1,781
Total	**91,587**	80,664
Less: Impairment allowances	**(509)**	(378)
– Banks	**(490)**	(329)
– Other financial institutions	**(19)**	(49)
Net carrying amount	**91,078**	80,286

(b) Movements of allowances for impairment losses are as follows:

	2022	2021
Balance as at the beginning of the year	**378**	277
Charge for the year (note 14)	**120**	109
Exchange difference	**11**	(8)
Balance as at the end of the year	**509**	378

20. Placements with banks and other financial institutions

	2022	2021
Principal (a)	264,782	196,351
Impairment allowances (a)(c)	(2,658)	(2,860)
Subtotal	262,124	193,491
Interest receivable	1,452	930
Total	263,576	194,421

(a) Analysed by nature of counterparties

	2022	2021
Placements in the Chinese mainland	202,381	127,959
– Banks	65,018	19,213
– Other financial institutions	137,363	108,746
Placements outside the Chinese mainland	62,401	68,392
– Banks	61,880	68,102
– Other financial institutions	521	290
Total	264,782	196,351
Less: Impairment allowances	(2,658)	(2,860)
– Banks	(163)	(136)
– Other financial institutions	(2,495)	(2,724)
Net carrying amount	262,124	193,491

(b) Analysed by remaining maturity

	2022	2021
Maturing		
– Within one month (inclusive)	89,368	66,842
– Between one month and one year (inclusive)	158,086	115,906
– Over one year	14,670	10,743
Total	262,124	193,491

(c) Movements of allowances for impairment losses are as follows:

	2022	2021
Balance as at the beginning of the year	2,860	376
(Release)/charge for the year (note 14)	(235)	2,481
Exchange difference	33	3
Balance as at the end of the year	2,658	2,860

21. Amounts held under resale agreements

	2022	2021
Principal (a)	**277,561**	528,564
Impairment allowances (a)(d)	**(1,094)**	(4,263)
Subtotal	**276,467**	524,301
Interest receivable	**209**	300
Total	**276,676**	524,601

(a) Analysed by nature of counterparties

	2022	2021
Amounts held under resale agreements in the Chinese mainland	**277,382**	528,447
– Banks	**42,077**	60,323
– Other financial institutions	**235,305**	468,124
Amounts held under resale agreements outside the Chinese mainland	**179**	117
– Other financial institutions	**179**	117
Total	**277,561**	528,564
Less: Impairment allowances	**(1,094)**	(4,263)
– Banks	**(216)**	(175)
– Other financial institutions	**(878)**	(4,088)
Net carrying amount	**276,467**	524,301

(b) Analysed by remaining maturity

	2022	2021
Maturing		
– Within one month (inclusive)	**268,890**	524,301
– Between one month and one year (inclusive)	**7,577**	–
Total	**276,467**	524,301

(c) Analysed by underlying assets

	2022	2021
Bonds	**256,129**	522,202
Bills	**20,338**	2,099
Total	**276,467**	524,301

(d) Movements of allowances for impairment losses are as follows:

	2022	2021
Balance as at the beginning of the year	**4,263**	743
(Release)/charge for the year (note 14)	**(3,169)**	3,520
Balance as at the end of the year	**1,094**	4,263

22. Loans and advances to customers

(a) Loans and advances to customers

	2022	2021
Gross amount of loans and advances to customers at amortised cost (i)	**5,432,112**	5,075,052
Interest receivable	**11,326**	10,548
Subtotal	**5,443,438**	5,085,600
Less: Loss allowances of loans and advances to customers at amortised cost (i)	**(254,913)**	(244,523)
Loss allowances of interest receivable	**(846)**	(971)
Subtotal	**(255,759)**	(245,494)
Loans and advances to customers at amortised cost	**5,187,679**	4,840,106
Loans and advances to customers at FVTOCI (ii)	**614,481**	488,004
Loans and advances to customers at FVTPL (iii)	**4,994**	7,281
Total	**5,807,154**	5,335,391

(i) Loans and advances to customers at amortised cost

	2022	2021
Corporate loans and advances	**2,270,323**	2,087,247
Retail loans and advances	**3,161,789**	2,987,791
Discounted bills	**–**	14
Gross amount of loans and advances to customers at amortised cost	**5,432,112**	5,075,052
Less: Loss allowances	**(254,913)**	(244,523)
– Stage 1 (12-month ECL)	**(159,932)**	(169,347)
– Stage 2 (Lifetime ECL – not credit-impaired)	**(44,898)**	(32,007)
– Stage 3 (Lifetime ECL – credit-impaired)	**(50,083)**	(43,169)
Net amount of loans and advances to customers at amortised cost	**5,177,199**	4,830,529

(ii) Loans and advances to customers at FVTOCI

	2022	2021
Corporate loans and advances	**100,430**	56,713
Discounted bills	**514,051**	431,291
Loans and advances to customers at FVTOCI	**614,481**	488,004
Loss allowances	**(6,563)**	(1,581)
– Stage 1 (12-month ECL)	**(6,311)**	(1,289)
– Stage 2 (Lifetime ECL – not credit-impaired)	**(252)**	(292)
– Stage 3 (Lifetime ECL – credit-impaired)	**–**	–

No loss allowance is recognised in the consolidated statement of financial position for loans and advances to customers at FVTOCI as the carrying amount is at fair value.

(iii) Loans and advances to customers at FVTPL

	2022	2021
Corporate loans and advances	**4,863**	6,978
Discounted bills	**3**	–
Interest receivable	**128**	303
Total	**4,994**	7,281

22. Loans and advances to customers *(continued)*

(b) Analysis of loans and advances to customers

(i) Analysed by industry sector and category:

Operations in the Chinese mainland

	2022	2021
Transportation, storage and postal services	**461,434**	412,417
Manufacturing	**445,218**	309,635
Property development	**349,682**	367,642
Production and supply of electric power, heating power, gas and water	**203,870**	187,611
Wholesale and retail	**171,786**	138,352
Leasing and commercial services	**158,320**	170,009
Construction	**103,998**	117,453
Telecommunications, software and IT services	**78,950**	58,267
Finance	**75,593**	57,988
Water, environment and public utilities management	**64,886**	64,427
Mining	**34,421**	28,854
Other	**67,677**	66,364
Subtotal of corporate loans and advances	**2,215,835**	1,979,019
Discounted bills	**514,054**	431,305
Residential mortgage	**1,379,825**	1,364,534
Credit cards	**884,395**	840,254
Micro-finance loans	**629,857**	560,657
Other	**213,599**	173,527
Subtotal of retail loans and advances	**3,107,676**	2,938,972
Gross amount of loans and advances to customers	**5,837,565**	5,349,296

Operations outside the Chinese mainland

	2022	2021
Finance	**36,521**	37,345
Transportation, storage and postal services	**30,814**	33,186
Property development	**26,298**	34,062
Manufacturing	**20,494**	23,763
Telecommunications, software and IT services	**10,908**	7,727
Production and supply of electric power, heating power, gas and water	**9,023**	7,077
Wholesale and retail	**8,923**	8,920
Mining	**6,074**	5,651
Leasing and commercial services	**3,430**	4,749
Construction	**1,772**	3,481
Water, environment and public utilities management	**110**	821
Other	**5,414**	5,137
Subtotal of corporate loans and advances	**159,781**	171,919
Discounted bills	**–**	–
Residential mortgage	**9,383**	9,872
Credit cards	**124**	117
Micro-finance loans	**1,181**	1,214
Other	**43,425**	37,616
Subtotal of retail loans and advances	**54,113**	48,819
Gross amount of loans and advances to customers	**213,894**	220,738

As at 31 December 2022, over 90% of the Group's loans and advances to customers were conducted in the Chinese mainland (31 December 2021: over 90%).

22. Loans and advances to customers *(continued)*

(b) Analysis of loans and advances to customers *(continued)*

(ii) Analysed by type of guarantees:

	2022	2021
Credit loans	**2,219,635**	1,977,014
Guaranteed loans	**836,550**	752,744
Collateralised loans	**2,132,337**	2,075,639
Pledged loans	**348,883**	333,332
Subtotal	**5,537,405**	5,138,729
Discounted bills	**514,054**	431,305
Gross amount of loans and advances to customers	**6,051,459**	5,570,034

(iii) Analysed by overdue term:

	2022				
	Overdue within 3 months	Overdue from 3 months up to 1 year	Overdue from 1 year up to 3 years	Overdue more than 3 years	Total overdue loans
Credit loans	**22,260**	**12,382**	**2,365**	**880**	**37,887**
Guaranteed loans	**6,533**	**7,537**	**3,581**	**762**	**18,413**
Collateralised loans	**5,180**	**6,177**	**2,913**	**1,696**	**15,966**
Pledged loans	**3,234**	**573**	**951**	**1,261**	**6,019**
Gross amount of loans and advances to customers	**37,207**	**26,669**	**9,810**	**4,599**	**78,285**

	2021				
	Overdue within 3 months	Overdue from 3 months up to 1 year	Overdue from 1 year up to 3 years	Overdue more than 3 years	Total overdue loans
Credit loans	18,097	10,269	2,972	944	32,282
Guaranteed loans	1,141	2,650	3,476	1,403	8,670
Collateralised loans	2,616	2,733	3,610	2,142	11,101
Pledged loans	473	687	791	3,422	5,373
Gross amount of loans and advances to customers	22,327	16,339	10,849	7,911	57,426

Note: Loans are classified as overdue when the principal or interest is overdue more than one day.

Among the above-mentioned overdue loans and advances to customers, collateralised loans and pledged loans that are overdue but not impaired at the reporting date are as follows:

	2022	2021
Collateralised loans that are overdue but not impaired	**4,198**	1,517
Pledged loans that are overdue but not impaired	**1,819**	473
Total	**6,017**	1,990

22. Loans and advances to customers *(continued)*

(b) Analysis of loans and advances to customers *(continued)*

(iv) Analysed by ECL

	2022			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Loans and advances measured at amortised cost	**5,217,868**	**156,240**	**58,004**	**5,432,112**
Less: Loss allowances of loans and advances to customers at amortised cost	**(159,932)**	**(44,898)**	**(50,083)**	**(254,913)**
Net amount of loans and advances to customers at amortised cost	**5,057,936**	**111,342**	**7,921**	**5,177,199**
Loans and advances to customers at FVTOCI	**612,660**	**1,821**	**–**	**614,481**
Loss allowances of loans and advances to customers at FVTOCI	**(6,311)**	**(252)**	**–**	**(6,563)**

	2021			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Loans and advances measured at amortised cost	4,912,836	111,354	50,862	5,075,052
Less: Loss allowances of loans and advances to customers at amortised cost	(169,347)	(32,007)	(43,169)	(244,523)
Net amount of loans and advances to customers at amortised cost	4,743,489	79,347	7,693	4,830,529
Loans and advances to customers at FVTOCI	485,735	2,269	–	488,004
Loss allowances of loans and advances to customers at FVTOCI	(1,289)	(292)	–	(1,581)

22. Loans and advances to customers *(continued)*

(c) Movements of allowance for expected credit loss

(i) Reconciliation of allowance for expected credit loss for loans and advances to customers measured at amortised cost:

	2022			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at the beginning of the year	169,347	32,007	43,169	244,523
Transfer to				
– Stage 1	3,039	(2,965)	(74)	–
– Stage 2	(7,699)	7,879	(180)	–
– Stage 3	(3,693)	(4,681)	8,374	–
(Release)/charge for the year (note 14)	(1,694)	12,653	29,216	40,175
Write-offs/disposals	–	(71)	(39,016)	(39,087)
Unwinding of discount on allowance	–	–	(386)	(386)
Recovery of loans and advances written off	–	–	8,972	8,972
Exchange difference	632	76	8	716
Balance as at the end of the year	159,932	44,898	50,083	254,913

	2021			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at the beginning of the year	159,918	27,401	47,107	234,426
Transfer to				
– Stage 1	5,848	(5,743)	(105)	–
– Stage 2	(1,137)	1,592	(455)	–
– Stage 3	(1,001)	(4,972)	5,973	–
Charge for the year (note 14)	5,766	13,763	16,149	35,678
Write-offs/disposals	–	–	(35,105)	(35,105)
Unwinding of discount on allowance	–	–	(247)	(247)
Recovery of loans and advances written off	–	–	9,893	9,893
Exchange difference	(47)	(34)	(41)	(122)
Balance as at the end of the year	169,347	32,007	43,169	244,523

(ii) Reconciliation of allowance for expected credit loss for loans and advances to customers measured at FVTOCI:

	2022	2021
Balance as at the beginning of the year	1,581	238
Charge for the year (note 14)	4,982	1,342
Exchange difference	–	1
Balance as at the end of the year	6,563	1,581

22. Loans and advances to customers *(continued)*

(d) Finance leases receivable

The table below provides an analysis of finance leases receivable included in loans and advances to customers for leases of assets in which the Group is a lessor:

	2022	2021
Total minimum leases receivable		
Within 1 year (inclusive)	**13,323**	15,035
Over 1 year but within 2 years (inclusive)	**11,035**	11,225
Over 2 years but within 3 years (inclusive)	**6,074**	8,519
Over 3 years but within 4 years (inclusive)	**6,089**	5,323
Over 4 years but within 5 years (inclusive)	**3,860**	5,580
Over 5 years	**17,448**	13,980
Subtotal	**57,829**	59,662
Unearned finance income	**(9,665)**	(8,378)
Present value of minimum leases receivable	**48,164**	51,284
Less: Impairment allowances	**(3,671)**	(3,237)
– Stage 1 (12-month ECL)	**(1,308)**	(1,872)
– Stage 2 (Lifetime ECL – not credit-impaired)	**(1,646)**	(632)
– Stage 3 (Lifetime ECL – credit-impaired)	**(717)**	(733)
Net carrying amount of finance leases receivable	**44,493**	48,047

23. Financial investments

	Notes	2022	2021
Financial investments at fair value through profit or loss	23(a)	**423,467**	348,123
Debt investments at amortised cost	23(b)	**1,555,457**	1,185,841
Debt investments at FVTOCI	23(c)	**780,349**	636,038
Equity investments designated at FVTOCI	23(d)	**13,416**	6,995
Total		**2,772,689**	2,176,997

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

	Notes	2022	2021
Financial investments measured at FVTPL	(i)	**411,591**	318,245
Financial assets designated at fair value through profit or loss	(ii)	**11,876**	29,878
Total		**423,467**	348,123

23. Financial investments *(continued)*

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

(i) Financial investments measured at FVTPL

Financial investments held for trading

	2022	2021
Bonds:		
Classified by issuer	**182,416**	129,792
– Government bonds	**81,781**	46,721
– Bonds issued by policy banks	**21,871**	9,861
– Bonds issued by commercial banks and other financial institutions	**35,999**	21,245
– Other debt securities	**42,765**	51,965
Classified by listing	**182,416**	129,792
– Listed in the Chinese mainland	**167,998**	113,762
– Listed outside the Chinese mainland	**12,215**	15,796
– Unlisted	**2,203**	234
Other investments:		
Classified by underlying assets	**1,971**	1,949
– Equity investments	**17**	–
– Fund investments	**814**	811
– Wealth management products	**1,032**	1,036
– Long position in precious metal contracts	**108**	102
Classified by listing	**1,971**	1,949
– Listed outside the Chinese mainland	**134**	111
– Unlisted	**1,837**	1,838
Total financial investments held for trading	**184,387**	131,741

23. Financial investments *(continued)*

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

(i) Financial investments measured at FVTPL *(continued)*

Other financial investments measured at FVTPL

	2022	2021
Bonds:		
Classified by issuer	**20,789**	17,094
– Bonds issued by commercial banks and other financial institutions	**14,039**	9,784
– Other debt securities	**6,750**	7,310
Classified by listing	**20,789**	17,094
– Listed in the Chinese mainland	**18,216**	15,388
– Listed outside the Chinese mainland	**1,872**	1,333
– Unlisted	**701**	373
Other investments:		
Classified by underlying assets	**206,415**	169,410
– Equity investments	**4,362**	4,909
– Fund investments	**199,725**	161,959
– Wealth management products	**1,511**	1,360
– Other	**817**	1,182
Classified by listing	**206,415**	169,410
– Listed in the Chinese mainland	**330**	62
– Listed outside the Chinese mainland	**653**	1,118
– Unlisted	**205,432**	168,230
Total other financial investments measured at FVTPL	**227,204**	186,504
Total financial investments measured at FVTPL	**411,591**	318,245

(ii) Financial investments designated at fair value through profit or loss

	2022	2021
Bonds:		
Classified by issuer	**11,876**	29,878
– Government Bonds	**218**	41
– Bonds issued by policy banks	**4,559**	17,970
– Bonds issued by commercial banks and other financial institutions	**6,370**	11,251
– Other debt securities	**729**	616
Classified by listing	**11,876**	29,878
– Listed in the Chinese mainland	**11,656**	28,793
– Listed outside the Chinese mainland	**220**	1,060
– Unlisted	**–**	25

23. Financial investments *(continued)*

(b) Debt investments at amortised cost

	2022	2021
Debt investments at amortised cost (i)(ii)	**1,579,845**	1,209,359
Interest receivable	**19,294**	16,368
Subtotal	**1,599,139**	1,225,727
Impairment losses of principal (i)(ii)(iii)	**(43,448)**	(39,707)
Impairment losses of interest receivable	**(234)**	(179)
Subtotal	**(43,682)**	(39,886)
Total	**1,555,457**	1,185,841

(i) Debt investments at amortised cost:

	2022	2021
Bonds:		
Classified by issuer	**1,452,499**	1,078,888
– Government bonds	**993,624**	768,537
– Bonds issued by policy banks	**394,126**	280,129
– Bonds issued by commercial banks and other financial institutions	**56,913**	20,064
– Other debt securities	**7,836**	10,158
Classified by listing	**1,452,499**	1,078,888
– Listed in the Chinese mainland	**1,395,184**	1,068,300
– Listed outside the Chinese mainland	**33,319**	4,740
– Unlisted	**23,996**	5,848
Fair value for the listed bonds	**1,457,373**	1,099,251
Other investments:		
Classified by underlying assets	**127,346**	130,471
– Non-standard assets – Loans and advances to customers	**108,616**	115,022
– Non-standard assets – Creditor's beneficiary rights to other commercial banks	**5,500**	100
– Non-standard assets – Other	**12,582**	14,729
– Other	**648**	620
Classified by listing	**127,346**	130,471
– Unlisted	**127,346**	130,471
Total	**1,579,845**	1,209,359
Less: Loss allowances	**(43,448)**	(39,707)
Stage 1 (12-month ECL)	**(10,120)**	(14,974)
Stage 2 (Lifetime ECL – not credit-impaired)	**(960)**	(712)
Stage 3 (Lifetime ECL – credit-impaired)	**(32,368)**	(24,021)
Net debt investments at amortised cost	**1,536,397**	1,169,652

23. Financial investments *(continued)*

(b) Debt investments at amortised cost *(continued)*

(ii) Analysed by stage of ECL:

	2022			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Debt investments at amortised cost	1,543,652	2,073	34,120	1,579,845
Less: Loss allowances of debt investments at amortised cost	(10,120)	(960)	(32,368)	(43,448)
Net debt investments at amortised cost	1,533,532	1,113	1,752	1,536,397

	2021			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Debt investments at amortised cost	1,183,320	1,962	24,077	1,209,359
Less: Loss allowances of debt investments at amortised cost	(14,974)	(712)	(24,021)	(39,707)
Net debt investments at amortised cost	1,168,346	1,250	56	1,169,652

(iii) Movements of allowances for expected credit loss

	2022			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at the beginning of the year	14,974	712	24,021	39,707
Transfer to:				
– Stage 1	–	–	–	–
– Stage 2	(27)	27	–	–
– Stage 3	(153)	(298)	451	–
(Release)/charge for the year (note 14)	(4,674)	518	8,390	4,234
Write-offs/disposals	–	–	(531)	(531)
Recovery of debt previously written off	–	–	28	28
Exchange difference	–	1	9	10
Balance as at the end of the year	10,120	960	32,368	43,448

23. Financial investments *(continued)*

(b) Debt investments at amortised cost *(continued)*

(iii) Movements of allowances for expected credit loss *(continued)*

	2021			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at the beginning of the year	11,832	326	13,960	26,118
Transfer to:				
– Stage 1	–	–	–	–
– Stage 2	(5)	5	–	–
– Stage 3	–	–	–	–
Charge for the year (note 14)	3,156	381	9,664	13,201
Write-offs/disposals	–	–	(10)	(10)
Recovery of debt previously written off	–	–	419	419
Exchange difference	(9)	–	(12)	(21)
Balance as at the end of the year	14,974	712	24,021	39,707

(c) Debt investments at FVTOCI

	2022	2021
Debt investments at FVTOCI (i)	**771,271**	628,355
Interest receivable	**9,078**	7,683
Total	**780,349**	636,038
Impairment losses of debt investments at FVTOCI (ii)	**(6,540)**	(6,622)
Impairment losses of interest receivable	**(80)**	(84)
Total	**(6,620)**	(6,706)

No impairment allowances are recognised in the consolidated statement of financial position for debt investments at FVTOCI as the carrying amount is at fair value.

(i) Debt investments at FVTOCI:

	2022	2021
Bonds:		
Classified by issuer	**771,271**	628,355
– Government bonds	**524,651**	390,419
– Bonds issued by policy banks	**74,072**	82,427
– Bonds issued by commercial banks and other financial institutions	**119,602**	106,139
– Other debt securities	**52,946**	49,370
Classified by listing	**771,271**	628,355
– Listed in the Chinese mainland	**611,110**	522,889
– Listed outside the Chinese mainland	**90,148**	65,439
– Unlisted	**70,013**	40,027

23. Financial investments *(continued)*

(c) Debt investments at FVTOCI *(continued)*

(ii) Movements of allowances for expected credit loss

	2022	2021
Balance as at the beginning of the year	**6,622**	4,014
(Release)/charge for the year (note 14)	**(355)**	2,647
Exchange difference	**273**	(39)
Balance as at the end of the year	**6,540**	6,622

(d) Equity investments designated at FVTOCI

	2022	2021
Repossessed equity instruments	**3,266**	901
Other	**10,150**	6,094
Total	**13,416**	6,995
Classified by listing		
– Listed in the Chinese mainland	**1,412**	65
– Listed outside the Chinese mainland	**2,744**	2,204
– Unlisted	**9,260**	4,726
Total	**13,416**	6,995

During the year ended 31 December 2022, the Group disposed part of the equity investments designated at FVTOCI. The fair value of the equity investments disposed at the date of derecognition was RMB2,879 million (2021: RMB2,186 million). The cumulative net of tax gain of RMB20 million (2021: cumulative net of tax gain of RMB1,804 million) was transferred from investment revaluation reserve to retained earnings on disposal.

24. Particulars of principal subsidiaries of the bank

The following list contains particulars of subsidiaries which principally affected the financial results, assets or liabilities of the Group. Unless otherwise stated, the class of all shares held is ordinary. All of these companies are subsidiaries as defined under Note 4(1) and have been included in the scope of the consolidated financial statements of the Group.

Name of company	Place of incorporation and operation	Particulars of the issued and paid up capital (in millions)	% of ownership held by the Bank	Principal activities	Economic nature	Legal representative
CMB International Capital Holdings Corporation Limited (note (i))	Hong Kong	HKD4,129	100%	Investment bank and investment management	Limited liability	Wang Liang
CMB Financial Leasing Company Limited (note (ii))	Shanghai	RMB12,000	100%	Finance leasing	Limited liability	Shi Shunhua
CMB Wing Lung Bank Limited (note (iii))	Hong Kong	HKD1,161	100%	Banking	Limited liability	Liu Yuan
China Merchants Fund Management Co., Ltd. (note (iv))	Shenzhen	RMB1,310	55%	Fund management	Limited liability	Wang Xiaoqing
CMB Wealth Management Co., Ltd (note (v))	Shenzhen	RMB5,556	90%	Asset management	Limited liability	Chen Yisong
China Merchants Europe S.A. (note (vi))	Luxembourg	EUR50	100%	Banking	Limited liability	Li Biao
Cigna & CMB Asset Management Company Limited (note (vii))	Beijing	RMB500	(note (vii))	Asset management	Limited liability	Wang Xiaoqing

24. Particulars of principal subsidiaries of the bank *(continued)*

Notes:

(i) CMB International Capital Holdings Corporation Limited ("CMBIC"), formerly known as Jiangnan Finance Company Limited and CMB International Capital Corporation Limited, is the Bank's wholly-owned subsidiary approved for setting up by the PBOC through its Yin Fu 〔1998〕 No. 405. In 2014, the Bank made an additional capital contribution of HKD750 million in CMBIC. The capital of CMBICH increased to HKD1,000 million, and the Bank's shareholding percentage remained unchanged. The Board of Directors passed "The Resolution regarding the Capital Increase and Restructuring of CMBIC" which agreed that the Bank made capital contribution of USD400 million (or its equivalent) to CMBIC on 28 July 2015. The capital contribution was completed on 20 January 2016.

(ii) CMB Financial Leasing Company Limited ("CMBFL") is a wholly-owned subsidiary of the Bank approved for setting up by the CBIRC through its Yin Jian Fu 〔2008〕 No. 110 and commenced its operation in April 2008. In 2014, the Bank made an additional capital contribution of RMB2,000 million in CMBFL. The capital of CMBFL increased to RMB6,000 million and the Bank's shareholding percentage remains unchanged. In August 2021, CMBFL converted RMB6,000 million of its retained earnings into share capital, and the capital of CMBFL increased to RMB12,000 million. The Bank's shareholding percentage remained unchanged.

(iii) CMB Wing Lung Bank Limited ("CMB WLB") was formerly known as Wing Lung Bank Limited. On 30 September 2008, the Bank acquired a 53.12% equity interests in CMB WLB. CMB WLB became a wholly owned subsidiary of the Bank on 15 January 2009. CMB WLB had withdrawn from listing on the HKEx as of 16 January 2009. The Chairman of CMB WLB changed from Liu Yuan to Wang Liang on February 24, 2023.

(iv) In 2012, the Bank acquired 21.60% equity interests in China Merchants Fund Management Co., Ltd. ("CMFM"), its former associate, from ING Asset Management B.V. at a consideration of EUR63,567,567.57. Following the settlement of the above consideration in cash, the Bank's shareholding in CMFM increased from 33.40% to 55.00% in 2013. As a result, the Bank obtained the control over CMFM, which became the Bank's subsidiary on 28 November 2013. In December 2017, the Bank made an additional capital contribution of RMB605 million in CMFM, and other shareholders of CMFM also made capital contribution of RMB495 million proportionally. The capital of CMFM increased to RMB1,310 million, and the Bank's shareholding percentage remained unchanged.

(v) CMB Wealth Management Co., Ltd. ("CMBWM") is a wholly-owned subsidiary of the Bank, approved for setting up by the CBIRC with Yin Bao Jian Fu 〔2019〕 No. 981. It was formally established on November 1 2019. In accordance with the approval of CBIRC (Yin Bao Jian Fu 〔2021〕 No.920)", JPMorgan Asset Management (Asia Pacific) Limited ("JPMorgan Asset Management") has subscribed for a 10% stake in CMBWM in 2022 with an investment of RMB2,667 million. After the completion of capital injection, CMBWM's registered capital has been increased to approximately RMB5,556 million from RMB5,000 million and the Bank's and JPMorgan Asset Management's shareholdings are 90% and 10% respectively.

(vi) China Merchants Europe S.A. ("CMB Europe S.A.") is a wholly-owned subsidiary of the Bank approved by the CBIRC with Yin Jian Fu 〔2016〕 No. 460. The Bank received an approval from the European Central Bank (ECB) for the establishment of CMB Europe S.A. in Luxembourg in May 2021.

(vii) Cigna & CMB Asset Management Company Limited ("CIGNA & CMAM") was registered and established on 18 October 2020 with the approval for setting up by the CBIRC with Yin Bao Jian Fu 〔2020〕 No.708. CIGNA & CMAM is an indirectly controlled subsidiary of the Bank, with 87.3458% held by CIGNA & CMB Life Insurance Co., Ltd., a joint venture of the Bank, and 12.6542% held by CMBIC, a subsidiary of the Bank.

25. Interests in joint ventures

	2022	2021
Share of net assets	**14,247**	14,779
Share of profits for the year	**1,710**	2,877
Share of other comprehensive (expense)/income for the year	**(997)**	133

Details of the Group's interests in major joint ventures are as follows:

Name of joint ventures	Economic nature	Place of incorporation and operation	Particulars of issued and paid up capital (in millions)	Group's effective interest	Percentage of ownership held by the Bank	Principal activity
CIGNA & CMB Life Insurance Co., Ltd. (note(i))	Limited liability	Shenzhen	RMB2,800	50.00%	50.00%	Life insurance business
Merchants Union Consumer Finance Company Limited (note(ii))	Limited liability	Shenzhen	RMB10,000	50.00%	50.00%	Consumer finance

Notes:

(i) The Group holds 50.00% equity interests in CIGNA & CMB Life Insurance Co., Ltd.,("CIGNA & CMB Life") and Cigna Health and Life Insurance Company ("CHLIC") holds the other 50.00% equity interests. The Bank and CHLIC share the joint venture's risk, profits and losses based on their shareholding proportionally. The Bank's investment in CIGNA & CMB Life is accounted for as an investment in a joint venture.

(ii) CMB WLB, one of the Group's wholly-owned subsidiaries, and China United Network Communications Limited ("CUNC"), a subsidiary of China Unicom Limited, jointly set up Merchants Union Consumer Finance Company Limited ("MUCFC"). CBIRC approved the operation of MUCFC on 3 March 2015. CMB WLB and CUNC each held 50% equity interests in MUCFC and share the risks, profits and losses proportionally based on their shareholdings. In December 2017, the Bank and CUNC made a capital contribution of RMB600 million in MUCFC respectively. After the capital injection, the capital of MUCFC increased to RMB2,859 million, with the Bank's shareholding percentage becoming 15%, CMB WLB's shareholding percentage becoming 35%, and the Group's total shareholding percentage remained at 50%. In December 2018, the Bank made another capital contribution of RMB1,000 million in MUCFC, and CUNC made the same amount of capital injection. After that, the share capital of MUCFC has reached 3,869 million. The Bank and CMB WLB then held 24.15% and 25.85% of equity interests in MUCFC, respectively, and the Group's total shareholding percentage remained at 50%.

In July 2021, CMB WLB transferred all its shares of MUCFC to the Bank. After the transfer, the Bank and CUNC each held 50% of equity interests in MUCFC, and the Group's total shareholding percentage remained unchanged. In October 2021, MUCFC converted RMB1,331 million of its capital reserve and RMB4,800 million of its retained earnings into share capital, and the share capital of MUCFC increased to RMB10,000 million after the conversion.

25. Interests in joint ventures *(continued)*

Summarised financial information with necessary adjustments in accordance with the Group's accounting policies of the joint ventures which are individually material to the Group is as follows:

(i) CIGNA & CMB Life

	Assets	Liabilities	Equity	Revenue	Net profit	Other comprehensive (expense)/ income	Total comprehensive (expense)/ income	Cash and cash equivalents	Depreciation and amortisation	Income tax
2022										
CIGNA & CMB Life	**130,758**	**121,145**	**9,613**	**31,841**	**730**	**(1,996)**	**(1,266)**	**1,071**	**147**	**(475)**
Group's effective interest	**65,116**	**60,573**	**4,543**	**15,921**	**336**	**(997)**	**(661)**	**536**	**74**	**(238)**
2021										
CIGNA & CMB Life	108,815	97,686	11,129	26,635	1,174	268	1,442	1,290	151	(43)
Group's effective interest	54,172	48,843	5,329	13,318	565	133	698	645	76	(22)

(ii) MUCFC:

	Assets	Liabilities	Equity	Revenue	Net profit	Total comprehensive income	Cash and cash equivalents	Depreciation and amortisation	Income tax
2022									
MUCFC	**164,346**	**147,279**	**17,067**	**17,501**	**3,329**	**3,329**	**5,425**	**47**	**500**
Group's effective interest	**82,174**	**73,640**	**8,534**	**8,751**	**1,665**	**1,665**	**2,713**	**24**	**250**
2021									
MUCFC	149,698	135,660	14,038	15,933	3,015	3,015	4,655	42	477
Group's effective interest	74,849	67,830	7,019	7,967	1,507	1,507	2,328	21	239

Summarised financial information of the joint ventures that are not individually material to the Group is as follows:

	Net (loss)/ profit	Other comprehensive expense	Total comprehensive (expense)/ income
2022			
Other joint ventures	**(2,874)**	**–**	**(2,874)**
Group's effective interest	**(291)**	**–**	**(291)**
2021			
Other joint ventures	4,675	(3)	4,672
Group's effective interest	805	–	805

26. Interests in associates

	2022	2021
Share of net assets	9,597	8,875
Share of profits for the year	815	1,153
Share of other comprehensive expense for the year	(158)	–

Details of the Group's interest in major associate are as follows:

	Economic nature	Place of incorporation and operation	Particulars of issued and paid up capital (in millions)	Group's effective interest	Percentage of ownership held by the Bank	Principal activity
Bank of Taizhou Co., Ltd. (Note)	Limited liability	Taizhou	RMB1,800	24.8559%	24.8559%	Commercial Bank

Note: The Bank, which originally held a 10% stake in Bank of Taizhou, acquired a total of 14.8559% stake from Ping An Trust Co., Ltd. and Ping An Life Insurance Company of China, Ltd. at a total consideration of RMB3,121 million on 31 May 2021. Upon the completion of the transaction, the Bank held 24.8559% stake of Bank of Taizhou. The Bank can exercise significant influence on Bank of Taizhou and therefore this investment is converted from equity investments designated at FVTOCI to interests in associates.

Summarised financial information of the associate which is individually material to the Group is as follows:

	Assets	Liabilities	Equity	Revenue	Net profit	Other comprehensive expense	Total comprehensive income	Cash and cash equivalents	Depreciation and amortisation	Income tax
2022										
Bank of Taizhou Co., Ltd.	372,578	343,254	29,324	11,034	4,445	(138)	4,307	20,368	522	1,196
Group's effective interest	91,509	85,319	6,190	2,743	1,004	(35)	969	5,063	130	297

	Assets	Liabilities	Equity	Revenue	Net profit	Other comprehensive expense	Total comprehensive income	Cash and cash equivalents	Depreciation and amortisation	Income tax
2021(note)										
Bank of Taizhou Co., Ltd.	316,172	289,731	26,441	6,775	2,215	30	2,245	11,665	287	604
Group's effective interest	77,536	72,015	5,521	1,684	490	9	499	2,899	71	150

Note: The period of 2021 for profit or loss and other comprehensive income is from 1 June 2021 to 31 December 2021.

Summarised financial information of the associates that are not individually material to the Group is as follows:

	Net (loss)/ profit	Other comprehensive expense	Total comprehensive (expense)/ income
2022			
Other associates	(11,527)	(737)	(12,264)
Group's effective interest	(189)	(123)	(312)
2021			
Other associates	37,958	(65)	37,893
Group's effective interest	663	(9)	654

27. Investment properties

	2022	2021
Cost:		
At 1 January	3,135	3,276
Transfers in/(out)	13	(86)
Exchange difference	153	(55)
At 31 December	3,301	3,135
Accumulated depreciation:		
At 1 January	1,763	1,653
Depreciation	132	155
Transfers in/(out)	33	(7)
Exchange difference	105	(38)
At 31 December	2,033	1,763
Net carrying amount:		
At 31 December	1,268	1,372
At 1 January	1,372	1,623

As at 31 December 2022, no impairment allowance was considered necessary for investment properties by the Group (2021: Nil).

Investment properties of the Group mainly represent the leased properties of CMB WLB and the Bank that have been leased out under operating leases. The fair value of the Group's investment properties is determined by the market approach and the method of capitalisation of net rental income. As at 31 December 2022, the fair value of these properties was RMB5,534 million (31 December 2021: RMB5,279 million).

The Group's total future minimum leases receivable under non-cancellable operating leases are as follows:

	2022	2021
Within 1 year (inclusive)	289	313
1 year to 2 years (inclusive)	240	170
2 year to 3 years (inclusive)	184	127
3 year to 4 years (inclusive)	153	106
4 year to 5 years (inclusive)	102	105
Over 5 years	275	359
Total	1,243	1,180

The fair value hierarchy of the investment properties of the Group are listed as follows:

	Level 1	Level 2	Level 3	Fair Value as at 31 December 2022
Located in the Chinese mainland	–	3,140	–	3,140
Located overseas	–	–	2,394	2,394
Total	–	3,140	2,394	5,534

	Level 1	Level 2	Level 3	Fair Value as at 31 December 2021
Located in the Chinese mainland	–	3,076	–	3,076
Located overseas	–	–	2,203	2,203
Total	–	3,076	2,203	5,279

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

28. Property and equipment

	Land and buildings	Construction in progress	Computer equipment	Leasehold improvements	Aircraft, vessels and professional equipment	Other	Total
Cost:							
At 1 January 2022	28,876	3,502	16,860	10,925	61,327	5,909	127,399
Additions	24	1,910	1,898	649	26,872	357	31,710
Reclassification and transfers	1,490	(1,625)	162	122	–	(162)	(13)
Disposals	(150)	–	(517)	(100)	(7,912)	(643)	(9,322)
Exchange difference	261	–	113	82	5,454	17	5,927
At 31 December 2022	30,501	3,787	18,516	11,678	85,741	5,478	155,701
Accumulated depreciation:							
At 1 January 2022	12,998	–	12,924	7,028	9,051	4,465	46,466
Depreciation	1,286	–	2,174	1,103	5,027	557	10,147
Reclassification and transfers	(33)	–	113	–	–	(113)	(33)
Disposals	(87)	–	(497)	(70)	(1,653)	(578)	(2,885)
Exchange difference	175	–	77	(16)	686	13	935
At 31 December 2022	14,339	–	14,791	8,045	13,111	4,344	54,630
Impairment loss:							
At 1 January 2022	20	–	–	–	498	–	518
Charge	–	–	–	–	778	–	778
Disposals	–	–	–	–	(194)	–	(194)
Exchange difference	–	–	–	–	50	–	50
At 31 December 2022	20	–	–	–	1,132	–	1,152
Net carrying amount:							
At 31 December 2022	16,142	3,787	3,725	3,633	71,498	1,134	99,919
At 1 January 2022	15,858	3,502	3,936	3,897	51,778	1,444	80,415

28. Property and equipment *(continued)*

	Land and buildings	Construction in progress	Computer equipment	Leasehold improvements	Aircraft, vessels and professional equipment	Other	Total
Cost:							
At 1 January 2021	28,279	3,107	15,149	9,661	48,124	6,299	110,619
Additions	539	743	2,420	1,106	17,879	563	23,250
Reclassification and transfers	169	(348)	20	223	–	22	86
Disposals	(19)	–	(698)	(18)	(3,415)	(971)	(5,121)
Exchange difference	(92)	–	(31)	(47)	(1,261)	(4)	(1,435)
At 31 December 2021	28,876	3,502	16,860	10,925	61,327	5,909	127,399
Accumulated depreciation:							
At 1 January 2021	11,750	–	11,489	6,132	6,729	4,813	40,913
Depreciation	1,314	–	2,097	950	3,822	519	8,702
Reclassification and transfers	6	–	17	–	–	(16)	7
Disposals	(14)	–	(661)	(15)	(1,290)	(848)	(2,828)
Exchange difference	(58)	–	(18)	(39)	(210)	(3)	(328)
At 31 December 2021	12,998	–	12,924	7,028	9,051	4,465	46,466
Impairment loss:							
At 1 January 2021	–	–	–	–	236	–	236
Charge	20	–	–	–	267	–	287
Exchange difference	–	–	–	–	(5)	–	(5)
At 31 December 2021	20	–	–	–	498	–	518
Net carrying amount:							
At 31 December 2021	15,858	3,502	3,936	3,897	51,778	1,444	80,415
At 1 January 2021	16,529	3,107	3,660	3,529	41,159	1,486	69,470

(a) As at 31 December 2022, the process of obtaining the registration certificate for the Group's properties with an aggregate net carrying value of RMB1,108 million (31 December 2021: RMB1,026 million) was still in progress. Management is of the view that the aforesaid matter would neither affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

(b) As at 31 December 2022, the Group had no significant unused property and equipment (31 December 2021: None).

(c) As at 31 December 2022, the carrying value of mortgaged aircraft and vessels for placements from banks and other financial institutions of the CMBFL was RMB24,512 million (31 December 2021: RMB15,075 million).

(d) The Group's total future minimum lease receivables under non-cancellable operating leases are as follows:

	2022	2021
Within 1 year (inclusive)	**11,306**	7,765
1 year to 2 years (inclusive)	**9,601**	7,148
2 year to 3 years (inclusive)	**8,134**	5,796
3 year to 4 years (inclusive)	**7,087**	4,862
4 year to 5 years (inclusive)	**6,151**	4,253
Over 5 years	**19,876**	13,357
Total	**62,155**	43,181

29. Lease contracts

(a) Right-of-use assets

	Land use rights	Buildings	Computer equipment	Motor vehicles and other	Total
Cost:					
At 1 January 2022	5,985	23,070	7	16	29,078
Additions	–	3,656	4	7	3,667
Decrease	–	(2,848)	(1)	(12)	(2,861)
Exchange difference	15	48	–	–	63
At 31 December 2022	6,000	23,926	10	11	29,947
Accumulated depreciation:					
At 1 January 2022	1,190	9,414	3	9	10,616
Depreciation (note 10)	181	3,965	3	2	4,151
Decrease	–	(2,458)	(1)	(9)	(2,468)
Exchange difference	4	32	–	–	36
At 31 December 2022	1,375	10,953	5	2	12,335
Impairment loss:					
At 1 January 2022	59	–	–	–	59
At 31 December 2022	59	–	–	–	59
Net carrying amount:					
At 31 December 2022	4,566	12,973	5	9	17,553
At 1 January 2022	4,736	13,656	4	7	18,403

	Land use rights	Buildings	Computer equipment	Motor vehicles and other	Total
Cost:					
At 1 January 2021	5,957	21,122	4	16	27,099
Additions	33	4,071	5	1	4,110
Decrease	–	(2,107)	(2)	(1)	(2,110)
Exchange difference	(5)	(16)	–	–	(21)
At 31 December 2021	5,985	23,070	7	16	29,078
Accumulated depreciation:					
At 1 January 2021	1,009	6,978	2	6	7,995
Depreciation (note 10)	182	4,070	3	4	4,259
Decrease	–	(1,629)	(2)	(1)	(1,632)
Exchange difference	(1)	(5)	–	–	(6)
At 31 December 2021	1,190	9,414	3	9	10,616
Impairment loss:					
At 1 January 2021	–	–	–	–	–
Charge	59	–	–	–	59
At 31 December 2021	59	–	–	–	59
Net carrying amount:					
At 31 December 2021	4,736	13,656	4	7	18,403
At 1 January 2021	4,948	14,144	2	10	19,104

The Group mainly leases land use rights and buildings for its operations. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee.

29. Lease contracts *(continued)*

(b) Lease liabilities

Analysis of the Group's lease liabilities by remaining maturity is as follows:

	2022	2021
Within 1 month (inclusive)	**503**	506
1 month to 3 months (inclusive)	**591**	536
3 months to 1 year (inclusive)	**3,091**	2,989
1 year to 2 years (inclusive)	**3,038**	3,228
2 year to 5 years (inclusive)	**4,612**	4,925
Over 5 years	**1,178**	1,628
Total	**13,013**	13,812

Interest expense on lease liabilities are set out in note 7.

(c) Short-term leases and leases of low-value assets

Short-term lease expense and leases of low-value assets expense are disclosed in note 10. The Group entered into short-term leases for buildings, computer equipment, motor vehicles and other.

(d) During the year of 2022, total cash outflow of the Group's leases amounted to RMB4,932 million (2021: RMB4,835 million).

(e) As at 31 December 2022 and 2021, the leases committed but not yet commenced were not significant.

30. Intangible assets

	Software and other	Core deposits	Total
Cost/appraisal value:			
At 1 January 2022	10,045	1,083	11,128
Additions	347	–	347
Disposals	(13)	–	(13)
Exchange difference	14	98	112
At 31 December 2022	10,393	1,181	11,574
Accumulated amortisation:			
At 1 January 2022	6,550	512	7,062
Charge for the year (note 10)	1,021	40	1,061
Disposals	(10)	–	(10)
Exchange difference	11	48	59
At 31 December 2022	7,572	600	8,172
Net carrying amount:			
At 31 December 2022	2,821	581	3,402
At 1 January 2022	3,495	571	4,066

	Software and other	Core deposits	Total
Cost/appraisal value:			
At 1 January 2021	9,576	1,118	10,694
Additions	479	–	479
Exchange difference	(10)	(35)	(45)
At 31 December 2021	10,045	1,083	11,128
Accumulated amortisation:			
At 1 January 2021	5,442	489	5,931
Charge for the year (note 10)	1,114	39	1,153
Exchange difference	(6)	(16)	(22)
At 31 December 2021	6,550	512	7,062
Net carrying amount:			
At 31 December 2021	3,495	571	4,066
At 1 January 2021	4,134	629	4,763

31. Goodwill

	As at 31 December 2021	Addition during the year	Decrease during the year	As at 31 December 2022
CMB WLB (note (i))	10,177	–	–	10,177
CMFM (note (ii))	355	–	–	355
CMI (note (iii))	–	45	–	45
Zhaoyin Internet (note (iv))	1	–	–	1
Total	10,533	45	–	10,578
Less: Impairment allowances – CMB WLB	(579)	–	–	(579)
Net carrying amount	9,954	45	–	9,999

Notes:

(i) On 30 September 2008, the Bank acquired a 53.12% equity interests in CMB WLB. On the acquisition date, the fair value of CMB WLB's identifiable net assets was RMB12,898 million, of which the Bank accounted for RMB6,851 million. A sum of RMB10,177 million, being the excess of acquisition cost over the fair value of the identifiable net assets, was recognised as goodwill. The details about CMB WLB are set out in Note 24.

(ii) On 28 November 2013, the Bank acquired a 55.00% equity interests in CMFM. On the acquisition date, the fair value of CMFM's identifiable net assets was RMB752 million, of which the Bank accounted for RMB414 million. A sum of RMB355 million, being the excess of acquisition cost of RMB769 million over the fair value of the identifiable net assets, was recognised as goodwill. The details about CMFM are set out in Note 24.

(iii) On 30 December, 2022, CMB Wing Lung Insurance Company Limited, a subsidiary of CMB WLB, issued shares to purchase the business of China Merchants Insurance Company Limited ("CMI"). On the acquisition date, the fair value of CMI 's identifiable net assets was RMB357 million. A sum of RMB45 million, being the excess of acquisition cost of RMB402 million over the fair value of the identifiable net assets, was recognised as goodwill.

(iv) On 1 April 2015, CMBIC acquired the 100% equity interests in Zhaoyin Internet Technology (Shenzhen) Corporation Limited ("Zhaoyin Internet"). On the acquisition date, the fair value of Zhaoyin Internet's identifiable net assets was RMB3 million. A sum of RMB1 million, being the excess of acquisition cost over the fair value of the identifiable net assets, was recognised as goodwill. Zhaoyin Internet's scope of business comprises development and sales of computer software and hardware; sales of communication and office automation equipment; and IT consulting.

Impairment test for goodwill

The recoverable amounts of the CGUs are determined based on value in use calculations. These calculations use cash flow projections based on financial forecasts approved by management covering a 5-year period. Cash flows beyond the 5-year period are extrapolated using a steady growth rate. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

In assessing the impairment of goodwill, the Group assumed that the terminal growth rate is comparable to the forecast long-term economic growth rate issued by authoritative institutions. A pre-tax discount rates of CMB WLB and CMFM adopted by the Group are 11% and 10% (2021: 7% and 10%). The Group believes any reasonably possible change in the key assumptions on which recoverable amounts are based would not cause the carrying amounts of the CGUs to exceed their recoverable amounts.

32. Deferred tax assets and deferred tax liabilities

	2022	2021
Deferred tax assets	**90,848**	81,639
Deferred tax liabilities	**(1,510)**	(1,353)
Net amount	**89,338**	80,286

(a) Analysed by nature of deferred tax assets and liabilities

The components of deferred tax assets/liabilities are as follows:

	2022		2021	
	Deductible/ (taxable) temporary difference	**Deferred tax**	Deductible/ (taxable) temporary difference	Deferred tax
Deferred tax assets				
Impairment allowances on loans and advances to customers and other assets at amortised cost	**301,706**	**75,228**	284,360	71,191
Financial assets at FVTOCI	**(3,332)**	**(1,016)**	(11,092)	(2,763)
Financial instruments at FVTPL	**730**	**183**	92	23
Salaries and welfare payable and other	**65,626**	**16,453**	53,510	13,188
Total	**364,730**	**90,848**	326,870	81,639
Deferred tax liabilities				
Impairment allowances on loans and advances to customers and other assets at amortised cost	**356**	**50**	–	–
Financial assets at FVTOCI	**15**	**4**	(5)	(1)
Financial instruments at FVTPL	**215**	**54**	(144)	(27)
Salaries and welfare payable and other	**(10,235)**	**(1,618)**	(7,755)	(1,325)
Total	**(9,649)**	**(1,510)**	(7,904)	(1,353)

32. Deferred tax assets and deferred tax liabilities *(continued)*

(b) Movements of deferred tax

	Impairment allowances on loans and advances to customers and other assets at amortised cost	Financial assets at FVTOCI	Financial instruments at FVTPL	Salaries and welfare payable and other	Total
At 1 January 2022	71,191	(2,764)	(4)	11,863	80,286
Recognised in profit or loss	4,061	1,160	243	2,993	8,457
Recognised in other comprehensive income	–	578	–	(21)	557
Exchange difference	26	14	(2)	–	38
At 31 December 2022	75,278	(1,012)	237	14,835	89,338

	Impairment allowances on loans and advances to customers and other assets at amortised cost	Financial assets at FVTOCI	Financial instruments at FVTPL	Salaries and welfare payable and other	Total
At 1 January 2021	61,340	(1,404)	1,579	10,305	71,820
Recognised in profit or loss	9,850	1,020	(1,584)	1,516	10,802
Recognised in other comprehensive income	–	(2,383)	–	14	(2,369)
Exchange difference	1	3	1	28	33
At 31 December 2021	71,191	(2,764)	(4)	11,863	80,286

Note: No deferred tax liability has been recognised in respect of temporary differences associated with investments in subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

33. Other assets

	2022	2021
Amounts pending for settlement	**15,387**	78,719
Continuing involvement assets	**5,274**	5,274
Interest receivable	**4,154**	3,913
Prepaid lease payments	**209**	257
Repossessed assets (a)	**456**	513
Guarantee deposits	**465**	519
Receivable from reinsurers	**329**	186
Prepayment for leasehold improvement and other miscellaneous items	**7,569**	4,987
Premium receivables	**196**	135
Post-employment benefits: defined benefit plan (note 39(b))	**50**	65
Other	**21,889**	27,953
Total	**55,978**	122,521

(a) Repossessed assets

	2022	2021
Land and buildings	**606**	623
Other repossessed assets	**6**	31
Total	**612**	654
Less: Impairment allowances	**(156)**	(141)
Net repossessed assets	**456**	513

Note: In 2022, the Group disposed of repossessed assets with a total carrying value of RMB44 million (2021: RMB66 million).

34. Deposits from banks and other financial institutions

	2022	2021
Principal (a)	**644,618**	751,254
Interest payable	**1,056**	1,764
Total	**645,674**	753,018

(a) Analysed by nature of counterparties

	2022	2021
In the Chinese mainland	**633,178**	701,085
– Banks	**103,250**	77,788
– Other financial institutions	**529,928**	623,297
Outside the Chinese mainland	**11,440**	50,169
– Banks	**10,779**	48,301
– Other financial institutions	**661**	1,868
Total	**644,618**	751,254

35. Placements from banks and other financial institutions

	2022	2021
Principal (a)	**191,872**	170,257
Interest payable	**985**	393
Total	**192,857**	170,650

(a) Analysed by nature of counterparties

	2022	2021
In the Chinese mainland	**124,533**	114,496
– Banks	**123,934**	107,214
– Other financial institutions	**599**	7,282
Outside the Chinese mainland	**67,339**	55,761
– Banks	**67,130**	55,570
– Other financial institutions	**209**	191
Total	**191,872**	170,257

36. Financial liabilities at fair value through profit or loss

	2022	2021
Financial liabilities held for trading (a)	**18,247**	17,017
Financial liabilities designated at fair value through profit or loss (b)	**45,067**	46,744
Total	**63,314**	63,761

(a) Financial liabilities held for trading

	2022	2021
Financial liabilities related to precious metal	**17,634**	16,406
Short position on bonds	**613**	611
Total	**18,247**	17,017

(b) Financial liabilities designated at fair value through profit or loss

	2022	2021
In the Chinese mainland	**36,217**	34,677
– Precious metal contracts with other banks	**14,170**	11,596
– Other	**22,047**	23,081
Outside the Chinese mainland	**8,850**	12,067
– Certificates of deposit issued	**383**	377
– Debt securities issued	**7,709**	7,600
– Other	**758**	4,090
Total	**45,067**	46,744

As at 31 December 2022 and 2021, the difference between the fair values of the Group's financial liabilities designated at fair value through profit or loss and the contractual payable amount at maturity is not significant. The amounts of changes in the fair value of these liabilities that are attributable to changes in credit risk of the Group are not significant during the years ended 31 December 2022 and 2021 and as at 31 December 2022 and 2021.

37. Amounts sold under repurchase agreements

	2022	2021
Principal (a)(b)	107,024	157,572
Interest payable	69	88
Total	107,093	157,660

(a) Analysed by nature of counterparties

	2022	2021
In the Chinese mainland	103,452	155,322
– Banks	103,446	147,410
– Other financial institutions	6	7,912
Outside the Chinese mainland	3,572	2,250
– Banks	2,801	1,854
– Other financial institutions	771	396
Total	107,024	157,572

(b) Analysed by underlying assets

	2022	2021
Debt securities	95,999	152,071
– Government bonds	73,335	90,956
– Bonds issued by policy banks	15,330	48,833
– Bonds issued by commercial banks and other financial institutions	3,476	2,774
– Other debt securities	3,858	9,508
Discounted bills	11,025	5,501
Total	107,024	157,572

38. Deposits from customers

	2022	2021
Principal (a)	**7,535,742**	6,347,078
Interest payable	**54,837**	38,076
Total	**7,590,579**	6,385,154

(a) Analysed by nature of counterparties

	2022	2021
Corporate customers	**4,431,553**	4,058,924
– Demand deposits	**2,762,671**	2,652,817
– Time deposits	**1,668,882**	1,406,107
Retail customers	**3,104,189**	2,288,154
– Demand deposits	**1,983,364**	1,557,861
– Time deposits	**1,120,825**	730,293
Total	**7,535,742**	6,347,078

(b) The deposits taken from customers as collateral or for the purpose of guarantees are as follows:

	2022	2021
Guarantee for acceptance bills	**199,384**	134,858
Guarantee for loans	**6,888**	18,878
Guarantee for issuing letters of credit	**29,366**	21,574
Deposit for letters of guarantee	**44,732**	32,412
Other	**42,490**	31,208
Total	**322,860**	238,930

39. Staff welfare scheme

(a) Salaries and welfare payable

	2022				
	Beginning balance	Charge for the year arising from combination	Charge for the year	Payment/ transfers in the year	Ending balance
Short-term employee benefits (i)	18,065	151	58,583	(53,724)	23,075
Post-employment benefits – defined contribution plans (ii)	1,629	–	5,110	(5,974)	765
Other long-term employee benefits(iii)	67	–	(41)	–	26
Total	19,761	151	63,652	(59,698)	23,866

	2021			
	Beginning balance	Charge for the year	Payment/ transfers in the year	Ending balance
Short-term employee benefits (i)	14,155	53,827	(49,917)	18,065
Post-employment benefits – defined contribution plans (ii)	1,240	4,884	(4,495)	1,629
Other long-term employee benefits(iii)	67	17	(17)	67
Total	15,462	58,728	(54,429)	19,761

(i) Short-term employee benefits

	2022				
	Beginning balance	Charge for the year arising from combination	Charge for the year	Payment/ transfers in the year	Ending balance
Salaries and bonus	14,318	151	48,682	(44,263)	18,888
Welfare expense	19	–	2,310	(2,312)	17
Social insurance	530	–	3,311	(3,470)	371
– Medical insurance	515	–	3,192	(3,354)	353
– Injury insurance	6	–	34	(34)	6
– Maternity insurance	9	–	85	(82)	12
Housing reserve	166	–	2,309	(2,318)	157
Labour union and employee education expenses	3,032	–	1,971	(1,361)	3,642
Total	18,065	151	58,583	(53,724)	23,075

	2021			
	Beginning balance	Charge for the year	Payment/ transfers in the year	Ending balance
Salaries and bonus	11,121	43,716	(40,519)	14,318
Welfare expense	24	2,908	(2,913)	19
Social insurance	408	3,158	(3,036)	530
– Medical insurance	391	3,046	(2,922)	515
– Injury insurance	6	27	(27)	6
– Maternity insurance	11	85	(87)	9
Housing reserve	191	2,119	(2,144)	166
Labour union and employee education expenses	2,411	1,926	(1,305)	3,032
Total	14,155	53,827	(49,917)	18,065

39. Staff welfare scheme *(continued)*

(a) Salaries and welfare payable *(continued)*

(ii) Post-employment benefits-defined contribution plans

	2022			
	Beginning balance	Charge for the year	Payment/ transfers in the year	Ending balance
Basic retirement insurance	157	2,821	(2,827)	151
Supplementary pension	1,450	2,221	(3,080)	591
Unemployment insurance	22	68	(67)	23
Total	1,629	5,110	(5,974)	765

	2021			
	Beginning balance	Charge for the year	Payment/ transfers in the year	Ending balance
Basic retirement insurance	130	2,566	(2,539)	157
Supplementary pension	1,088	2,257	(1,895)	1,450
Unemployment insurance	22	61	(61)	22
Total	1,240	4,884	(4,495)	1,629

In accordance with the regulations in the PRC, the Group participates in statutory pension schemes organised by the municipal and provincial governments for its employees (endowment insurance). During the year ended 31 December 2022, the Group's contributions to these pension schemes are determined by local governments and vary at a range of 14% to 16% (2021: 14% to 16%) of the staff salaries.

In addition to the above statutory pension schemes, the Group has established a supplementary defined contribution plan for its employees (annuity insurance) in accordance with relevant annuity policies for corporate entities in the PRC. During the year ended 31 December 2022, the Group's annual contributions to this plan are determined based on 0% to 8.33% of the staff salaries and bonuses (2021: 0% to 8.33%).

For its employees outside the Chinese mainland, the Group participates in defined contribution retirement schemes at funding rates determined in accordance with the local practices and regulations.

(iii) Other long-term employee benefits

	2022			
	Beginning balance	Charge for the year	Payment in the year	Ending balance
Cash settled share-based transactions	67	(41)	–	26

	2021			
	Beginning balance	Charge for the year	Payment in the year	Ending balance
Cash settled share-based transactions	67	17	(17)	67

The Group has offered 10 phases of H share appreciation rights under the Scheme, the remaining eighth to tenth phases have not been exercised as of 31 December 2022. The share appreciation rights of the Scheme vest after 3 years from the grant date and are then exercisable within a period of 7 years. Each of the share appreciation right is linked to one H share.

39. Staff welfare scheme *(continued)*

(a) Salaries and welfare payable *(continued)*

(iii) Other long-term employee benefits *(continued)*

(1) All share appreciation rights shall be settled in cash. The terms and conditions of the Scheme are listed below:

	Number of unexercised share appreciation rights at the end of 2022 (in millions)	Exercise conditions	Contract period of share appreciation rights
Share appreciation rights granted on 22 Jul 2015 (Phase VIII)	0.157	3 years after the grant date	10 years
Share appreciation rights granted on 24 Aug 2016 (Phase IX)	0.210	3 years after the grant date	10 years
Share appreciation rights granted on 25 Aug 2017 (Phase X)	0.240	3 years after the grant date	10 years

(2) The number and weighted average exercise prices of share appreciation rights are as follows:

	2022		2021	
	Weighted average exercise price (HKD)	**Number of share appreciation rights (in million)**	Weighted average exercise price (HKD)	Number of share appreciation rights (in million)
Outstanding as at the beginning of the year	**16.21**	**1.76**	18.34	2.87
Exercised during the year	**–**	**–**	17.23	(0.42)
Forfeited during the year	**13.65**	**(1.15)**	19.11	(0.69)
Outstanding at the end of the year	**15.91**	**0.61**	16.21	1.76
Exercisable at the end of the year	**15.25**	**0.55**	14.92	1.35

The share appreciation rights outstanding at 31 December 2022 had a weighted average exercise price of HKD15.91 (2021: HKD16.21) and a weighted average remaining contractual life of 3.70 years (2021: 4.36 years).

Pursuant to the requirements set out in the Scheme, if there are any dividends distributed, capital reserve converted into shares, share split or dilution, adjustments to the exercise price will be applied.

39. Staff welfare scheme *(continued)*

(a) Salaries and welfare payable *(continued)*

(iii) Other long-term employee benefits *(continued)*

(3) Fair value of share appreciation rights and assumptions

The fair value of services received in return for share appreciation rights granted are measured by reference to the fair value of share appreciation rights granted. The estimate of the fair value of the share appreciation rights granted is measured based on the Black-Scholes model. The contractual life of the rights are used as an input to the model.

	2022		
	Phase VIII	**Phase IX**	**Phase X**
Fair value at measurement date (in RMB Yuan)	**24.94**	**25.27**	**17.75**
Share price (in HKD)	**43.30**	**43.30**	**43.30**
Exercise price (in HKD)	**12.81**	**11.38**	**21.92**
Expected volatility	**48.34%**	**48.34%**	**48.34%**
Share appreciation rights remaining life (year)	**2.50**	**3.58**	**4.58**
Expected dividends yield	**2.93%**	**2.93%**	**2.93%**
Risk-free interest rate	**1.43%**	**1.43%**	**1.43%**

	2021			
	Phase VII	Phase VIII	Phase IX	Phase X
Fair value at measurement date (in RMB Yuan)	40.54	33.66	33.40	25.98
Share price (in HKD)	61.75	61.75	61.75	61.75
Exercise price (in HKD)	7.44	14.59	13.16	23.70
Expected volatility	37.41%	37.41%	37.41%	37.41%
Share appreciation rights remaining life (year)	2.50	3.50	4.58	5.58
Expected dividends yield	3.36%	3.36%	3.36%	3.36%
Risk-free interest rate	1.43%	1.43%	1.43%	1.43%

The expected volatility is based on the historical volatility (calculated based on the weighted average remaining life of the share appreciation rights) and adjusted for any expected changes to future volatility based on publicly available information. Expected dividend yield is based on historical dividend yields. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share appreciation rights were granted under service conditions. The conditions have not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share appreciation rights granted.

(4) The number of share appreciation rights granted:

	2022				
	Phase VIII (in thousands)	**Phase IX (in thousands)**	**Phase X (in thousands)**	**Total (in thousands)**	**Exercised/ Forfeited (in thousands)**
Tian Huiyu	**–**	**–**	**–**	**–**	**1,230**
Wang Liang	**157**	**210**	**240**	**607**	**203**
Total	**157**	**210**	**240**	**607**	**1,433**

	2021					
	Phase VII (in thousands)	Phase VIII (in thousands)	Phase IX (in thousands)	Phase X (in thousands)	Total (in thousands)	Exercised/ Forfeited (in thousands)
Tian Huiyu	225	300	300	330	1,155	75
Liu Jianjun	–	–	–	–	–	870
Wang Liang	–	157	210	240	607	203
Xiong Liangjun	–	–	–	–	–	660
Total	225	457	510	570	1,762	1,808

Note: In 2022, senior management did not exercise any appreciation rights (2021: 0.42 million at a weighted average exercise price of HKD17.23).

39. Staff welfare scheme *(continued)*

(b) Post-employment benefits – defined benefit plan

The Group's subsidiary CMB WLB operates a defined benefit plan (the "plan") for the staff, which includes a defined benefit scheme and a defined benefit pension scheme. Contributions to the plan are determined based on periodic valuations by qualified actuaries on the assets and liabilities of the plan. The plan provides benefits based on members' final salary. The costs are solely funded by CMB WLB.

The latest actuarial valuation of the plan as at 31 December 2022 was performed by Towers Watson Hong Kong Limited, a professional actuarial firm in accordance with IAS 19 Employee Benefits. The present values of the defined benefit obligation and current service cost of the plan are calculated based on the projected unit credit method. At the valuation date, the plan had a funding level of 121%(2021: 123%).

The amounts recognised in the consolidated statement of financial position as at 31 December 2022 and 2021 are analysed as follows:

	2022	2021
Fair value of the plan assets	**285**	349
Present value of the funded defined benefit obligation	**(235)**	(284)
Net asset recognised in the consolidated statement of financial position	**50**	65

A portion of the above asset is expected to be recovered after more than one year. However, it is not practicable to segregate this amount from the amounts receivable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. No contribution to the plan is expected to be paid in 2022.

There was no plan amendment, curtailment or settlement impact for the years ended 31 December 2022 and 2021.

The amounts recognised in the consolidated statement of profit or loss are as follows:

	2022	2021
Current service cost	**(9)**	(10)
Net interest income	**1**	–
Net expense for the year included in retirement benefit costs	**(8)**	(10)

The actual loss on the plan assets for the year ended 31 December 2022 was RMB42 million (2021: gain of RMB2 million).

The movements in the defined benefit obligation during the year are as follows:

	2022	2021
Present value of obligation at 1 January	**284**	341
Current service cost	**9**	10
Interest cost	**4**	1
Actual benefits paid	**(49)**	(42)
Actuarial gains or losses due to liability experience	**(4)**	(6)
Actuarial gains or losses due to financial assumption changes	**(31)**	(22)
Actuarial gains or losses due to demographic assumption changes	**–**	10
Exchange difference	**22**	(8)
Actual obligation at 31 December	**235**	284

The movements in the fair value of the plan assets during the year are as follows:

	2022	2021
Fair value of the plan assets at 1 January	**349**	401
Interest income	**5**	1
Expected return on plan assets	**(47)**	1
Actual benefits paid	**(49)**	(42)
Exchange difference	**27**	(12)
Fair value of the plan assets at 31 December	**285**	349

39. Staff welfare scheme *(continued)*

(b) Post-employment benefits – defined benefit plan *(continued)*

The major categories of the plan assets are as follows:

	2022		2021	
	Amount	**%**	Amount	%
Equities	**153**	**53.7**	202	57.9
Bonds	**50**	**17.5**	71	20.3
Cash	**82**	**28.8**	76	21.8
Total	**285**	**100.0**	349	100.0

As at 31 December 2022, deposit with the Bank included in the amount of the plan assets was RMB58 million (2021: RMB53 million).

The principal actuarial assumptions adopted in the valuation are as follows:

	2022 %	2021 %
Discount rate		
– Defined benefit scheme	**3.3**	1.4
– Defined benefit pension scheme	**4.6**	0.4
Long-term average rate of salary increase for the plan	**5.0**	5.0
Pension increase rate for the defined benefit pension plan	**–**	–

In 2022 and 2021, there were no significant change in the amount of retirement benefit plan liabilities due to changes in the above-mentioned actuarial assumptions.

40. Tax payable

	2022	2021
Corporate income tax	**13,392**	16,539
Value added tax	**4,141**	4,399
Other	**1,925**	1,553
Total	**19,458**	22,491

41. Contract liabilities

	2022	2021
Credit card points	**5,319**	6,065
Other deferred fee and commission income	**1,360**	1,471
Total	**6,679**	7,536

42. Provisions

	2022	2021
Expected credit loss on provisions	**20,217**	12,790
Other	**2,274**	1,870
Total	**22,491**	14,660

The expected credit loss for loan commitments and financial guarantee contracts by stages are as follows:

	2022	2021
Expected credit loss provisions	**20,217**	12,790
– Stage 1 (12-month ECL)	**12,082**	8,210
– Stage 2 (Lifetime ECL – not credit-impaired)	**7,569**	3,724
– Stage 3 (Lifetime ECL – credit-impaired)	**566**	856

43. Debt securities issued

	Notes	2022	2021
Subordinated bonds issued	(a)	**19,994**	34,236
Long-term debt securities issued	(b)	**120,971**	159,306
Negotiable interbank certificates of deposit issued		**65,719**	240,284
Certificates of deposit and other debt securities issued (note)		**15,604**	10,715
Interest payable		**1,533**	2,104
Total		**223,821**	446,645

Note: Other debt securities issued are notes issued by overseas subsidiaries of the Bank.

(a) Subordinated bonds issued

As at the end of the reporting period, subordinated bonds issued by the Bank were as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issue during the year (RMB in million)	Discount or premium amortisation (RMB in million)	Repayment during the year (RMB in million)	Ending balance (RMB in million)
Fixed rate bond	180 months	27 Dec 2012	5.20	RMB11,700	11,696	–	4	(11,700)	–
Fixed rate bond	120 months	15 Nov 2018	4.65	RMB20,000	19,994	–	–	–	19,994
Total					31,690	–	4	(11,700)	19,994

As at the end of the reporting period, subordinated bond issued by CMB WLB was as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange difference (RMB in million)	Repayment during the year (RMB in million)	Ending balance (RMB in million)
Fixed to floating rate bond	120 months	22 Nov 2017	3.75 (for the first 5 years); T*+1.75% (from 6th year onwards, if the notes are not called by the Bank)	USD400	2,546	3	116	(2,665)	–
Total					2,546	3	116	(2,665)	–

* T represents the 5 years US Treasury rate.

43. Debt securities issued *(continued)*

(b) Long-term debt securities issued

As at the end of the reporting period, debt securities issued by the Bank was as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issue during the year (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange difference (RMB in million)	Repayment during the year (RMB in million)	Ending balance (RMB in million)
Medium term note	36 months	19 Jun 2019	0.25	EUR300	2,164	–	(1)	30	(2,193)	–
Medium term note	36 months	19 Jun 2019	3M Libor*+0.74	USD600	3,823	–	–	97	(3,920)	–
Fixed rate bond	36 months	5 Jul 2019	3.45	RMB30,000	29,990	–	10	–	(30,000)	–
Fixed rate bond	36 months	24 Sep 2019	3.33	RMB20,000	19,997	–	3	–	(20,000)	–
Medium term note	33 months	27 Sep 2019	3M Libor*+0.74	USD60	382	–	–	10	(392)	–
Medium term note	36 months	25 Sep 2020	1.10	USD400	2,546	–	(2)	236	–	2,780
Medium term note	36 months	25 Sep 2020	0.95	USD300	1,908	–	(4)	183	–	2,087
Fixed rate bond	36 months	6 Nov 2020	3.48	RMB10,000	9,998	–	1	–	–	9,999
Fixed rate bond	36 months	11 Mar 2021	3.40	RMB10,000	9,998	–	–	–	–	9,998
Fixed rate bond	36 months	3 Jun 2021	3.18	RMB20,000	19,995	–	–	–	–	19,995
Fixed rate bond	36 months	24 Aug 2021	2.90	RMB10,000	9,998	–	–	–	–	9,998
Medium term note	24 months	1 Sep 2021	SOFR*+0.50	USD300	1,912	–	(1)	176	–	2,087
Medium term note	60 months	1 Sep 2021	1.25	USD300	1,912	–	(1)	178	–	2,089
Medium term note	36 months	2 Mar 2022	2.00	USD400	–	2,534	9	255	–	2,798
Fixed rate bond	36 months	11 May 2022	2.65	RMB5,000	–	4,998	1	–	–	4,999
Fixed rate bond	36 months	1 Sep 2022	2.40	RMB10,000	–	10,000	(3)	–	–	9,997
Total					114,623	17,532	12	1,165	(56,505)	76,827

* Libor represents London InterBank Offered Rate. SOFR represents Secured Overnight Financing Rate.

Note: Financial bonds issued by the Bank that were held by CMB WLB amounted to a total of 555 million RMB equivalent as of 31 December 2022 (31 December 2021: 1,142 million RMB equivalent).

43. Debt securities issued *(continued)*

(b) Long-term debt securities issued *(continued)*

As at the end of the reporting period, debt securities issued by CMBFL were as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issue during the year (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange difference (RMB in million)	Repayment during the year (RMB in million)	Ending balance (RMB in million)
Fixed rate bond	36 months	13 Mar 2019	3.50	RMB1,500	1,500	–	–	–	(1,500)	–
Fixed rate bond	60 months	13 Mar 2019	4.00	RMB500	499	–	1	–	–	500
Fixed rate bond	36 months	27 May 2019	3.68	RMB3,000	2,999	–	1	–	(3,000)	–
Fixed rate bond	60 months	3 Jul 2019	3.00	USD900	5,705	–	10	550	–	6,265
Fixed rate bond	120 months	3 Jul 2019	3.63	USD100	633	–	1	60	–	694
Fixed rate bond	36 months	17 Jul 2019	3.60	RMB3,000	2,998	–	2	–	(3,000)	–
Fixed rate bond	120 months	14 Jul 2020	4.25	RMB2,000	1,993	–	1	–	–	1,994
Fixed rate bond	60 months	12 Aug 2020	1.88	USD800	5,078	–	5	488	–	5,571
Fixed rate bond	120 months	12 Aug 2020	2.75	USD400	2,526	–	3	242	–	2,771
Fixed rate bond	36 months	17 Nov 2020	3.85	RMB4,000	3,993	–	4	–	–	3,997
Fixed rate bond	36 months	28 Jan 2021	3.60	RMB4,000	3,992	–	4	–	–	3,996
Fixed rate bond	60 months	4 Feb 2021	2.00	USD400	2,539	–	2	244	–	2,785
Fixed rate bond	120 months	5 Feb 2021	2.88	USD400	2,520	–	3	242	–	2,765
Fixed rate bond	18 months	19 Mar 2021	1.16	USD50	318	–	–	30	(348)	–
Fixed rate bond	36 months	24 Mar 2021	3.58	RMB2,000	1,996	–	2	–	–	1,998
Fixed rate bond	60 months	24 Mar 2021	2.00	USD20	126	–	–	12	–	138
Fixed rate bond	36 months	16 Sep 2021	1.25	USD600	3,805	–	5	369	–	4,179
Fixed rate bond	60 months	16 Sep 2021	1.75	USD300	1,893	–	3	185	–	2,081
Fixed rate bond	36 months	16 Sep 2021	0.50	EUR100	721	–	1	19	–	741
Floating rate bond	12 months	13 Dec 2021	3M Libor+0.55	USD60	382	–	–	35	(417)	–
Fixed rate bond	24 months	22 Dec 2021	0.50	EUR30	216	–	–	6	–	222
Floating rate bond	12 months	2 Mar 2022	SOFR+0.80	USD115	–	728	1	73	–	802
Floating rate bond	12 months	6 May 2022	SOFR+0.85	USD45	–	298	–	16	–	314
Floating rate bond	12 months	6 May 2022	SOFR+1.00	USD75	–	497	–	26	–	523
Floating rate bond	12 months	13 Jun 2022	SOFR+0.95	USD120	–	805	–	32	–	837
Fixed rate bond	12 months	9 Sep 2022	1.95	EUR80	–	554	–	38	–	592
Floating rate bond	6 months	13 Oct 2022	SOFR+0.75	USD50	–	346	–	3	–	349
Fixed rate bond	12 months	17 Nov 2022	3.21	RMB300	–	300	–	–	–	300
Floating rate bond	12 months	7 Dec 2022	SOFR+0.83	USD45	–	315	–	(1)	–	314
Floating rate bond	60 months	12 Dec 2022	SOFR+1.40	USD100	–	695	–	3	–	698
Fixed rate bond	12 months	14 Dec 2022	2.90	EUR57	–	420	–	1	–	421
Total					46,432	4,958	49	2,673	(8,265)	45,847

Note: Financial bonds issued by CMBFL that were held by the Bank amounted to a total of 1,370 million RMB equivalent as of 31 December 2022 (31 December 2021: 1,370 million RMB equivalent). Financial bonds issued by CMB International Leasing Management Limited (CMBILM), a wholly-owned subsidiary of CMBFL, that were held by the Bank amounted to a total of 2,268 million RMB equivalent as of 31 December 2022 (31 December 2021: 2,085 million RMB equivalent). Financial bonds issued by CMBILM that were held by CMB WLB amounted to a total of 1,602 million RMB equivalent as of 31 December 2022 (31 December 2021: 900 million RMB equivalent).

As at the end of the reporting period, long-term debt securities issued by CMBIC were as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issue during the year (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange difference (RMB in million)	Repayment during the year (RMB in million)	Ending balance (RMB in million)
Fixed rate bond	36 months	2 June 2021	1.38	USD600	3,816	–	(21)	371	–	4,166
Total					3,816	–	(21)	371	–	4,166

Note: Financial bond issued by CMBIC that was held by CMB WLB amounted to a total of 74 million RMB equivalent as of 31 December 2022 (31 December 2021: 68 million RMB equivalent).

44. Other liabilities

	2022	2021
Clearing and settlement accounts	**31,534**	50,565
Salary risk allowances (note)	**45,500**	38,500
Continuing involvement liability	**5,274**	5,274
Insurance liabilities	**2,902**	2,063
Collecting on behalf of customers	**827**	951
Cheques and remittances returned	**39**	47
Other payable	**39,862**	42,170
Total	**125,938**	139,570

Note: Salary risk allowances are specific funds withheld from the employees' annual remunerations of which the payments are delayed for the purpose of risk management. The allocation of the funds is based on performance assessment and risk management results, taking into account the short term and long term benefit. In the event of a decline in the asset quality, a sharp deterioration of risk profiles and profitability, the occurrence of legal case, or a significant regulatory violation identified by any regulatory authorities, the relevant employees will be restricted from the allocation of these allowances.

45. Share capital

By type of shares:

	2022 and 2021 No.of shares (in million)
Listed shares	
– A Shares	20,629
– H Shares	4,591
Total	25,220

All H Shares are ordinary shares and rank pari passu with the A Shares. There is no restriction on these shares.

	Capital	
	No. of shares (in million)	Amount
At 1 January 2022 and at 31 December 2022	25,220	25,220

46. Other equity instruments

(a) Preference Shares

	Issuance date	Accounting classification	Dividend rate	Issue price	No. (millions of shares)	Amount (RMB in million)	Due date	Conversion conditions	Conversion
Offshore Preference Shares in 2017 (note (i))	25 Oct 2017	Equity instruments	4.40%	USD20/Share	50	6,597	Perpetual existence	Note (iii)	None
Domestic Preference Shares in 2017 (note (ii))	22 Dec 2017	Equity instruments	4.81%	RMB100/Share	275	27,468	Perpetual existence	Note (iii)	None
Total					325	34,065			

The changes of Preference Shares issued were as follows:

		1 January 2022		Increase/decrease		31 December 2022	
	Issuance date	No. (millions of shares)	Amount (RMB in million)	No. (millions of shares)	Amount (RMB in million)	**No. (millions of shares)**	**Amount (RMB in million)**
Offshore Preference Shares (note (i))	25 Oct 2017	50	6,597	(50)	(6,597)	**–**	**–**
Domestic Preference Shares (note (ii))	22 Dec 2017	275	27,468	–	–	**275**	**27,468**
Total		325	34,065	(50)	(6,597)	**275**	**27,468**

Notes:

(i) Pursuant to the approvals by the relevant regulatory authorities in China, the Bank issued US Dollar traded and settled non-cumulative Offshore Preference Shares in the aggregate nominal value of USD1,000 million on 25 October 2017. Each Offshore Preference Share has a nominal value of USD20 and 50 million Offshore Preference Shares were issued in total. The dividend rate is initially at 4.40% and subject to reset per agreement subsequently, but not exceeds 16.68%. With the approval of the CBIRC, the Bank redeemed all of the above Offshore Preference Shares during the year.

(ii) Pursuant to the approvals by the relevant regulatory authorities in China, the Bank issued non-cumulative Domestic Preference Shares in the aggregate nominal value of RMB27,500 million on 22 December 2017. Each Domestic Preference Share has a nominal value of RMB100 and 275 million Domestic Preference Shares were issued in total. The dividend rate is initially at 4.81% and subject to reset per agreement subsequently, but not exceeds 16.68%.

(iii) Both Domestic and Offshore Preference Shares have clauses that state certain events would trigger mandatory conversion, those clauses are as follows:

(1) Upon the occurrence of any additional Tier-1 Capital Instrument Trigger Event, that is, the Core Tier-1 Capital Adequacy Ratio drops to 5.125% or below, the Bank shall have the right to convert, without the consent of the holders of Preference Shares, all or part of the Preference Shares then issued and outstanding into Ordinary A Shares (Domestic Preference Shares) or Ordinary H Shares (Offshore Preference Shares) based on the total nominal value of the Preference Shares in order to restore the Core Tier-1 Capital Adequacy Ratio of the Bank to above 5.125%. In the case of partial conversion, the Preference Shares shall be converted on a pro rata basis and on identical conditions.

(2) Upon the occurrence of a Tier-2 Capital Trigger Event, the Bank shall have the right to convert, without the consent of the holders of Preference Shares, all or part of the Preference Shares then issued and outstanding into Ordinary A Shares (Domestic Preference Shares) or Ordinary H Shares (Offshore Preference Shares) based on the total nominal value of the Preference Shares. A Tier-2 Capital Trigger Event refers to the earlier of the following events: 1) CBIRC having concluded that without a conversion or write-off, the Bank would become non-viable, and 2) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable.

Upon the occurrence of the above mandatory conversion events, the Bank shall report to the CBIRC for review and determination. The Bank shall fulfil the relevant information disclosure requirements of the Securities Law, the CSRC's and Hong Kong's relevant laws and regulations such as making provisional reports or announcements in accordance with relevant regulatory requirements.

46. Other equity instruments *(continued)*

(a) Preference Shares *(continued)*

Dividends on the Offshore and Domestic Preference Shares shall be paid in cash. Save for such dividend at the agreed dividend rate, the holders of the above Preference Shares are not entitled to share the remaining profits of the Bank with the ordinary shareholders. Dividend is non-cumulative. The Bank has the right to cancel any dividend on Preference Shares, and such cancellation shall not be deemed as a default. After the cancellation of all or part of the dividend to preference shareholders, the Bank shall not make any ordinary shares distribution, until the Preference Shares dividend is resumed in full. As the dividends on the Offshore and Domestic Preference Shares are non-cumulative, the Bank will not distribute the dividends that were cancelled in prior years to Preference Shares holders.

The Offshore and Domestic Preference Shares have no maturity date. However, after the fifth anniversary of the issuance date, subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Offshore and Domestic Preference Shares may be redeemed in whole or in part at the discretion of the Bank, but the Bank does not have the obligation to redeem preference shares. The holders of Preference Shares do not have the right to demand the Bank to redeem the Preference Shares and shall not expect that Preference Shares will be redeemed.

After deducting the issuance expenses from the Preference Shares above, the total net proceeds have been included in additional Tier 1 capital of the Bank.

(b) Perpetual Bonds

	Issuance date	Accounting classification	Interest rate	Issue price	No. (millions of units)	Amount (RMB in million)	Due date	Conversion conditions	Conversion
Domestic Perpetual Bonds (note (i))	9 Jul 2020	Equity instruments	3.95%	RMB100/Unit	500	49,989	Perpetual existence	None	None
Domestic Perpetual Bonds (note (ii))	7 Dec 2021	Equity instruments	3.69%	RMB100/Unit	430	42,989	Perpetual existence	None	None
Total					930	92,978			

The changes of Perpetual Bonds issued were as follows:

		1 January 2022		Increase		31 December 2022	
	Issuance date	No. (millions of units)	Amount (RMB in million)	No. (millions of units)	Amount (RMB in million)	**No. (millions of units)**	**Amount (RMB in million)**
Domestic Perpetual Bonds (note (i))	9 Jul 2020	500	49,989	–	–	**500**	**49,989**
Domestic Perpetual Bonds (note (ii))	7 Dec 2021	430	42,989	–	–	**430**	**42,989**
Total		930	92,978	–	–	**930**	**92,978**

Notes:

(i) With the approval of the relevant regulatory authorities in China, the Bank issued RMB50,000 million of 2020 China Merchants Bank Co., Ltd. Undated Additional Tier-1 Capital Bonds (Series 1) (the "Perpetual Bonds 2020") in the national inter-bank bond market on 9 July 2020. The unit face value is RMB100. The coupon rate adjusted period is every 5 years from the issuance of the Perpetual Bonds 2020. In any coupon rate adjusted period, the coupon rate of the Perpetual Bonds will remain at a prescribed fixed rate. The Perpetual Bonds 2020 will continue to be outstanding so long as the Bank continues to operate.

(ii) With the approval of the relevant regulatory authorities in China, the Bank issued RMB43,000 million of 2021 China Merchants Bank Co., Ltd. Undated Additional Tier-1 Capital Bonds (the "Perpetual Bonds 2021, together with Perpetual Bonds 2020, Perpetual Bonds") in the national inter-bank bond market on 7 December 2021. The unit face value is RMB100. The coupon rate adjusted period is every 5 years from the issuance of the Perpetual Bonds 2021. In any coupon rate adjusted period, the coupon rate of the Perpetual Bonds will remain at a prescribed fixed rate. The Perpetual Bonds 2021 will continue to be outstanding so long as the Bank continues to operate.

46. Other equity instruments *(continued)*

(b) Perpetual Bonds *(continued)*

From the fifth anniversary since the issuance of the Perpetual Bonds, the Bank has the right to redeem in whole or in part the Perpetual Bonds on the annual interest payment date (including the interest payment date on the fifth year since the issuance date) subject to the approval of the CBIRC and the satisfaction of the redemption preconditions. If, after the issuance, the Perpetual Bonds no longer qualify as additional Tier 1 capital as a result of an unforeseeable change to relevant provisions of supervisory regulation, the Bank has the right to redeem the whole but not part of the Perpetual Bonds. The investors do not have the right to sell back the Perpetual Bonds to the Bank.

The claims in respect of the Perpetual Bonds will be subordinated to the claims of depositors, general creditors, and subordinated debts that rank senior to the Perpetual 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 any other additional Tier-1 capital instruments of the Bank that rank pari passu with the Perpetual Bonds.

The coupon rate will be reset on each benchmark rate reset date (i.e. the date of every five years from the issuance date). The adjusted coupon rate will be determined based on the benchmark interest rate at adjustment date plus the fixed spread as determined at the time of issuance. The Perpetual Bonds do not contain interest rate step-up mechanism or any other redemption incentives. The Bank has the right to cancel, in whole or in part, distributions on the Perpetual Bonds and any such cancellation will not constitute an event of default. The bond interests are non-cumulative, and any cancelled distribution is not carried to the following year. The Bank will fully consider the interests of bondholders when exercising this right. The Bank can use the cancelled bond interest for the current period at its discretion to repay other due debts. Cancellation of any distributions to the Perpetual Bonds, no matter in whole or in part, will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shares.

Upon the occurrence of a Non-Viability Trigger Event, the Bank has the right to write off in whole or in part, without the need for the consent of the bond holders, the principal amount of the Perpetual Bonds. A Non-Viability Trigger Event refers to the earlier of the following events: (i) the CBIRC having concluded that without a write-off, the Bank would become non-viable; (ii) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable. The write-off will not be restored.

After deducting the issuance expenses, the funds raised by the bonds have been used to supplement additional Tier 1 capital of the Bank in accordance with applicable laws and the approval of the relevant authorities.

(c) Relative Information Attributed to Equity Instrument Holders

	2022	2021
Equity attributed to shareholders of the Bank	**945,503**	858,745
– Equity attributed to ordinary shareholders of the Bank	**825,057**	731,702
– Equity attributed to other equity instrument holders of the Bank	**120,446**	127,043
Including: Net profit	**5,237**	3,613
Total comprehensive income	**5,237**	3,613
Distributions in current year	**(5,237)**	(3,613)
Cumulative undistributed dividends	**–**	–
Equity attributed to non-controlling interests	**8,735**	6,936
– Equity attributed to non-controlling holders of ordinary shares	**5,948**	3,300
– Equity attributed to non-controlling holders of perpetual debt capital (note 62(a))	**2,787**	3,636

47. Capital reserve

Capital reserve primarily represents share premium of the Bank and can be converted into share capital with the shareholders' approval.

	2022	2021
At 1 January	**67,523**	67,523
Decrease	**(2,088)**	–
At 31 December	**65,435**	67,523

48. Investment revaluation reserve

	2022	2021
Debt instruments measured at FVTOCI: investment revaluation reserve	**9,319**	11,459
Fair value gain on equity instruments designated at FVTOCI	**2,606**	2,578
Remeasurement of defined benefit scheme	**78**	88
Share of other comprehensive (expense)/income of equity-accounted investees	**(233)**	922
Other	**45**	–
Total	**11,815**	15,047

49. Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges. Subsequent recognition of the hedged cash flow is accounted for in accordance with the accounting policy adopted for cash flow hedge in Note 4(5).

50. Surplus reserve

Statutory surplus reserve is calculated according to the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance ("MOF") and is provided at 10% of the audited profit after tax of the Bank. Surplus reserve can be used to offset accumulated losses or capitalised as paid-up capital with the approval of shareholders.

	2022	2021
At 1 January	**82,137**	71,158
Provided for the year	**12,848**	10,979
At 31 December	**94,985**	82,137

51. General reserve

The general reserve is an integral part of equity. According to the relevant regulations, in addition to the impairment allowances, the Bank maintains a general reserve to make up for unidentified potential losses. In principle, the balance of general reserve shall not be less than 1.5% of the ending balance of risk assets. In addition, the general reserve includes 2.5% of the income of mutual fund custody businesses. The general reserve of the Group also includes the general reserve maintained by the subsidiaries of the Group according to the applicable laws and regulations of their industry or region.

	2022	2021
At 1 January	**115,288**	98,082
Provided for the year	**17,183**	17,206
At 31 December	**132,471**	115,288

52. Profit appropriations

(a) Dividends approved/declared by shareholders

	2022	2021
Ordinary share dividends in 2021, approved and declared: RMB1.522 per share	**38,385**	–
Ordinary share dividends in 2020, approved and declared: RMB1.253 per share	–	31,601

(b) Proposed profit appropriations

	2022	2021
Statutory surplus reserve	**12,848**	10,979
General reserve	**17,183**	17,206
Dividends		
– cash dividend: RMB1.738 per share (2021: RMB1.522 per share)	**43,832**	38,385
Total	**73,863**	66,570

2022 final dividends is proposed in accordance with the resolution passed at the meeting of the Board of Directors held on 24 March 2023 and will be submitted to the 2022 Annual General Meeting for approval.

53. Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the Chinese mainland.

54. The bank's statement of financial position and changes in the bank's equity

	2022	2021
Assets		
Cash	**14,787**	12,794
Precious metals	**2,884**	4,554
Balances with central banks	**585,338**	543,652
Balances with banks and other financial institutions	**47,791**	41,632
Placements with banks and other financial institutions	**247,340**	188,376
Amounts held under resale agreements	**276,292**	523,516
Loans and advances to customers	**5,482,692**	5,023,050
Financial assets at fair value through profit or loss	**369,391**	290,941
Derivative financial assets	**17,859**	23,179
Debt investments at amortised cost	**1,533,546**	1,183,662
Debt investments at fair value through other comprehensive income	**675,484**	552,498
Equity investments designated at fair value through other comprehensive income	**10,724**	6,392
Investments in subsidiaries	**50,767**	49,495
Interests in joint ventures	**13,341**	12,582
Interests in associates	**6,190**	5,521
Investment properties	**907**	945
Property and equipment	**26,541**	26,833
Right-of-use assets	**16,764**	17,701
Intangible assets	**2,422**	3,228
Deferred tax assets	**88,056**	79,712
Other assets	**41,440**	109,871
Total assets	**9,510,556**	8,700,134
Liabilities		
Borrowing from central banks	**129,745**	159,987
Deposits from banks and other financial institutions	**621,621**	732,631
Placements from banks and other financial institutions	**43,319**	55,710
Financial liabilities at fair value through profit or loss	**40,035**	36,105
Derivative financial liabilities	**18,207**	26,866
Amounts sold under repurchase agreements	**95,970**	137,857
Deposits from customers	**7,327,974**	6,150,241
Salaries and welfare payable	**19,136**	15,853
Tax payable	**17,221**	20,926
Contract liabilities	**6,653**	7,536
Lease liabilities	**12,285**	13,164
Provisions	**22,410**	14,503
Debt securities issued	**172,402**	398,672
Other liabilities	**96,680**	119,395
Total liabilities	**8,623,658**	7,889,446
Equity		
Share capital	**25,220**	25,220
Other equity instruments	**120,446**	127,043
Capital reserve	**76,082**	76,681
Investment revaluation reserve	**13,144**	14,866
Surplus reserve	**94,985**	82,137
General reserve	**121,230**	105,941
Retained earnings	**391,579**	340,271
Proposed profit appropriation	**43,832**	38,385
Exchange reserve	**380**	144
Total equity	**886,898**	810,688
Total equity and liabilities	**9,510,556**	8,700,134

54. The bank's statement of financial position and changes in the bank's equity *(continued)*

Details of the changes in the Bank's equity are as follows:

		Other equity instruments									
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Proposed profit appropriation	Exchange reserve	Total
At 1 January 2022	25,220	34,065	92,978	76,681	14,866	82,137	105,941	340,271	38,385	144	810,688
Changes in equity for the year	–	(6,597)	–	(599)	(1,722)	12,848	15,289	51,308	5,447	236	76,210
Net profit for the year	–	–	–	–	–	–	–	128,484	–	–	128,484
Other comprehensive income for the year	–	–	–	–	(1,692)	–	–	–	–	236	(1,456)
Total comprehensive income for the year	–	–	–	–	(1,692)	–	–	128,484	–	236	127,028
Redemption of preference shares	–	(6,597)	–	(599)	–	–	–	–	–	–	(7,196)
Profit appropriations	–	–	–	–	–	12,848	15,289	(77,206)	5,447	–	(43,622)
Appropriation to statutory surplus reserve	–	–	–	–	–	12,848	–	(12,848)	–	–	–
Appropriation to general reserve	–	–	–	–	–	–	15,289	(15,289)	–	–	–
Dividends paid for the year 2021	–	–	–	–	–	–	–	–	(38,385)	–	(38,385)
Proposed dividends for the year 2022	–	–	–	–	–	–	–	(43,832)	43,832	–	–
Dividends to preference shares	–	–	–	–	–	–	–	(1,675)	–	–	(1,675)
Distribution to perpetual bonds	–	–	–	–	–	–	–	(3,562)	–	–	(3,562)
Transfers within equity upon disposal of equity instruments designated at FVTOCI	–	–	–	–	(30)	–	–	30	–	–	–
At 31 December 2022	25,220	27,468	92,978	76,082	13,144	94,985	121,230	391,579	43,832	380	886,898

		Other equity instruments										
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Investment revaluation reserve	Hedging reserve	Surplus reserve	General reserve	Retained earnings	Proposed profit appropriation	Exchange reserve	Total
At 1 January 2021	25,220	34,065	49,989	76,681	7,951	(26)	71,158	94,067	293,523	31,601	228	684,457
Changes in equity for the year	–	–	42,989	–	6,915	26	10,979	11,874	46,748	6,784	(84)	126,231
Net profit for the year	–	–	–	–	–	–	–	–	109,794	–	–	109,794
Other comprehensive income for the year	–	–	–	–	8,720	26	–	–	–	–	(84)	8,662
Total comprehensive income for the year	–	–	–	–	8,720	26	–	–	109,794	–	(84)	118,456
Issue of perpetual bonds	–	–	42,989	–	–	–	–	–	–	–	–	42,989
Profit appropriations	–	–	–	–	–	–	10,979	11,874	(64,851)	6,784	–	(35,214)
Appropriation to statutory surplus reserve	–	–	–	–	–	–	10,979	–	(10,979)	–	–	–
Appropriation to general reserve	–	–	–	–	–	–	–	11,874	(11,874)	–	–	–
Dividends paid for the year 2020	–	–	–	–	–	–	–	–	–	(31,601)	–	(31,601)
Proposed dividends for the year 2021	–	–	–	–	–	–	–	–	(38,385)	38,385	–	–
Dividends to preference shares	–	–	–	–	–	–	–	–	(1,638)	–	–	(1,638)
Distribution to perpetual bonds	–	–	–	–	–	–	–	–	(1,975)	–	–	(1,975)
Transfers within equity upon disposal of equity instruments designated at FVTOCI	–	–	–	–	(1,805)	–	–	–	1,805	–	–	–
At 31 December 2021	25,220	34,065	92,978	76,681	14,866	–	82,137	105,941	340,271	38,385	144	810,688

55. Notes to consolidated cash flow statement

(a) Analysis of the balances of cash and cash equivalents (including assets with original maturity within 3 months):

	2022	2021
Cash and Balances with central banks	**66,055**	79,129
Balance with banks and other financial institutions	**81,928**	75,919
Placements with banks and other financial institutions	**93,704**	65,897
Amounts held under resale agreements	**275,051**	527,341
Debt securities investments	**50,460**	53,468
Total	**567,198**	801,754

(b) Reconciliation of liabilities arising from financing activities

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

	Negotiable interbank certificates of deposit	Certificates of deposit issued (Note)	Debt securities issued (Note)	Interest payable on bonds	Dividend payable	Other financial liabilities	Lease liabilities	Total
At 1 January 2022	**240,284**	**11,092**	**201,142**	**2,104**	**26**	**26,650**	**13,812**	**495,110**
Cash changes:								
Proceeds from the issue	**78,666**	**20,287**	**21,481**	**–**	**–**	**10,796**	**–**	**131,230**
Repayment	**(250,996)**	**(16,504)**	**(78,735)**	**–**	**–**	**(14,959)**	**(4,932)**	**(366,126)**
Interest/dividend paid	**(5,714)**	**–**	**–**	**(6,686)**	**(44,103)**	**–**	**–**	**(56,503)**
Non-cash changes:								
Additions of lease liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**3,623**	**3,623**
Accrued interest	**–**	**–**	**–**	**6,115**	**–**	**–**	**510**	**6,625**
Dividend declared	**–**	**–**	**–**	**–**	**44,103**	**–**	**–**	**44,103**
Discount or premium amortisation	**3,479**	**31**	**37**	**–**	**–**	**–**	**–**	**3,547**
Fair value adjustments	**–**	**(26)**	**(544)**	**–**	**–**	**(9)**	**–**	**(579)**
Exchange difference	**–**	**1,107**	**5,293**	**–**	**–**	**241**	**–**	**6,641**
At 31 December 2022	**65,719**	**15,987**	**148,674**	**1,533**	**26**	**22,719**	**13,013**	**267,671**

	Negotiable interbank certificates of deposit	Certificates of deposit issued (Note)	Debt securities issued (Note)	Interest payable on bonds	Dividend payable	Other financial liabilities	Lease liabilities	Total
At 1 January 2021	144,816	19,084	194,775	1,985	26	23,047	14,242	397,975
Cash changes:								
Proceeds from the issue	319,707	14,692	63,872	–	–	6,860	–	405,131
Repayment	(226,012)	(21,363)	(55,771)	–	–	(3,697)	(4,835)	(311,678)
Interest/dividend paid	(3,768)	–	–	(7,630)	(35,685)	–	–	(47,083)
Non-cash changes:								
Additions of lease liabilities	–	–	–	–	–	–	3,850	3,850
Accrued interest	–	–	–	7,749	–	–	555	8,304
Dividend declared	–	–	–	–	35,685	–	–	35,685
Discount or premium amortisation	5,541	(811)	53	–	–	–	–	4,783
Fair value adjustments	–	(15)	(257)	–	–	656	–	384
Exchange difference	–	(495)	(1,530)	–	–	(216)	–	(2,241)
At 31 December 2021	240,284	11,092	201,142	2,104	26	26,650	13,812	495,110

Note： Including financial liabilities designated at fair value through profit or loss.

(c) Significant non-cash transactions

There were no significant non-cash transactions during the years ended 31 December 2022 and 2021.

56. Operating segments

The Group's principal activities are providing corporate and personal banking services, conducting treasury business, providing asset management and other financial services.

The Group manages its businesses by divisions, which are organised by both business lines and geography.

(1) Wholesale finance business

The financial services for corporate clients, government agencies, and financial institutions include: loan and deposit service, settlement and cash management service, trade finance and offshore business, investment banking business, inter-bank business such as placement and repurchase, asset custody business, financial market business, and other services.

(2) Retail finance business

The financial services provided to retail customers include: loan and deposit service, bank card service, wealth management services, private banking and other services.

(3) Other Business

Other business covers investment properties, subsidiaries except for CMB WLB and CMBFL, associates and joint ventures. None of these segments meet any of the quantitative thresholds so far for segment division.

During the year of 2022, the Group reallocated CMBFL from the other business segment to the wholesale financial business segment. The comparative figures were re-presented accordingly.

For the purpose of operating segment analysis, external net interest income/expense represents the net interest income earned or expense incurred on banking services provided to external parties. Internal net interest income/expense represents the assumed profit or loss by the internal funds transfer pricing mechanism which has taken into account the structure and market returns of the assets and liabilities portfolio. Cost allocation is based on direct costs attributable to each reporting segment and apportion according to the relevant factors.

The accounting policies of the operating segments are the same as the Group's accounting policies as stated in Note 4. Operating segment income represents income generated from external customers, inter-segment transactions are offset. No customer contributed 10% or more to the Group's revenue for 2022 and 2021. Internal transactions are conducted at fair value.

56. Operating segments *(continued)*

(a) Segment results, assets and liabilities

	Wholesale finance business		Retail finance business		Other business		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
External net interest income	**28,165**	21,026	**140,443**	135,412	**49,627**	47,481	**218,235**	203,919
Internal net interest income/(expense)	**62,294**	69,222	**(9,054)**	(18,571)	**(53,240)**	(50,651)	**–**	–
Net interest income	**90,459**	90,248	**131,389**	116,841	**(3,613)**	(3,170)	**218,235**	203,919
Net fee and commission income	**25,540**	25,290	**57,279**	60,155	**11,456**	9,002	**94,275**	94,447
Other net income	**26,095**	27,080	**2,747**	2,018	**863**	(87)	**29,705**	29,011
Operating income	**142,094**	142,618	**191,415**	179,014	**8,706**	5,745	**342,215**	327,377
Operating expenses								
– Property and equipment and investment properties depreciation	**(7,103)**	(5,740)	**(2,942)**	(2,860)	**(234)**	(257)	**(10,279)**	(8,857)
– Right-of-use assets depreciation	**(1,676)**	(1,672)	**(2,250)**	(2,367)	**(225)**	(220)	**(4,151)**	(4,259)
– Other	**(43,495)**	(41,317)	**(58,079)**	(56,451)	**(6,057)**	(5,995)	**(107,631)**	(103,763)
Reportable segment profit before impairment losses	**89,820**	93,889	**128,144**	117,336	**2,190**	(727)	**220,154**	210,498
Expected credit losses and impairment losses on other assets	**(22,671)**	(26,503)	**(33,966)**	(39,627)	**(929)**	(225)	**(57,566)**	(66,355)
Share of profits of associates and joint ventures	**–**	–	**–**	–	**2,525**	4,030	**2,525**	4,030
Reportable segment profit before taxation	**67,149**	67,386	**94,178**	77,709	**3,786**	3,078	**165,113**	148,173
Capital expenditure (note)	**28,884**	20,158	**2,660**	3,278	**513**	326	**32,057**	23,762

	Wholesale finance business		Retail finance business		Other business		Total	
	31 December 2022	31 December 2021	**31 December 2022**	31 December 2021	**31 December 2022**	31 December 2021	**31 December 2022**	31 December 2021
Reportable segment assets	**5,633,640**	5,203,529	**3,081,290**	2,908,405	**1,314,820**	1,037,190	**10,029,750**	9,149,124
Of which: Interest in associates and joint ventures	**–**	–	**–**	–	**23,844**	23,654	**23,844**	23,654
Reportable segment liabilities	**5,495,463**	5,142,042	**3,157,321**	2,329,192	**446,949**	811,434	**9,099,733**	8,282,668

Note: Capital expenditure represents the amount incurred for acquiring segment assets which are expected to be used for more than one year.

56. Operating segments *(continued)*

(b) Reconciliations of reportable segment revenue, profit or loss, assets, liabilities and other material items

	2022	2021
Operating income for reportable segments	**342,215**	327,377
Total profit before income tax for reportable segments	**165,113**	148,173

	31 December 2022	31 December 2021
Assets		
Total assets for reportable segments	**10,029,750**	9,149,124
Goodwill	**9,999**	9,954
Intangible assets	**581**	571
Deferred tax assets	**90,848**	81,639
Other unallocated assets	**7,734**	7,733
Consolidated total assets	**10,138,912**	9,249,021
Liabilities		
Total liabilities for reportable segments	**9,099,733**	8,282,668
Tax payable	**19,458**	22,491
Deferred tax liabilities	**1,510**	1,353
Other unallocated liabilities	**63,973**	76,828
Consolidated total liabilities	**9,184,674**	8,383,340

56. Operating segments *(continued)*

(c) Geographical segments

The Group operates principally in the PRC with branches located in major provinces, autonomous regions and municipalities directly under the central government in the Chinese mainland. The Group also has branches operating in Hong Kong, New York, Singapore, Luxembourg, London and Sydney, subsidiaries operating in Hong Kong, Shenzhen, Shanghai, Beijing and Luxembourg and representative offices in New York and Taipei.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the revenue. Segment assets and non-current assets are allocated based on the location of the underlying assets.

To support the Bank's operations and management's assessments, the geographical segments are defined as follows:

- "Headquarter" refers to the Group headquarter, credit card centres and fund operation centres;
- "Yangtze River Delta region" refers to branches in Shanghai municipality, Zhejiang province and Jiangsu province;
- "Bohai Rim region" refers to branches in Beijing municipality, Tianjin municipality, Shandong province and Hebei province;
- "Pearl River Delta and West Coast region" refers to branches in Guangdong province and Fujian province;
- "Northeast region" refers to branches in Liaoning province, Heilongjiang province and Jilin province;
- "Central region" refers to branches in Henan province, Anhui province, Hunan province, Hubei province, Jiangxi province, Shanxi province and Hainan province;
- "Western region" refers to branches in Sichuan province, Chongqing municipality, Guizhou province, Yunnan province, Shaanxi province, Gansu province, Ningxia Hui Autonomous region, Xinjiang Uyghur autonomous region, Guangxi Zhuang autonomous region, Inner Mongolia autonomous region, Qinghai province and Tibet autonomous region;
- "Overseas" refers to overseas branches in Hong Kong, New York, Singapore, Luxembourg, London, Sydney and representative offices in New York and Taipei; and
- "Subsidiaries" refers to subsidiaries wholly owned or controlled by the Group, including CMB WLB, CMBIC, CMBFL, CMFM, CMBWM, CMB Europe S.A. and CIGNA & CMAM.

	Total assets		Total liabilities		Non-current assets		Profit before tax		Operating income	
Geographical information	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021	2022	2021	2022	2021
Headquarter	**4,580,315**	4,155,509	**3,841,548**	3,492,876	**52,166**	51,220	**51,396**	42,939	**140,083**	145,403
Yangtze River Delta region	**1,304,806**	1,199,329	**1,283,400**	1,177,342	**5,774**	6,198	**22,939**	24,092	**45,768**	41,451
Bohai Rim region	**827,394**	725,595	**811,449**	711,389	**4,354**	4,319	**19,759**	17,971	**34,105**	31,286
Pearl River Delta and West Coast region	**1,083,521**	997,986	**1,063,334**	979,018	**4,232**	4,432	**26,479**	22,252	**37,583**	35,379
Northeast region	**170,632**	169,282	**166,486**	166,933	**1,505**	1,617	**4,075**	2,919	**6,485**	6,108
Central region	**636,801**	567,191	**628,361**	559,499	**3,602**	3,958	**10,740**	9,744	**20,989**	19,448
Western region	**632,766**	590,272	**623,631**	580,623	**3,497**	3,877	**11,755**	12,191	**20,931**	20,192
Overseas	**194,412**	210,633	**193,651**	208,569	**707**	861	**2,046**	1,575	**3,557**	2,632
Subsidiaries	**708,265**	633,224	**572,814**	507,091	**80,148**	61,382	**15,924**	14,490	**32,714**	25,478
Total	**10,138,912**	9,249,021	**9,184,674**	8,383,340	**155,985**	137,864	**165,113**	148,173	**342,215**	327,377

Note: Non-current assets include interests in joint ventures, interests in associates, property and equipment, investment properties, right-of-use assets, intangible assets and goodwill.

57. Assets pledged as security

The following assets have been pledged as collateral for borrowing from central banks and liabilities under repurchase or placement arrangements:

	2022	2021
Borrowing from central banks	**129,438**	159,357
Placements from banks and other financial institutions	**8,620**	7,517
Amounts sold under repurchase agreements	**107,024**	157,572
Total	**245,082**	324,446
Assets pledged		
– Financial assets at fair value through profit or loss	**24,093**	29,241
– Debt investments at amortised cost	**99,199**	195,166
– Debt investments at fair value through other comprehensive income	**25,267**	34,441
– Loans and advances to customers	**105,531**	81,357
Total	**254,090**	340,205

The transactions under repurchase or placement agreements are conducted under terms that are usual and customary to standard borrowing and placing activities.

58. Contingent liabilities and commitments

(a) Credit commitments

At any given time the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum potential loss that would be recognised at the end of the reporting period if counterparties default.

	2022			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Irrevocable guarantees	245,003	9,818	272	255,093
Of which: Financial guarantees	44,805	7,341	3	52,149
Non-financing letters of guarantees	200,198	2,477	269	202,944
Irrevocable letters of credit	231,849	1,344	–	233,193
Bills of acceptances	427,150	3,733	500	431,383
Irrevocable loan commitments	155,775	1,607	–	157,382
– with an original maturity within 1 year (inclusive)	22,638	4	–	22,642
– with an original maturity over 1 year	133,137	1,603	–	134,740
Credit card unused commitments	1,406,911	9,613	85	1,416,609
Other	81,225	245	–	81,470
Total	2,547,913	26,360	857	2,575,130

58. Contingent liabilities and commitments *(continued)*

(a) Credit commitments *(continued)*

	2021			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Irrevocable guarantees	197,208	7,353	254	204,815
Of which: Financial guarantees	52,198	6,337	3	58,538
Non-financing letters of guarantees	145,010	1,016	251	146,277
Irrevocable letters of credit	162,320	1,711	188	164,219
Bills of acceptances	339,155	5,684	790	345,629
Irrevocable loan commitments	141,727	4,896	2	146,625
– with an original maturity within 1 year (inclusive)	26,611	–	2	26,613
– with an original maturity over 1 year	115,116	4,896	–	120,012
Credit card unused commitments	1,231,831	7,903	122	1,239,856
Other	126,995	1,555	–	128,550
Total	2,199,236	29,102	1,356	2,229,694

As at 31 December 2022, the Group's irrevocable letters of credit included sight letters of credit of RMB22,525 million (31 December 2021: RMB16,974 million), usance letters of credit of RMB6,965 million (31 December 2021: RMB9,552 million), and other commitments of RMB203,703 million (31 December 2021: RMB137,693 million).

Irrevocable loan commitments include credit limits granted to offshore customers by overseas branches, subsidiaries and onshore and offshore syndicated loans etc.

Apart from the irrevocable loan commitments, the Group had loan commitments of RMB5,159,127 million at 31 December 2022 (31 December 2021: RMB4,441,835 million) which are unconditionally cancellable by the Group or automatically cancellable due to deterioration in the creditworthiness of the borrower as stipulated in respective lending agreements. The Group will not assume any risks on the unused credit limits for these loan customers. As a result, such balances are not included in the above contingent liabilities and commitments.

	2022	2021
Credit risk weighted amounts of contingent liabilities and commitments	**595,977**	593,062

The Group calculated the credit risk weighted amount of its contingent liabilities and commitments in accordance with the requirements of the Administrative Measures on Capital of Commercial Banks (Provisional) issued by the CBIRC. The amount within the scope approved by the CBIRC in April 2014 is calculated using the Internal Ratings-Based Approach, and the Weighted Approach is used to calculate those that are not eligible for the Internal Ratings-Based Approach.

58. Contingent liabilities and commitments *(continued)*

(b) Capital commitments

The authorised capital commitments of the Group were as follows:

	2022	2021
– Contracted for	370	480
– Authorised but not contracted for	189	234
Total	559	714

The lease commitments of the Group as a lessor are detailed in note 58 (e).

(c) Outstanding litigations

At 31 December 2022, the Bank or other group entities was a defendant in certain outstanding litigations with total gross claims of RMB1,910 million (2021: RMB1,678 million). The Group considers that no material losses would be incurred by the Group as a result of these outstanding litigations and therefore no provision has been made in the consolidated financial statements.

(d) Redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to make advances to bond holders if the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the nominal value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant requirements set by the MOF or the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at the end of the reporting period:

	2022	2021
Redemption obligations	27,401	30,020

The Group expects that the amount of redemption before the maturity date of these government bonds through the Group will not be material.

(e) Lease commitments

Operating lease commitments and financial lease commitments where the Group is a lessor at the end of the reporting period are as follows:

	2022	2021
Operating lease commitments	30,519	13,750
Financial lease commitments	8,025	7,421
Total	38,544	21,171

59. Transactions on behalf of customers

(a) Entrusted lending business

The Group's entrusted lending business refers to activities where principals such as government departments, business entities and individuals provide capital for loan advances through the Group to their specified targets on their behalf in accordance with specific terms and conditions, with the help of the Group in monitoring loan usage and seeking loan recovery. The entrusted lending business does not expose the Group to any credit risk. As instructed by these principals, the Group holds and manages underlying assets and liabilities only in the capacity of an agent, and charges handling fees for related services.

Entrusted lending are not assets of the Group and are not recognised in the consolidated statement of financial position. Income received and receivable for providing these services are recognised in the consolidated statement of profit or loss as fee and commission income.

At the end of the reporting period, the entrusted assets and liabilities were as follows:

	2022	2021
Entrusted loans	**231,266**	263,589
Entrusted funds	**(231,266)**	(263,589)

(b) Wealth management services

The Group's wealth management services to customers mainly represent sales of wealth management products to corporate and personal banking customers by the Bank and CMBWM. The funds obtained from wealth management services are invested in investment products, including government bonds, policy bank bonds, short term corporate debt instruments and trust loans. The Group initiated the launch of wealth management products. The investment risk associated with these products is borne by the customers who invest in these products. The Group does not consolidate these wealth management products. The Group earns commission which represents the charges on customers in relation to the provision of custody, sales and management services.

The wealth management products and funds obtained are not assets and liabilities of the Group and are not recognised in the consolidated statement of financial position. The funds received from customer for wealth management business that yet to be invested are recorded under other liabilities.

At the end of the reporting period, funds received from customers under unconsolidated non-principal-guaranteed wealth management services were RMB2,552,408 million as at 31 December 2022 (31 December 2021: RMB2,683,636 million).

(c) Entrusted management of insurance funds

The entrusted management of insurance funds mainly refers to the business that the Group carries out investment activities on funds entrusted by insurance companies according to the regulatory policies and the investment guidelines from insurance companies, and charges fees for providing such services.

At the end of the reporting period, the balance of entrusted funds were as follows:

	2022	2021
Entrusted management of insurance funds	**108,868**	86,098

60. Risk management

(a) Credit risk

Credit risk represents the potential losses that may arise from the failure of a counterparty or a debtor to meet its obligation or commitment to the Group. Credit risk increases when all counterparties are concentrated in a single industry or a geographical region, as different counterparties in the same region or industry may be affected by the same economic factors, which may eventually affect their repayment abilities.

The Group designs its organisation framework, credit policies and processes with an objective to identify, evaluate and manage its credit risk effectively. The Risk and Capital Management Committee, set up and appointed by the board of directors is responsible for supervising and evaluating the set-up, organisational structure, work process and effectiveness of various risk management functions.

With respect to daily operations, the Risk Management Department, as directed by the Risk and Capital Management Committee, participates in, coordinates and monitors the work of other risk management functions, including each business unit and the Legal and Compliance Department. The Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring. According to Implementation Rules on Expected Credit Loss Approach of Commercial Banks (CBIRC〔2022〕No.10), the Group has further optimised the workflow related to the implementation and management of ECL measures during the year.

With respect to the credit risk management of wholesale financial business, the Group formulates credit policy guidelines, enhances the standards on credit acceptance and management requirements for corporate, interbank and institutional clients, and implements limits in key risk areas to improve the quality of credit exposure.

With respect to credit risk management of retail financial business, the Group mainly relies on the credit assessment of applicants as the basis for loan approval, which takes into consideration the income level, credit history, and repayment ability of the applicant. The Group monitors post-lending conditions by focusing on borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, the Group starts the collection process according to standard retail loans collection procedures.

To mitigate risks, the Group requests customers to provide collateral and guarantees when necessary. Certain guidelines have been set for the acceptability of specific types of collateral or risks mitigating measures. Collateral portfolio and legal covenants are reviewed regularly to ensure that they remain sufficient for the given risks and be consistent with market practices.

In respect of asset quality classification, the Group adopts a risk based asset quality classification methodology. Currently, the Group categorises its loans on a ten-grade loan classification basis in order to refine internal risk classification management (normal (grades 1-5), special mention (grades 1-2), substandard, doubtful and loss).

The risks involved in contingent liabilities and commitments are essentially the same as the credit risk involved in loans and advances to customers. These transactions are, therefore, subject to the same credit application, post-lending monitoring and collateral requirements as for customers applying for loans.

Concentration of credit risk: when certain number of customers carry out the same business activities, locate in the same geographical region or their industries share similar economic characteristics, their ability to meet their obligations may be affected by the same economic factors. The level of concentration of credit risk reflects the sensitivity of the Group's operating result to a specific industry or geographical region. To prevent concentration of credit risk, the Group has formulated a limit management policy to monitor and analyse its loan portfolio.

Analysis of loans and advances by industry and loan portfolio are presented in Note 22.

60. Risk management *(continued)*

(a) Credit risk *(continued)*

(i) Internal credit risk rating

The Group classifies credit risk based on probability of default. The internal credit risk rating is based on the forecasted default risk, taking into consideration qualitative and quantitative factors. For customers of wholesale business, such factors include net profit growth rate, sales growth rate, industry, etc. For customers of retail business, such factors include maturity, ageing, collateral ratio, etc.

(ii) Significant increase in credit risk

As describe in Note 4(5), the Group recognises lifetime ECL if there are significant increases in credit risk.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument and other items at the reporting date with that at the date of initial recognition. In making this assessment, the Group considers an actual or expected significant deterioration in the financial instrument's internal credit risk rating (Note 60(a)(i)), as well as internal early warning signal, the result of 5-tier classification and overdue information. The Group regularly reviews whether the evaluation criteria are applicable to the current situation.

For wholesale business, credit risk is considered as significantly increased if any of the following conditions is met: the 5-tier classification is special mention; more than 30 days (inclusive) overdue; the internal credit risk rating of the customer has been downgraded to certain level; the early warning signal of the customer has reached a certain level; or the customer has other significant risk signals identified by the Group.

For retail and credit card business, credit risk is considered as significantly increased if any of the following conditions is met: the 5-tier classification is special mention; more than 30 days (inclusive) overdue; the customer or the debt has credit risk early warning signal; or the customer has other significant risk signals identified by the Group.

A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capability to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may not necessarily reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For loan commitment and financial guarantee, the date when the commitment becomes irrevocable is considered as the initial recognition date.

The Group considers that a debt instrument is impaired when the debt instrument is more than 90 days (inclusive) overdue or the 5-tier classification of this debt instrument is substandard, doubtful or loss (these three categories include debt instruments with more than 90 days (inclusive) overdue).

(iii) Measurement of ECL

The key inputs used for measuring ECL are:

- probability of default (PD): is an estimate of the likelihood of default over 12 months or lifetime horizon;
- loss given default (LGD): is the proportion of the loss arising on default to the exposure at default;
- exposure at default (EAD): is the risk exposure on a debt.

These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect forward-looking information.

60. Risk management *(continued)*

(a) Credit risk *(continued)*

(iv) Incorporation of forward-looking information

The Group divides financial assets into different asset groups based on their different risk characteristics. According to the risk characteristics of the asset group, the Group collects external data released by authoritative institutions and internal risk data without undue cost or effort for modelling. Apart from the common economic indicators such as Gross Domestic Product ("GDP"), Consumer Price Index ("CPI"), Producer Price Index ("PPI") and Broad Money Supply ("M2"), various other categories of indicators such as industry index, interest and exchange rate, and survey index are also included. Based on statistical analysis and expert judgements, the Group sets up multiple forward-looking scenarios to predict macroeconomic indicators and risk parameters. The Group will firstly refer to the forecasts issued by external authoritative institutions as the forecasts of economic indicators under the baseline scenario. If there is no external forecasts, the Group will refer to the forecasts issued by the professionals of the Bank and the outputs of the models. For the forecasts of economic indicators under the remaining scenarios, the Group will refer to the actual historical data for analysis and forecast. Taking GDP (year-on-year growth rate) and CPI (month-on-month increase) as an example, the forecasts adopted by the Group for 2023 under the baseline scenario are 4.80% (2022: 5.34%) and 2.80% (2022: 2.43%) respectively.

Combined with quantitative measurement and expert judgement, the Group sets the weighting of multiple scenarios based on the principle of taking the baseline scenario as the main and the other scenarios as supplement. The weight of the baseline scenario of the Group as at 31 December 2022 is the highest. According to the sensitivity test results of the Group, when the weighting of the optimistic scenario increases by 10% and the weighting of the baseline scenario decreases by 10%, the ECL amount at 31 December 2022 will decrease by approximately 3.1% compared to the current result (at 31 December 2021: will decrease by approximately 3.4%). When the weighting of the pessimistic scenario increases by 10% and the weighting of the baseline scenario decreases by 10%, the ECL amount at 31 December 2022 will increase by approximately 5.2% compared to the current result (at 31 December 2021: will increase by approximately 1.5%).

The Group periodically forecasts macroeconomic indicators, and calculates the ECL based on a weighted 12-month expected credit loss (stage 1) or a weighted lifetime expected credit loss (stage 2 and stage 3).

(v) Groupings based on shared risk characteristics

The Group divides the primary business into wholesale business, retail business and credit card business. The models are divided based on shared risk characteristics, and the reference indicators include the 5-tier classification, business type and collateral type.

(vi) Maximum exposure

The Group's maximum exposure to credit risk without taking into account of any collateral held or other credit enhancements is the carrying amount of the relevant financial assets (including derivatives) as disclosed in the consolidated statement of financial position and the contract amount of the off balance sheet items disclosed in Note 58(a). At 31 December 2022, the amount of the Group's maximum credit risk exposure was RMB12,440,314 million (31 December 2021: RMB11,235,033 million).

60. Risk management *(continued)*

(a) Credit risk *(continued)*

(vii) Renegotiated loans and advances to customers

The carrying amount of loans and advances that were credit-impaired and the terms had been renegotiated was RMB12,076 million as at 31 December 2022 (31 December 2021: RMB16,517 million).

(viii) Non-performing loans

Under the 5-tier loan classification system, non-performing loans of the Group are divided into substandard loans, doubtful loans and loss loans. As at 31 December 2022, the Group had balance of non-performing loans of RMB58,004 million (31 December 2021: RMB50,862 million).

(ix) Credit quality of bond investments rating results

At the end of the reporting period, the analysis of the credit quality of bond investments by designated external credit assessment institution, Standard & Poor's, is as follows:

	2022	2021
Impaired gross amount of debt investments	**398**	340
Impairment allowances	**(243)**	(228)
Subtotal	**155**	112
Neither overdue nor impaired		
AAA	**1,750,057**	1,345,363
AA+ to AA-	**53,526**	29,468
A+ to A-	**562,475**	422,427
Lower than A-	**33,429**	28,415
Unrated	**38,966**	57,994
Impairment allowances	**(5,958)**	(10,935)
Subtotal	**2,432,495**	1,872,732
Total	**2,432,650**	1,872,844

Notes:

(i) Bonds issued by the governments and policy banks held by the Group amounted to RMB2,094,902 million as at 31 December 2022 (31 December 2021: RMB1,596,105 million).

(ii) The impairment allowances above is for debt investments at amortised cost only.

60. Risk management *(continued)*

(a) Credit risk *(continued)*

(x) Collateral

An estimate of the fair value of collateral and other credit enhancements held against financial assets that are overdue but not impaired is as follows:

	2022	2021
Estimate of the fair value of collateral and other credit enhancements held against following financial assets		
– Loans and advances to customers	**25,148**	4,124

(xi) Movements of loans and advances and debt investments measured at amortised cost

Loans and advances measured at amortised cost:

	2022			
	– Stage 1 (12-month ECL)	**– Stage 2 (Lifetime ECL – not credit-impaired)**	**– Stage 3 (Lifetime ECL – credit-impaired)**	**Total**
Balance as at the beginning of the year	**4,912,836**	**111,354**	**50,862**	**5,075,052**
Net changes for the year	**425,054**	**(27,002)**	**(1,831)**	**396,221**
Transfer to				
– Stage 1	**18,758**	**(18,644)**	**(114)**	**–**
– Stage 2	**(103,532)**	**103,794**	**(262)**	**–**
– Stage 3	**(35,248)**	**(13,117)**	**48,365**	**–**
Write-offs	**–**	**(145)**	**(39,016)**	**(39,161)**
Balance as at the end of the year	**5,217,868**	**156,240**	**58,004**	**5,432,112**

	2021			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at the beginning of the year	4,517,239	76,286	53,615	4,647,140
Net changes for the year	468,264	(4,154)	(1,093)	463,017
Transfer to				
– Stage 1	20,436	(20,293)	(143)	–
– Stage 2	(69,411)	69,966	(555)	–
– Stage 3	(23,692)	(10,451)	34,143	–
Write-offs	–	–	(35,105)	(35,105)
Balance as at the end of the year	4,912,836	111,354	50,862	5,075,052

60. Risk management *(continued)*

(a) Credit risk *(continued)*

(xi) Movements of loans and advances and debt investments measured at amortised cost *(continued)*

Debt investments at amortised cost:

	2022			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at the beginning of the year	1,183,320	1,962	24,077	1,209,359
Net changes for the year	361,916	(275)	9,395	371,036
Transfer to				
– Stage 1	3	(3)	–	–
– Stage 2	(1,276)	1,276	–	–
– Stage 3	(311)	(887)	1,198	–
Write-offs	–	–	(550)	(550)
Balance as at the end of the year	1,543,652	2,073	34,120	1,579,845

	2021			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at the beginning of the year	1,044,826	971	14,590	1,060,387
Net changes for the year	140,141	(656)	9,487	148,972
Transfer to				
– Stage 1	–	–	–	–
– Stage 2	(1,647)	1,647	–	–
– Stage 3	–	–	–	–
Write-offs	–	–	–	–
Balance as at the end of the year	1,183,320	1,962	24,077	1,209,359

60. Risk management *(continued)*

(a) Credit risk *(continued)*

(xii) Credit quality of financial instruments

The staging analysis for loans and advances to customers and debt investments at amortised cost are disclosed in note 22, note 23(b) and 60(a)(xi) respectively. The staging analysis for credit commitments and the expected credit loss allowances of financial guarantees and loan commitments are disclosed in notes 58(a) and 42 respectively. The staging analysis for other financial instruments is as follows:

	2022							
	Principal				Expected credit loss			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit-impaired)	Stage 3 (Lifetime ECL – credit-impaired)	Total	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit-impaired)	Stage 3 (Lifetime ECL – credit-impaired)	Total
Balances with central banks	587,533	–	–	587,533	–	–	–	–
Balances with banks and other financial institutions	91,574	2	11	91,587	(497)	(1)	(11)	(509)
Placements with banks and other financial institutions	264,782	–	–	264,782	(2,658)	–	–	(2,658)
Amounts held under resale agreements	277,421	–	140	277,561	(954)	–	(140)	(1,094)
Debt investments at FVTOCI	767,905	3,211	155	771,271	(4,472)	(479)	(1,589)	(6,540)

	2021							
	Principal				Expected credit loss			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit-impaired)	Stage 3 (Lifetime ECL – credit-impaired)	Total	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit-impaired)	Stage 3 (Lifetime ECL – credit-impaired)	Total
Balances with central banks	553,655	–	–	553,655	–	–	–	–
Balances with banks and other financial institutions	80,653	–	11	80,664	(367)	–	(11)	(378)
Placements with banks and other financial institutions	196,245	106	–	196,351	(2,859)	(1)	–	(2,860)
Amounts held under resale agreements	528,424	–	140	528,564	(4,123)	–	(140)	(4,263)
Debt investments at FVTOCI	626,007	2,236	112	628,355	(4,700)	(875)	(1,047)	(6,622)

Note: The balances disclosed above do not include interest receivable.

60. Risk management *(continued)*

(b) Market risk

Market risk refers to the risk of loss due to changes in observable market factors such as interest rates, exchange rates, commodity prices and stock prices, resulting in changes in the fair value or future cash flows of the Group's financial instruments. Interest rate and foreign exchange rate are the two major market risk factors relevant to the Group. The Group is exposed to market risk through the financial instruments under the trading book and banking book. The financial instruments and positions under the trading book are held for trading purposes or for the purposes of hedging the risks arising from the trading book position, and these financial instruments can be traded without any restriction. The financial instruments under the banking book are assets and liabilities held by the Group for determinable return with relative stable market value or for the purposes of hedging the risks, which include both the Group's on-balance sheet and off-balance sheet exposure.

(i) Foreign exchange risk

Foreign exchange risk arises from the holding of foreign currency assets, liabilities and equity items, and the foreign currency and foreign currency derivative positions, which expose the Group to potential losses in the event of unfavourable foreign exchange rate movement. The financial assets and liabilities of the Group are denominated in RMB, and the other currencies are mainly in USD and HKD. The Group segregates the policy setting, execution and supervision of foreign exchange risk management, and establishes a foreign currency risk management governance structure. This structure specifies the roles, responsibilities and reporting lines of the board of directors, the board of supervisors, senior management, designated committees and relevant departments of the Bank in the management of foreign exchange risk. The Group is prudent in its foreign exchange risk appetite, and would not voluntarily take foreign exchange risk, which suits the current development stage of the Group. The current foreign exchange risk management policies and procedures of the Group meet the regulatory requirements and the requirements of the Group.

(1) Trading book

The Group has established a market risk structure and system of the trading book, which covers exchange rate risk, to quantify the exchange rate risk of the trading book to facilitate centralised management. The structure, process and method of exchange rate risk management of trading book are consistent with that of the interest rate risk of trading book.

The Group adopts quantitative indicators such as exposure indicator, market value at risk indicator (VaR, covers interest rate, foreign exchange rate, and commodity risk factors), exchange rate scenario stress test loss index, exchange rate sensitivity index, and cumulative loss index in its management of foreign exchange risk. The management methods include delegation, setting limits, daily monitoring and continuous reporting, etc.

60. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Foreign exchange risk *(continued)*

(2) Banking book

The Group's foreign exchange risk under the banking book is centrally managed by the Head Office. The Asset and Liability Management Department, as the treasurer of the Bank is in charge of the banking book foreign exchange risk management. The Internal Audit Department is responsible for auditing this. The treasurer is responsible for managing the foreign exchange risk under the banking book with a prudent approach and compliance with the regulatory requirements, and through approaches such as transaction limits and adjustment of plans.

The banking book foreign exchange risk of the Group arises from the mismatch of the non-RMB financial assets and liabilities. The Group stringently monitors its foreign exchange risk exposures to control it within an acceptable range.

The Group has adopted foreign exchange exposure analysis, scenario simulation analysis and stress testing for the measurement and analysis of foreign exchange risk. The Group regularly measures and analyses the foreign exchange risk exposure fluctuations, monitors and reports foreign exchange risk on a monthly basis under the limit control framework, and adjusts the foreign exchange exposures based on the trend of foreign exchange rate movements to mitigate the foreign exchange risk on its banking book.

The Group continues to strengthen banking book exchange rate risk monitoring and authorisation management of limits to ensure that risks are controlled within a reasonable range.

(3) Assets and liabilities by original currency are shown as follows:

	2022						
	In RMB Equivalent					Main original currency	
	RMB	USD	HKD	Other	Total	USD	HKD
Assets							
Cash and balances with central banks	555,828	41,978	2,766	2,170	602,742	6,039	3,103
Amounts due from banks and other financial institutions	491,188	100,237	22,244	16,000	629,669	14,420	24,951
Loans and advances to customers	5,466,679	148,993	157,628	23,246	5,796,546	21,433	176,812
Financial investments (including derivative financial assets)	2,534,659	188,200	31,130	9,233	2,763,222	27,073	34,920
Other assets (note (i))	244,335	95,541	3,313	3,544	346,733	13,744	3,716
Total	9,292,689	574,949	217,081	54,193	10,138,912	82,709	243,502
Liabilities							
Borrowing from central banks and amounts due to banks and other financial institutions	970,667	92,817	3,961	5,507	1,072,952	13,353	4,443
Deposits from customers	6,964,197	361,242	160,496	49,807	7,535,742	51,967	180,029
Financial liabilities at FVTPL (including derivative financial liabilities)	63,769	17,725	421	35	81,950	2,549	473
Debt securities issued	162,146	58,447	790	905	222,288	8,408	886
Other liabilities (note (i))	247,646	11,235	11,944	917	271,742	1,618	13,397
Total	8,408,425	541,466	177,612	57,171	9,184,674	77,895	199,228
Net position	884,264	33,483	39,469	(2,978)	954,238	4,814	44,274
Net off-balance sheet position:							
Credit commitments (note (ii))	2,456,047	82,618	21,961	14,504	2,575,130	11,885	24,634
Derivatives:							
– forward purchased	280,979	288,388	26,409	20,844	616,620	41,486	29,623
– forward sold	(253,696)	(294,290)	(19,462)	(14,878)	(582,326)	(42,335)	(21,831)
– net currency option position	29,143	(32,690)	(10)	41	(3,516)	(4,703)	(11)
Total	56,426	(38,592)	6,937	6,007	30,778	(5,552)	7,781

60. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Foreign exchange risk *(continued)*

(3) Assets and liabilities by original currency are shown as follows: (continued)

	2021						
	In RMB Equivalent					Main original currency	
	RMB	USD	HKD	Other	Total	USD	HKD
Assets							
Cash and balances with central banks	487,777	57,919	18,482	2,787	566,965	9,089	22,611
Amounts due from banks and other financial institutions	668,673	108,887	12,162	8,356	798,078	17,085	14,879
Loans and advances to customers	4,992,946	156,000	141,605	34,960	5,325,511	24,478	173,238
Financial investments (including derivative financial assets)	2,037,147	108,939	20,348	10,081	2,176,515	17,095	24,893
Other assets (note (i))	254,488	111,972	10,513	4,979	381,952	17,569	12,862
Total	8,441,031	543,717	203,110	61,163	9,249,021	85,316	248,483
Liabilities							
Borrowing from central banks and amounts due to banks and other financial institutions	1,115,553	108,820	4,894	9,327	1,238,594	17,075	5,988
Deposits from customers	5,830,585	346,349	129,300	40,844	6,347,078	54,346	158,184
Financial liabilities at FVTPL (including derivative financial liabilities)	71,041	18,554	1,438	10	91,043	2,911	1,759
Debt securities issued	390,550	50,425	221	3,345	444,541	7,912	270
Other liabilities (note (i))	235,507	16,336	9,317	924	262,084	2,565	11,399
Total	7,643,236	540,484	145,170	54,450	8,383,340	84,809	177,600
Net position	797,795	3,233	57,940	6,713	865,681	507	70,883
Net off-balance sheet position:							
Credit commitments (note (ii))	2,117,722	71,179	24,448	16,345	2,229,694	11,169	29,909
Derivatives:							
– forward purchased	459,207	451,419	8,554	16,144	935,324	70,833	10,465
– forward sold	(388,786)	(395,153)	(10,651)	(9,748)	(804,338)	(62,004)	(13,030)
– net currency option position	(93,522)	38,175	8	3,059	(52,280)	5,990	10
Total	(23,101)	94,441	(2,089)	9,455	78,706	14,819	(2,555)

Notes:

(i) Interest receivable and interest payable of financial instruments are included in "other assets" and "other liabilities" respectively.

(ii) Credit commitments generally expire before they are drawn down, therefore the above net position does not represent the future cash outflows.

60. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Foreign exchange risk *(continued)*

(4) Sensitivity analysis

Under the existing managed floating exchange rate regime, the Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's net profit and equity. The following table sets forth the results of the Group's foreign exchange risk sensitivity analysis on the assets and liabilities of all foreign currencies involved at 31 December 2022 and 31 December 2021.

	2022		2021	
Change in foreign currency exchange rate	Down by 1%	Up by 1%	Down by 1%	Up by 1%
(Decrease)/increase in net profit	(64)	64	(79)	79
(Decrease)/increase in equity	(284)	284	(262)	262

Actual changes in the Group's net profit and equity resulting from increases or decreases in foreign exchange rates may be different from the results of this sensitivity analysis.

(ii) Interest rate risk

Interest rate risk arises from unfavourable changes in interest rates and maturity profiles which may result in loss to the income and decline in market value of financial instruments and positions held by the Group.

(1) Trading book

According to the basic principles of risk management, the Group has built and continuously improved the market risk management system, and established the management process of market risk identification, measurement, monitoring, control and reporting, covering interest rate risk, exchange rate risk, commodity and other risks involved in the trading book business. Under the market risk preference formulated by the board of directors, the Group manages the trading book by clearly identifying, accurately measuring and effectively managing the trading book market risk, to ensure that the trading book risk exposure is within an acceptable range and achieves a reasonable balance of risk and return. The Group constantly improves the risk-adjusted return level to maximise the shareholders' value.

The trading book market risk governance organisation structure defines the responsibilities, division of labour and reporting lines of the board of directors, Risk and Capital Management Committee under the board of directors, senior management and relevant departments of the Bank, and safeguards the achievement of management objectives. The Market Risk Management Department is responsible for the Group's trading book market risk, and undertakes the task of risk policy formulation and management.

60. Risk management *(continued)*

(b) Market risk *(continued)*

(ii) Interest rate risk *(continued)*

(1) Trading book (continued)

According to the business practices and market risk governance organisation structure, the Group establishes the trading book market risk limits management system. A top level limit is set based on the risk appetite determined by the board of directors, and is transmitted from top to bottom level by level. Within the scope of their authorisation, management departments at all levels allocate and set limits according to risk characteristics, product types and trading strategies, etc. The business departments carry out the business according to the authorisation and limits requirements, and the supervisory and administrative departments at all levels continuously monitor and report according to the limits management regulations.

The trading book market risk management adopts the scale index, stop loss index, sensitivity index, value at risk index, stress test index and other risk measurement indices as the limits index, and sets the limit value by comprehensively considering the risk appetite, risk tolerance, business operation strategy, risk return, management conditions and other factors.

The Group uses valuation, sensitivity analysis, value-at-risk analysis, stress test and other measurement methods to identify and quantify risk factors in the interest rate market. The Group applies the market risk measurement model in its daily risk management and takes market risk measurement as the basis for business planning, resource allocation, financial market business operation and risk management.

(2) Banking book

According to the external regulatory requirements and the internal banking book interest rate risk management policy, the Group has built and continuously improved the banking book interest rate risk management system, established the management process of interest rate risk identification, measurement, monitoring, control and reporting, and covered all on- and off-balance sheet business of the Bank. The Group clearly identifies, accurately measures and effectively manages the interest rate risk of the banking book under the interest rate risk appetite of the banking book formulated by the Board of Directors to ensure that the net interest income (NII) and the economic value of shareholders' equity (EVE) increase steadily within the acceptable range of the banking book risk.

The Group's governance and management framework specifies the responsibilities, division of labor and reporting lines of the board of directors, senior management, designated committees and relevant departments to ensure the effectiveness of interest rate risk management. Interest rate risk of the banking book is managed by the Asset and Liability Management Department of the Head Office. Internal Audit Department of the Head Office is responsible for independent audit.

The preference of the Group in respect of the interest rate risk in the banking book is neutrally prudent. The Group establishes a banking book interest rate risk limit management system based on the actual business and the banking book interest rate risk governance structure. The quantitative index of risk appetite set by the Board of Directors is the highest level limit, which is transmitted through the limit level from top to bottom and level by level. Within the scope of their authorisation, all levels set limits and continuously monitor and report according to risk tolerance, business operation strategy and risk management objectives. The Group formulates interest rate risk management strategies and regularly tracks and reviews them based on risk measurement and monitoring results and in combination with macroeconomic and interest rate environment. The key measures for risk management of the Group include the adjustment in business volume, duration structure and interest rate structure of on-balance sheet asset and liability business and off-balance sheet derivative to offset risk exposure.

The Group has mainly adopted scenario simulation analysis, re-pricing exposure analysis and duration analysis for the regular measurement and analysis of interest rate risk under the banking book. Stress test is a form of scenario simulation used to assess the changes in net interest income at risk and economic value of equity indicators when there is an extreme fluctuation in interest rates. The Group measures and monitors the interest rate risk of banking book through the asset-liability management system, and the main models and parameter assumptions used in the measurement process are independently verified before being adopted, and are regularly reviewed and verified after being adopted. The various indicators of interest rate risk during the reporting period showed that the interest rate risk of banking book of the Bank was generally stable and stay within the set limits.

60. Risk management *(continued)*

(b) Market risk *(continued)*

(ii) Interest rate risk *(continued)*

(3) The following tables indicate the expected next repricing dates (or maturity dates whichever are earlier) for assets and liabilities at the end of the reporting period.

	2022					
	Total	3 months or less (include overdue)	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing
Assets						
Cash and balances with central banks	602,742	575,932	–	–	–	26,810
Amounts due from banks and other financial institutions	629,669	516,309	99,288	14,059	13	–
Loans and advances to customers (note (i))	5,796,546	2,234,889	3,028,371	473,932	59,354	–
Financial investments (including derivative financial assets)	2,763,222	217,442	356,451	975,413	1,164,031	49,885
Other assets (note (ii))	346,733	–	–	–	–	346,733
Total assets	10,138,912	3,544,572	3,484,110	1,463,404	1,223,398	423,428
Liabilities						
Borrowing from central banks and amounts due to banks and other financial institutions	1,072,952	915,004	142,452	10,501	4,995	–
Deposits from customers	7,535,742	5,528,249	860,746	1,111,583	31,365	3,799
Financial liabilities at FVTPL (including derivative financial liabilities)	81,950	–	3,006	5,231	73	73,640
Lease liabilities	13,013	1,094	3,091	7,650	1,178	–
Debt securities issued	222,288	35,587	69,617	89,565	27,519	–
Other liabilities (note (ii))	258,729	203	–	2,752	–	255,774
Total liabilities	9,184,674	6,480,137	1,078,912	1,227,282	65,130	333,213
Asset-liability gap	954,238	(2,935,565)	2,405,198	236,122	1,158,268	90,215

60. Risk management *(continued)*

(b) Market risk *(continued)*

(ii) Interest rate risk *(continued)*

(3) The following tables indicate the expected next repricing dates (or maturity dates whichever are earlier) for assets and liabilities at the end of the reporting period. (continued)

	2021					
	Total	3 months or less (include overdue)	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing
Assets						
Cash and balances with central banks	566,965	537,981	–	–	–	28,984
Amounts due from banks and other financial institutions	798,078	723,941	63,581	10,507	49	–
Loans and advances to customers (note (i))	5,325,511	2,134,671	2,750,245	376,357	64,238	–
Financial investments (including derivative financial assets)	2,176,515	159,659	288,349	884,079	795,611	48,817
Other assets (note (ii))	381,952	–	–	–	–	381,952
Total assets	9,249,021	3,556,252	3,102,175	1,270,943	859,898	459,753
Liabilities						
Borrowing from central banks and amounts due to banks and other financial institutions	1,238,594	1,081,661	149,900	6,311	722	–
Deposits from customers	6,347,078	4,820,271	718,509	804,755	348	3,195
Financial liabilities at FVTPL (including derivative financial liabilities)	91,043	1,428	2,075	8,177	158	79,205
Lease liabilities	13,812	1,042	2,989	8,153	1,628	–
Debt securities issued	444,541	96,239	220,608	88,974	38,720	–
Other liabilities (note (ii))	248,272	84	–	–	–	248,188
Total liabilities	8,383,340	6,000,725	1,094,081	916,370	41,576	330,588
Asset-liability gap	865,681	(2,444,473)	2,008,094	354,573	818,322	129,165

Notes: (i) For loans and advances to customers, the "3 months or less" category includes overdue amounts as at 31 December 2022 and 31 December 2021 net of allowances for impairment losses. Overdue amounts represent loans of which the whole or part of the principals or interests were overdue.

(ii) Interest receivable and interest payable of financial instruments are included in "other assets" and "other liabilities" respectively.

(4) Sensitivity analysis

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income and equity. The following table sets forth the results of the Group's interest rate sensitivity analysis on the assets and liabilities as at 31 December 2022 and 31 December 2021.

	2022		2021	
Change in interest rates (in basis points)	Up by 25	Down by 25	Up by 25	Down by 25
(Decrease)/increase in net interest income	**(4,412)**	**4,412**	(3,605)	3,605
(Decrease)/increase in equity	**(8,462)**	**8,586**	(6,830)	6,927

The above-mentioned interest rate sensitivity analysis shows the changes in net interest income and equity in the next 12 months under the assumption of changes in interest rates in the above table. As the actual situation and assumptions may be different, the actual changes in the Group's net interest income and equity caused by the increase or decrease in interest rates may be different from the results of this sensitivity analysis.

60. Risk management *(continued)*

(c) Liquidity risk

Liquidity risk is the risk that the Group is not able to obtain sufficient funds at a reasonable cost and in a timely manner to deal with the appreciation of asset growth, to meet its maturity obligations, or to perform other payment obligations.

According to the liquidity risk management policy, the Group segregates the policy setting, execution and supervision of liquidity risk management, and puts in place a governance framework which defines the roles, responsibilities and reporting lines of the board of directors, the board of supervisors, senior management, designated committees and relevant departments to ensure the effectiveness of the liquidity risk management. The board of directors takes the ultimate responsibility for liquidity risk management, ensures the Group can effectively identify, measure, monitor and control liquidity risk and is responsible for determining liquidity risk level which the Group can tolerate. The Risk and Capital Management Committee under the board of directors shall perform its responsibilities in liquidity risk management according to the requirements of the Board of Directors. The board of supervisors is responsible for the supervision and evaluation of the performance of the board of directors and senior management in the liquidity risk management and reports to the general meeting of shareholders. The senior management is responsible for the liquidity risk management work and develops a timely understanding of changes in liquidity risks, and reports the same to the board of directors. The Asset and Liability Management Committee (ALCO) exercises specific liquidity risk management functions as required by the senior management. The Assets and Liabilities Management Department of the Head Office is a day-to-day working body of ALCO, and is responsible for various concrete management work including formulating policies and procedures relating to liquidity risk management and conducting qualitative and quantitative analysis of liquidity risk. The Internal Audit Department of the Head Office conducts comprehensive audit on the Group's liquidity risk management.

The Group is prudent in managing its liquidity risk, which suits its current development stage. The Group's existing liquidity risk management policies and systems meet regulatory requirements and its own management needs.

The Group's liquidity risk management is coordinated by Head Office with branches acting in concert. The Asset and Liability Management Department acting as the treasurer of the Group is in charge of daily liquidity risk management. According to a prudent basis under regulatory requirements, the treasurer is conducting centralised liquidity management through limits management, budget control, initiative debt management as well as internal fund transfer pricing.

The Group measures, monitors and identifies liquidity risk by short-term reserves as well as medium- and long-term structures. It monitors the limit indicators closely at fixed intervals.

The Group regularly conducts stress testing to assess its liquidity risk resistance under extreme circumstances. Except for the annual stress testing required by the regulatory authorities, the Group conducts monthly stress testing on the liquidity risk of local and foreign currencies. The Group sets up liquidity contingency plans and conducts liquidity contingency drills to continuously improve its capability to handle any liquidity crisis.

60. Risk management *(continued)*

(c) Liquidity risk *(continued)*

Analysis of the Group's assets and liabilities by contractual remaining maturity is as follows:

	2022								
	Repayable on demand	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	Over 5 years	Indefinite	Overdue	Total
Cash and balances with central banks (note (i))	66,055	–	–	1,201	–	–	535,486	–	602,742
Amounts due from banks and other financial institutions	62,456	368,268	84,572	99,288	15,072	13	–	–	629,669
Loans and advances to customers	26,008	499,842	399,192	1,514,348	1,626,514	1,706,378	–	24,264	5,796,546
Financial investments and derivative financial assets (note (ii))	4,213	99,154	105,394	372,002	995,867	1,166,665	19,139	788	2,763,222
– Financial investments at FVTPL (including derivative financial assets)	4,213	79,576	42,022	99,531	158,992	52,081	5,723	–	442,138
– Debt investments at amortised cost	–	13,554	35,043	133,748	449,002	904,281	–	769	1,536,397
– Debt investments at FVTOCI	–	6,024	28,329	138,723	387,873	210,303	–	19	771,271
– Equity investments designated at FVTOCI	–	–	–	–	–	–	13,416	–	13,416
Other assets (note (iii))	36,461	10,932	15,526	18,475	15,859	5,798	239,528	4,154	346,733
Total assets	195,193	978,196	604,684	2,005,314	2,653,312	2,878,854	794,153	29,206	10,138,912
Borrowing from central banks and amounts due to banks and other financial institutions	515,446	264,739	116,971	148,556	20,817	6,423	–	–	1,072,952
Deposits from customers	4,746,035	384,557	393,284	861,631	1,115,153	35,082	–	–	7,535,742
Financial liabilities at FVTPL (including derivative financial liabilities)	12,950	12,026	12,971	12,415	11,457	20,131	–	–	81,950
Lease liabilities	–	503	591	3,091	7,650	1,178	–	–	13,013
Debt securities issued	–	3,939	27,886	73,379	89,565	27,519	–	–	222,288
Other liabilities (note (iii))	159,820	26,774	19,358	23,667	28,868	242	–	–	258,729
Total liabilities	5,434,251	692,538	571,061	1,122,739	1,273,510	90,575	–	–	9,184,674
(Short)/long position	(5,239,058)	285,658	33,623	882,575	1,379,802	2,788,279	794,153	29,206	954,238

60. Risk management *(continued)*

(c) Liquidity risk *(continued)*

	2021								
	Repayable on demand	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	Over 5 years	Indefinite	Overdue	Total
Cash and balances with central banks (note (i))	79,129	–	–	–	–	–	487,836	–	566,965
Amounts due from banks and other financial institutions	59,862	601,897	60,072	65,405	10,793	49	–	–	798,078
Loans and advances to customers	20,719	545,165	368,482	1,333,756	1,387,033	1,650,468	–	19,888	5,325,511
Financial investments and derivative financial assets (note (ii))	4,058	88,783	60,315	304,846	912,392	795,813	10,071	237	2,176,515
– Financial investments at FVTPL (including derivative financial assets)	4,058	67,589	31,524	95,228	134,821	35,217	3,076	–	371,513
– Debt investments at amortised cost	–	8,882	11,185	133,930	425,327	590,091	–	237	1,169,652
– Debt investments at FVTOCI	–	12,312	17,606	75,688	352,244	170,505	–	–	628,355
– Equity investments designated at FVTOCI	–	–	–	–	–	–	6,995	–	6,995
Other assets (note (iii))	103,999	10,432	13,946	14,551	14,891	6,107	214,113	3,913	381,952
Total assets	267,767	1,246,277	502,815	1,718,558	2,325,109	2,452,437	712,020	24,038	9,249,021
Borrowing from central banks and amounts due to banks and other financial institutions	627,957	313,745	122,210	153,551	18,350	2,781	–	–	1,238,594
Deposits from customers	4,185,788	315,077	316,452	719,506	809,176	1,079	–	–	6,347,078
Financial liabilities at FVTPL (including derivative financial liabilities)	12,942	13,301	11,720	13,740	20,629	18,711	–	–	91,043
Lease liabilities	–	506	536	2,989	8,153	1,628	–	–	13,812
Debt securities issued	–	21,181	70,472	222,647	88,974	41,267	–	–	444,541
Other liabilities (note (iii))	160,991	37,159	15,455	24,744	9,404	519	–	–	248,272
Total liabilities	4,987,678	700,969	536,845	1,137,177	954,686	65,985	–	–	8,383,340
(Short)/long position	(4,719,911)	545,308	(34,030)	581,381	1,370,423	2,386,452	712,020	24,038	865,681

Notes:

(i) For cash and balances with central banks, the amounts with indefinite maturities represent statutory deposit reserve and fiscal deposit balances.

(ii) For financial investments at FVTPL included in financial investments, their maturity dates do not represent the Group's intention to hold them to maturity.

(iii) Interest receivable and interest payable of financial instruments are included in "other assets" and "other liabilities" respectively.

60. Risk management *(continued)*

(c) Liquidity risk *(continued)*

The following table provides an analysis of the contractual undiscounted cash flow of the non-derivative financial assets, financial liabilities and gross loan commitments of the Group as at the end of the reporting period. The Group's expected cash flows on these instruments may vary significantly from this analysis.

	2022									
	Carrying amount	Total	Repayable on demand	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	Over 5 years	Indefinite	Overdue
Non-derivative financial assets										
Cash and balances with central banks	602,742	602,742	66,055	–	–	1,201	–	–	535,486	–
Amounts due from banks and other financial institutions	629,669	631,123	62,467	368,531	85,088	99,900	15,124	13	–	–
Loans and advances to customers	5,796,546	7,132,934	26,024	516,746	433,106	1,694,961	2,071,922	2,365,750	–	24,425
Financial investments	2,744,551	3,251,681	4,102	101,509	112,634	415,839	1,184,020	1,413,650	19,139	788
– Financial investments at FVTPL	423,467	439,231	4,102	76,314	38,048	96,166	161,826	57,052	5,723	–
– Debt investments at amortised cost	1,536,397	1,919,576	–	17,387	42,650	166,559	588,262	1,103,949	–	769
– Debt investments at FVTOCI	771,271	879,458	–	7,808	31,936	153,114	433,932	252,649	–	19
– Equity investments designated at FVTOCI	13,416	13,416	–	–	–	–	–	–	13,416	–
Other assets	89,425	89,425	35,078	10,381	15,434	17,310	1,534	605	4,929	4,154
Total	9,862,933	11,707,905	193,726	997,167	646,262	2,229,211	3,272,600	3,780,018	559,554	29,367
Non-derivative financial liabilities and lease liabilities										
Borrowing from central banks and amounts due to banks and other financial institutions	1,072,952	1,084,577	515,448	265,758	118,566	151,289	26,391	7,125	–	–
Deposits from customers	7,535,742	7,794,971	4,847,726	389,687	403,223	894,832	1,223,242	36,261	–	–
Financial liabilities at FVTPL	63,314	63,506	12,085	9,000	8,927	5,486	7,988	20,020	–	–
Lease liabilities	13,013	14,292	–	505	599	3,328	8,386	1,474	–	–
Debt securities issued	222,288	235,656	–	4,480	28,783	76,447	96,703	29,243	–	–
Other liabilities	162,409	162,409	62,796	27,724	11,623	28,870	31,154	242	–	–
Total	9,069,718	9,355,411	5,438,055	697,154	571,721	1,160,252	1,393,864	94,365	–	–
Gross loan commitments	–	1,573,991	1,573,991	–	–	–	–	–	–	–

60. Risk management *(continued)*

(c) Liquidity risk *(continued)*

	2021									
	Carrying amount	Total	Repayable on demand	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	Over 5 years	Indefinite	Overdue
Non-derivative financial assets										
Cash and balances with central banks	566,965	566,965	79,129	–	–	–	–	–	487,836	–
Amounts due from banks and other financial institutions	798,078	800,869	59,862	602,201	62,062	65,229	11,466	49	–	–
Loans and advances to customers	5,325,511	6,680,629	20,719	560,371	398,738	1,503,759	1,831,318	2,345,796	–	19,928
Financial investments	2,153,125	2,540,798	3,715	90,330	67,149	339,704	1,050,476	979,116	10,071	237
– Financial investments at FVTPL	348,123	355,501	3,715	64,405	28,852	90,837	127,527	37,089	3,076	–
– Debt investments at amortised cost	1,169,652	1,453,059	–	12,008	17,405	159,993	529,031	734,385	–	237
– Debt investments at FVTOCI	628,355	725,243	–	13,917	20,892	88,874	393,918	207,642	–	–
– Equity investments designated at FVTOCI	6,995	6,995	–	–	–	–	–	–	6,995	–
Other assets	154,308	154,308	102,918	9,891	13,745	13,795	1,848	528	7,670	3,913
Total	8,997,987	10,743,569	266,343	1,262,793	541,694	1,922,487	2,895,108	3,325,489	505,577	24,078
Non-derivative financial liabilities and lease liabilities										
Borrowing from central banks and amounts due to banks and other financial institutions	1,238,594	1,245,870	628,157	315,523	123,610	156,000	19,668	2,912	–	–
Deposits from customers	6,347,078	6,500,805	4,215,760	318,932	323,909	754,023	887,030	1,151	–	–
Financial liabilities at FVTPL	63,761	64,232	12,926	10,408	7,387	4,748	10,068	18,695	–	–
Lease liabilities	13,812	15,087	–	511	545	3,080	8,974	1,977	–	–
Debt securities issued	444,541	459,323	–	22,002	70,839	226,189	94,221	46,072	–	–
Other liabilities	158,091	158,091	74,533	36,128	15,454	23,052	8,406	518	–	–
Total	8,265,877	8,443,408	4,931,376	703,504	541,744	1,167,092	1,028,367	71,325	–	–
Gross loan commitments	–	1,386,481	1,386,481	–	–	–	–	–	–	–

Note: Interest receivable and interest payable of financial instruments are included in "other assets" and "other liabilities" respectively.

60. Risk management *(continued)*

(d) Operational risk

Operational risk arises from the loss due to deficiency in internal procedures, staffing or IT structure, as well as external events which have effect on operation, including legal risk but not strategy risk and reputation risk.

During the reporting period, through stepping up the identification, evaluation and monitoring of operational risk in key areas, and by focusing on process, policy, employee system, and existing problems of critical control segments, the Group further improves the risk management framework and method, appraisal and assessment mechanism, and strengthens economic capital allocation mechanism with the goal of enhancing the ability and effectiveness of operational risk's management of the Group. All major indexes meet the requirements of the Group's risk preference.

In view of the challenges from internal and external operations and management, the Group will, based on its risk appetite, continue to upgrade its risk management capabilities and strengthen operational risk monitoring and controls, in order to prevent and reduce operational risk losses.

(e) Capital management

The objectives of the Group's capital management are to:

– Keep capital adequacy ratios at reasonable levels, satisfy capital-specific regulatory provisions and policy requirements on an ongoing basis, and maintain a solid capital base in support of its business expansion, social responsibility and strategic planning implementation to achieve a comprehensive, coordinated and sustainable growth;

– Comply with capital regulatory requirements, perform procedures to assess internal capital adequacy, openly disclose information related to capital management, fully cover all risks and ensure safe operation of the entire group;

– Put in place an economic capital-centred banking value management system by fully applying various risk-specific quantitative deliverables, enhance decision-making processes and management application regimes, strengthen capital restraint and capital incentive mechanisms, reinforce capabilities to facilitate customer pricing and decision-making, and increase capital deployment efficiency;

– Reasonably use all kinds of capital instruments, continue to upgrade capital strengths, improve capital structures, raise capital quality, lower capital costs, and create the best returns for shareholders.

The Group manages its capital structure and adjusts it based on the economic condition and the risk characteristics of its operations. To maintain or adjust its capital structure, the Group may modify its profit distribution policy, issue or repurchase shares, additional tier-1 capital instruments, eligible tier-2 capital instruments, and convertible debentures. The Group's management regularly monitors capital adequacy ratio under an approach stipulated by the CBIRC. The Group and the Bank submit required information to the CBIRC every quarter.

60. Risk management *(continued)*

(e) Capital management *(continued)*

The Group's capital adequacy ratio calculation covers the Bank and its subsidiaries. The Bank's capital adequacy ratio calculation covers all branches of the Bank. As at 31 December 2022, the Group's subsidiaries that were within the capital adequacy ratio calculation included: CMB WLB, CMBIC, CMBFL, CMFM, CMBWM, CIGNA & CMAM and CMB Europe S.A.

Since 1 January 2013, the Group has calculated its capital adequacy ratio in accordance with the CBIRC's Administrative Measures on the Capital of Commercial Banks (Provisional) and other relevant regulations. On 18 April 2014, the CBIRC approved the Bank to adopt the Advanced Measurement Approach. Within the approved scope, the Bank could calculate corporation and financial institutions risk exposure using the Foundation Internal Ratings-Based Approach, retail risk exposure using the Advanced Internal Ratings-Based Approach, market risk using the Internal Model-Based Approach, and operational risk using the Standardised Measurement Approach. At the same time, the CBIRC implemented a transition period for commercial banks that were approved to adopt the Advanced Measurement Approach. During the transition period, commercial banks should use both the Advanced Measurement Approach and other approaches to calculate capital adequacy ratios, and comply with the capital floor requirements.

The Group's capital management focuses on the capital adequacy ratio management. The capital adequacy ratio reflects the Group's capability of sound operations and risk resistance. The Group's capital adequacy ratio management's objective is to carefully determine capital adequacy ratio, as legally required by regulators, according to actual risk profiles and with reference to capital adequacy ratio levels of globally leading market peers and the Group's operating conditions.

The Group adopts the scenario simulation and stress testing methods to forecast, plan and manage its capital adequacy ratio with considerations of factors such as strategic development planning, business expansion status, and risk movement trends.

(f) Use of derivatives

Derivatives include forwards, swaps and option transactions undertaken by the Group in the foreign exchange and interest rate markets.

The Group enters into interest rate, foreign currency and other financial derivative transactions for treasury business and its assets and liabilities management purpose. The Group's derivatives can be divided into financial instruments that are held for fair value hedge and cash flow hedging purpose and that are at fair value through profit or loss.

The Group formulates appropriate hedging strategies and uses proper tools in light of the risk profile of interest rates or foreign exchange rates associated with its assets and liabilities, as well as its analysis and judgement regarding future movements of interest rates or foreign exchange rates.

The Group is exposed to foreign exchange risk when assets or liabilities are denominated in foreign currencies. Such risk can be offset through the use of foreign exchange forwards or foreign exchange options.

60. Risk management *(continued)*

(f) Use of derivatives *(continued)*

In cash flow hedges, the Group uses interest rate swaps as hedging instruments to hedge the interest rate risks arising from RMB loans and interbank assets or liabilities.

The following tables provide an analysis of the notional amounts and the corresponding fair values of derivatives of the Group by remaining maturities at the end of the reporting period. The notional amounts of the derivatives indicate the transaction volume that has not been delivered at the end of the reporting period, and do not represent the amounts at risk.

	2022						
	Notional amounts with remaining life					Fair value	
	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total	Assets	Liabilities
Derivatives at fair value through profit or loss							
Interest rate derivatives	60,013	734,650	735,046	4,720	1,534,429	6,246	(6,062)
Interest rate swaps	60,013	734,241	735,046	4,720	1,534,020	6,246	(6,062)
Bond futures	–	409	–	–	409	–	–
Currency derivatives	513,568	329,319	27,320	1,198	871,405	11,348	(11,449)
Forwards	21,443	4,812	645	1,198	28,098	487	(328)
Foreign exchange swaps	347,432	226,332	17,724	–	591,488	9,263	(7,304)
Futures	1,043	81	–	–	1,124	–	–
Options	143,650	98,094	8,951	–	250,695	1,598	(3,817)
Other derivatives	91,064	520	640	34	92,258	867	(856)
Equity options purchased	42,889	57	–	34	42,980	554	–
Equity options written	42,909	57	–	–	42,966	–	(472)
Commodity trading swaps	5,266	406	–	–	5,672	313	(330)
Credit default swaps	–	–	640	–	640	–	(54)
Fair value hedge derivatives							
Currency derivatives	–	1,316	781	–	2,097	28	(153)
Foreign exchange swaps	–	1,316	781	–	2,097	28	(153)
Cash flow hedge derivatives							
Interest rate derivatives	2,393	100	1,804	709	5,006	182	–
Interest rate swaps	2,373	100	1,804	709	4,986	182	–
Interest rate options	20	–	–	–	20	–	–
Derivatives managed in conjunction with financial instruments designated at FVTPL							
Interest rate derivatives	–	3,085	717	–	3,802	–	(47)
Interest rate swaps	–	3,085	717	–	3,802	–	(47)
Currency derivatives	–	–	728	–	728	–	(69)
Foreign exchange swaps	–	–	728	–	728	–	(69)
Total	667,038	1,068,990	767,036	6,661	2,509,725	18,671	(18,636)

60. Risk management *(continued)*

(f) Use of derivatives *(continued)*

	2021						
	Notional amounts with remaining life					Fair value	
	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total	Assets	Liabilities
Derivatives at fair value through profit or loss							
Interest rate derivatives	567,612	823,679	1,237,360	4,966	2,633,617	11,720	(11,974)
Interest rate swaps	565,833	823,679	1,237,360	4,966	2,631,838	11,720	(11,974)
Bond futures	391	–	–	–	391	–	–
Bond options	1,388	–	–	–	1,388	–	–
Currency derivatives	647,081	506,850	29,615	1,052	1,184,598	10,041	(13,966)
Forwards	26,577	14,373	1,517	1,052	43,519	985	(164)
Foreign exchange swaps	485,140	357,685	20,086	–	862,911	7,530	(7,048)
Futures	587	1,157	–	–	1,744	–	–
Options	134,777	133,635	8,012	–	276,424	1,526	(6,754)
Other derivatives	134,230	5,424	277	–	139,931	1,472	(1,237)
Equity options purchased	62,094	907	–	–	63,001	344	–
Equity options written	62,094	907	–	–	63,001	–	(265)
Commodity trading swaps	10,001	3,475	60	–	13,536	1,128	(751)
Equity swaps	41	135	217	–	393	–	(221)
Fair value hedge derivatives							
Currency derivatives	–	–	830	–	830	–	(16)
Foreign exchange swaps	–	–	830	–	830	–	(16)
Cash flow hedge derivatives							
Interest rate derivatives	–	–	2,883	702	3,585	46	–
Interest rate swaps	–	–	2,883	702	3,585	46	–
Derivatives managed in conjunction with financial instruments designated at FVTPL							
Interest rate derivatives	191	967	3,486	–	4,644	111	(17)
Interest rate swaps	191	967	3,486	–	4,644	111	(17)
Currency derivatives	–	72	530	–	602	–	(72)
Foreign exchange swaps	–	72	530	–	602	–	(72)
Total	1,349,114	1,336,992	1,274,981	6,720	3,967,807	23,390	(27,282)

There was no ineffective portion of cash flow hedges during the years ended 31 December 2022 and 2021.

60. Risk management *(continued)*

(f) Use of derivatives *(continued)*

The credit risk weighted amounts in respect of these derivatives are as follows:

	2022	2021
Default risk weighted assets of counterparties	**1,500**	3,627
Interest rate derivatives	**137**	139
Currency derivatives	**1,242**	3,048
Other derivatives	**121**	440
Credit valuation adjustment risk weighted assets	**2,187**	2,382
Total	**3,687**	6,009

The Group has calculated the exposure of derivatives according to the Notice of the Measures on Default Risk Weighted Assets of Counterparties in Respect of Derivatives and the related requirements issued by the CBIRC. These amounts have taken the effects of bilateral netting arrangements into account. The risk weighted amounts in respect of derivatives are calculated in accordance with the Administrative Measures on Capital of Commercial Banks (Provisional) issued by the CBIRC. The amounts within the scope approved by the CBIRC in April 2014 are calculated using the Internal Ratings-Based Approach, and the Weighted Approach is adopted to calculate those that are not eligible for the Internal Ratings-Based approach.

(g) Fair value information

(i) Methods of determining fair value of financial instruments

A number of the Group's accounting policies and disclosure requirements stipulate the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has established a control framework to govern the measurement of fair values. This includes a valuation team that takes the responsibility for overseeing all significant fair value measurements including the three levels of fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to determine fair value, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuation meets the requirements of IFRSs, including the classification of levels in the fair value hierarchy.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in the fair value hierarchy based on the inputs used in the valuation techniques.

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level of input that is significant to the entire fair value measurement. The levels are defined as follows:

– Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

– Level 2 inputs: other than quoted prices included in level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities inputs;

– Level 3 inputs: inputs that are unobservable for assets or liabilities.

The Group recognises transfers among levels of the fair value hierarchy when they occur.

The Group's assets and liabilities measured at fair value are measured on a recurring basis. The Group does not have assets nor liabilities measured at fair value on a non-recurring basis.

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis

The following tables present the fair value information and the fair value hierarchy, at the end of the reporting period, of the Group's assets and liabilities which are measured at fair value on a recurring basis at each reporting date:

	2022			
	Level 1	Level 2	Level 3	Total
Assets				
Financial investments measured at FVTPL	16,175	390,702	4,714	411,591
– Debt securities	15,497	187,349	359	203,205
– Long position in precious metal contracts	108	–	–	108
– Equity investments	494	392	3,493	4,379
– Fund investments	76	199,665	798	200,539
– Wealth management products	–	2,543	–	2,543
– Other	–	753	64	817
Financial investments designated at FVTPL	948	10,928	–	11,876
– Debt securities	948	10,928	–	11,876
Derivative financial assets	–	18,671	–	18,671
Loans and advances to customers at FVTPL	–	3	4,991	4,994
Debt investments at FVTOCI	136,831	643,518	–	780,349
Loans and advances to customers at FVTOCI	–	514,051	100,430	614,481
Equity investments designated at FVTOCI	3,164	2,862	7,390	13,416
Total	157,118	1,580,735	117,525	1,855,378
Liabilities				
Financial liabilities held for trading	17,917	330	–	18,247
– Financial liabilities related to precious metal	17,634	–	–	17,634
– Short position on bonds	283	330	–	613
Financial liabilities designated at FVTPL	21,879	20,541	2,647	45,067
– Placement of precious metal from financial institutions	14,170	–	–	14,170
– Certificates of deposit issued	–	383	–	383
– Debt securities issued	7,709	–	–	7,709
– Other	–	20,158	2,647	22,805
Derivative financial liabilities	–	18,636	–	18,636
Total	39,796	39,507	2,647	81,950

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

	2021			
	Level 1	Level 2	Level 3	Total
Assets				
Financial investments measured at FVTPL	20,517	292,849	4,879	318,245
– Debt securities	19,102	127,411	373	146,886
– Long position in precious metal contracts	102	–	–	102
– Equity investments	1,180	2	3,727	4,909
– Fund investments	133	161,865	772	162,770
– Wealth management products	–	2,396	–	2,396
– Other	–	1,175	7	1,182
Financial investments designated at FVTPL	1,022	28,856	–	29,878
– Debt securities	1,022	28,856	–	29,878
Derivative financial assets	–	23,390	–	23,390
Loans and advances to customers at FVTPL	–	–	7,281	7,281
Debt investments at FVTOCI	127,847	508,191	–	636,038
Loans and advances to customers at FVTOCI	–	431,291	56,713	488,004
Equity investments designated at FVTOCI	2,269	–	4,726	6,995
Total	151,655	1,284,577	73,599	1,509,831
Liabilities				
Financial liabilities held for trading	16,832	185	–	17,017
– Financial liabilities related to precious metal	16,406	–	–	16,406
– Short position on bonds	426	185	–	611
Financial liabilities designated at FVTPL	19,569	19,028	8,147	46,744
– Placement of precious metal from financial institutions	11,596	–	–	11,596
– Certificates of deposit issued	–	377	–	377
– Debt securities issued	7,600	–	–	7,600
– Other	373	18,651	8,147	27,171
Derivative financial liabilities	–	27,282	–	27,282
Total	36,401	46,495	8,147	91,043

During the years ended 31 December 2022 and 2021, there were no significant transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy.

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(1) Basis of determining the market prices for recurring fair value measurements categorised as Level 1

Bloomberg etc. are used for financial instruments with quoted prices in an active market.

(2) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurement categorised as Level 2

Fair value of RMB denominated bonds whose value is available on China Bond website on the valuation date is measured using the latest available valuation results.

Fair value of foreign currency bonds without quoted prices in an active market is measured by using the comprehensive valuations issued by Bloomberg, etc.

Fair value of foreign exchange forwards contracts in derivative financial instruments is measured by discounting the differences between the contract prices and market future prices of the foreign exchange forwards contracts. The discount rates used are the applicable RMB denominated swap yield curve as at the end of the reporting period.

Fair value of option contracts such as foreign exchange options, commodity options and equity options is measured by using the Black-Scholes model, based on market data such as risk-free interest rate, underlying market prices and price volatility of foreign exchange, commodities, and equity contract. The above market data used are quoted price in an active market, provided by Bloomberg, Refinitiv, Wind and other market information providers.

Fair value of interest rate swaps, foreign exchange swaps, and non-option commodity contracts in derivative financial instruments is measured by discounting the expected receivable or payable amounts under the assumption that these swaps had been terminated at the end of the reporting period. The discount rates used are the related currency denominated swap yield curve as at the end of reporting period.

Observable quoted price in market is used as the basis of determining the value of equity investments measured at FVTPL, investment funds and wealth management products.

The fair value of discounted bills at FVTOCI and at FVTPL in the Chinese mainland is measured based on the rate of rediscounted bills announced by the Shanghai Commercial Paper Exchange Corporation Ltd. The Group uses 10-day average discount rate as the basis for calculating the value of discounted bills; or is measured by discounted cash flow approach. The discount rates used are determined by factors such as credit rating of the loan customer provided by S&P, Moody’s or Fitch, customer industry, term to maturity of the loan, loan currency and the issuer credit spread.

The fair value of equity investments designated at FVTOCI is measured based on the recent transaction price or by using the comprehensive valuations on Bloomberg.

The fair value of certificates of deposit issued is measured by using the comprehensive valuations on Bloomberg.

The fair value of “Other” under financial investments measured at FVTPL is measured based on the net asset values.

The fair value of other financial liabilities designated at FVTPL is measured based on the net asset values of the funds, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurements categorised as Level 3:

	Fair value as at 31 December 2022	Valuation techniques	Unobservable inputs
Equity investments designated at FVTOCI	2,725	Market approach	Liquidity discount
Equity investments designated at FVTOCI	101	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
Equity investments designated at FVTOCI	4,564	Net asset value approach	Net assets, liquidity discount
Loans and advances to customers at FVTPL	4,991	Discounted cash flow approach	Risk-adjusted discount rate
Loans and advances to customers at FVTOCI	100,430	Discounted cash flow approach	Risk-adjusted discount rate
Financial investments measured at FVTPL			
– Equity investments	2,950	Market approach	Liquidity discount
– Equity investments	528	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
– Equity investments	15	Net asset value approach	Net assets, liquidity discount
– Debt securities	359	Discounted cash flow approach	Risk-adjusted discount rate
– Fund investments	797	Net fund value approach	Net assets
– Fund investments	1	Market approach	Liquidity discount
– Other	64	Net fund value approach	Net assets
Financial liabilities designated at FVTPL	2,647	Net fund value approach	Net assets, liquidity discount

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurements categorised as Level 3: *(continued)*

	Fair value as at 31 December 2021	Valuation techniques	Unobservable inputs
Equity investments designated at FVTOCI	873	Market approach	Liquidity discount
Equity investments designated at FVTOCI	3,853	Net asset value approach	Net assets, liquidity discount
Loans and advances to customers at FVTPL	7,281	Discounted cash flow approach	Risk-adjusted discount rate
Loans and advances to customers at FVTOCI	56,713	Discounted cash flow approach	Risk-adjusted discount rate
Financial investments measured at FVTPL			
– Equity investments	3,491	Market approach	Liquidity discount
– Equity investments	12	Market approach (Price-to-Book Ratio)	Liquidity discount
– Equity investments	209	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
– Equity investments	15	Net asset value approach	Net assets, liquidity discount
– Debt securities	373	Discounted cash flow approach	Risk-adjusted discount rate
– Fund investments	767	Net fund value approach	Net assets
– Fund investments	5	Market approach	Liquidity discount
– Other	7	Market approach	Liquidity discount
Financial liabilities designated at FVTPL	664	Market approach	Liquidity discount
Financial liabilities designated at FVTPL	7,483	Net fund value approach	Net assets, liquidity discount

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurements categorised as Level 3: *(continued)*

1) Valuation of financial instruments with significant unobservable inputs

The following tables show the movements from the beginning balances to the ending balances for Level 3 financial instruments:

Assets	Financial investments at FVTPL	Loans and advances to customers at FVTPL	Loans and advances to customers at FVTOCI	Equity investments designated at FVTOCI	Total
At 1 January 2022	4,879	7,281	56,713	4,726	73,599
Profit or loss					
– In profit or loss	(14)	(366)	744	–	364
– In other comprehensive income	–	–	(107)	51	(56)
Addition for the year	1,041	85	196,298	2,527	199,951
Disposals or settlement on maturity	(1,147)	(2,036)	(153,218)	(129)	(156,530)
Transfer out of level 3	(145)	–	–	–	(145)
Exchange difference	100	27	–	215	342
At 31 December 2022	4,714	4,991	100,430	7,390	117,525
Total unrealised gains and losses included in the consolidated statement of profit or loss for assets held at the end of the reporting period	(14)	(366)	–	–	(380)

Assets	Financial investments at FVTPL	Loans and advances to customers at FVTPL	Loans and advances to customers at FVTOCI	Equity investments designated at FVTOCI	Total
At 1 January 2021	2,727	6,856	44,289	5,064	58,936
Profit or loss					
– In profit or loss	339	287	1,365	–	1,991
– In other comprehensive income	–	–	48	1,050	1,098
Addition for the year	1,832	143	118,229	721	120,925
Disposals or settlement on maturity	(68)	–	(107,218)	(2,158)	(109,444)
Exchange difference	49	(5)	–	49	93
At 31 December 2021	4,879	7,281	56,713	4,726	73,599
Total unrealised gains and losses included in the consolidated statement of profit or loss for assets held at the end of the reporting period	339	287	–	–	626

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

*(3) **Valuation techniques used and the qualitative information of key parameters for recurring fair value measurements categorised as Level 3:** (continued)*

1) Valuation of financial instruments with significant unobservable inputs (continued)

Financial liabilities at fair value through profit or loss	2022	2021
Balance as at 1 January	**8,147**	5,649
In profit or loss	**(142)**	470
Addition for the year	**96**	3,105
Disposals and settlement on maturity	**(5,695)**	(860)
Exchange difference	**241**	(217)
Balance as at 31 December	**2,647**	8,147
Total unrealised gains and losses included in the consolidated statement of profit or loss for liabilities held at the end of the reporting period	**148**	419

During the years ended 31 December 2022 and 2021, there were no significant transfers among different levels for financial instruments which are measured at fair value on a recurring basis.

During the years ended 31 December 2022 and 2021, the Group did not change the valuation techniques for the financial assets and liabilities disclosed above which are measured at fair value on a recurring basis.

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(iii) Financial assets and financial liabilities that are not measured at fair value

(1) Financial Assets

The Group's financial assets that are not measured at fair value mainly include balances with central banks, balances and placements with banks and other financial institutions, amounts held under resale agreements, loans and advances to customers at amortised cost and investments at amortised cost.

Except for loans and advances measured at amortised cost and debt instrument investments measured at amortised cost, most of the financial assets mature within 1 year, and their carrying values approximate their fair values. Loans and advances are stated at amortised costs less allowances for impairment loss (Note 22). Loans and advances at amortised cost are mostly priced at floating rates with reference to Loan Prime Rates (LPRs) and repriced at least annually, and impairment allowances are made to reduce the carrying amounts of impaired loans to estimated recoverable amounts. Accordingly, the carrying value of loans and advances is close to their fair value.

Debt investments measured at amortised cost are carried at amortised cost less allowances for impairment losses. The fair value of the listed investments is disclosed in Note 23(b).

The carrying value, fair value and fair value hierarchy of debt investments at amortised cost not measured at fair value are listed as below:

The Level 1 fair value measurement is based on unadjusted quoted prices in active markets using Bloomberg etc. For Level 2, the latest valuation results released by China Bond website are used to measure fair value of bonds denominated in RMB. The Level 2 category also includes foreign currency bonds without active quoted price, which are measured using the published comprehensive valuation by Bloomberg. The Level 3 fair value is measured using discounted cash flow valuation technique.

	2022					2021				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Debt investments at amortised cost	**1,536,397**	**1,569,775**	**41,700**	**1,434,070**	**94,005**	1,169,652	1,235,725	6,659	1,097,435	131,631

Note: The above financial assets do not include interest receivable.

(2) Financial Liabilities

Financial liabilities that are not measured at fair value mainly include deposits from customers, amounts due to banks and other financial institutions, amounts sold under repurchase agreements, and debts securities issued by the Group. The carrying value of financial liabilities approximate their fair value at the end of the reporting period, except for the financial liabilities set out below:

	2022					2021				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Subordinated bonds issued	**19,994**	**20,292**	**–**	**20,292**	**–**	34,236	35,173	–	35,173	–
Long-term debt securities issued	**120,971**	**118,416**	**–**	**118,416**	**–**	159,306	160,893	–	160,893	–
Total	**140,965**	**138,708**	**–**	**138,708**	**–**	193,542	196,066	–	196,066	–

Note: The above financial liabilities do not include interest payable.

61. Material related party transactions

(a) Material connected person information

Details of the Bank's major shareholders and their parent companies are as follows:

Company name	Registered location	Issued and fully paid capital	No. of shares of the Bank held by the Company	Proportion of the Bank held by the Company	Proportion of the Company held by the Bank	Business	Relationship with the Bank	Legal form	Legal representative
China Merchants Group (CMG)	Beijing	RMB16,900 million	7,559,427,375	29.97% (note (i)(vii))	–	Transportation, shipping agency, warehousing and storage, leasing, manufacturing building and facility, repair and contracting, sales operating management service, etc.	The largest shareholder's parent company	Limited liability	Miao Jianmin
– China Merchants Steam Navigation Co., Ltd. (CMSNCL)	Beijing	RMB17,000 million	3,289,470,337	13.04% (note (ii))	–	Transportation, building and repair, procurement, supply chain management and distribution, shipping agency services, etc.	The largest shareholder	Limited liability	Miao Jianmin
– Shenzhen Yan Qing Investment and Development Co., Ltd.	Shenzhen	RMB600 million	1,258,542,349	4.99%	–	Invest and set up industries, domestic commerce, materials supply and marketing business, etc.	Shareholder	Limited liability	Xu Xin
– Shenzhen Chu Yuan Investment and Development Co., Ltd.	Shenzhen	RMB600 million	944,013,171	3.74%	–	Invest and set up industries, domestic commerce, materials supply and marketing business, etc.	Shareholder	Limited liability	Xu Xin
– China Merchants Finance Investment Holdings Co., Ltd.	Shenzhen	RMB7,778 million	1,147,377,415	4.55%	–	Invest and set up industries, domestic commerce, materials supply and marketing business, etc.	Shareholder	Limited liability	Miao Jianmin
– Best Winner Investment Ltd.	British Virgin Islands	USD0.05 million	386,924,063	1.53%	–	–	Shareholder	Joint stock limited company	–
– China Merchants Union (BVI) Limited	British Virgin Islands	USD0.06 million	477,903,500	1.89%	–	–	Shareholder	Limited liability	–
– China Merchants Industry Development (Shenzhen) Ltd.	Shenzhen	USD10 million	55,196,540	0.22%	–	Invest and set up industries, enterprise management consulting and investment consulting, etc.	Shareholder	Limited liability	Wang Xiaoding

61. Material related party transactions *(continued)*

(a) Material connected person information *(continued)*

Details of the Bank's major shareholders and their parent companies are as follows: *(continued)*

Company name	Registered location	Issued and fully paid capital	No. of shares of the Bank held by the Company	Proportion of the Bank held by the Company	Proportion of the Company held by the Bank	Business	Relationship with the Bank	Legal form	Legal representative
China COSCO Shipping Corporation Limited.	Beijing	RMB11,000 million	2,515,193,034	9.97% (note(iii))	–	International shipping business, supporting services to international shipping, imports and exports of goods and technology, international freight forwarding agent, etc.	Shareholder's parent company	Limited liability	Wan, Min
– China Ocean Shipping Co., Ltd.	Beijing	RMB16,191 million	1,574,729,111	6.24%	–	Transportation business, leasing business, ship purchasing and marketing business, warehousing business, etc.	Shareholder	Limited liability	Wan, Min
– COSCO Shipping (Guangzhou) Co., Ltd.	Guangzhou	RMB3,191 million	696,450,214	2.76%	–	Shipping business	Shareholder	Limited liability	Shou Jian
– Guangzhou Haining Maritime Technology Consulting Co., Ltd.	Guangzhou	RMB52 million	103,552,616	0.41%	–	Business services	Shareholder	Limited liability	Chen, Jianyao
– COSCO Shipping (Shanghai) Co., Ltd.	Shanghai	RMB1,399 million	75,617,340	0.30%	–	Shipping business, leasing business, ship repairing and building etc.	Shareholder	Limited liability	Zhao Bangtao
– COSCO Shipping Investment Holdings Co., Ltd.	Hong Kong	HKD500 million	54,721,930	0.22%	–	Leasing business, financing business, insurance business etc.	Shareholder	Limited liability	Wang Daxiong
– Guangzhou Tri-Dynas Oil & Shipping Co., Ltd.	Guangzhou	RMB299 million	10,121,823	0.04%	–	Ship purchasing and marketing business, shipping agency, leasing business, shipping business etc.	Shareholder	Limited liability	Ren Zhaoping
China Insurance Security Fund Co., Ltd	Beijing	RMB100 million	804,907,835	3.19% (note(iv))	–	Investing and establishing insurance companies, supervising and managing various domestic and international businesses of holding investment enterprises, and investment business permitted by national laws and regulations, etc.	Shareholder's parent company	Limited liability	Ji, Yuhua
– Dajia Life Insurance Co., Ltd	Beijing	RMB30,790 million	804,907,835	3.19%	–	Life insurance, health insurance, accident insurance, and other personal insurance services, etc.	Shareholder	Joint stock limited company	He Xiaofeng

61. Material related party transactions *(continued)*

(a) Material connected person information *(continued)*

Details of the Bank's major shareholders and their parent companies are as follows: *(continued)*

Company name	Registered location	Issued and fully paid capital	No. of shares of the Bank held by the Company	Proportion of the Bank held by the Company	Proportion of the Company held by the Bank	Business	Relationship with the Bank	Legal form	Legal representative
China Communications Construction Group Limited.	Beijing	RMB7,274 million	422,770,418	1.68% (note(v))	–	General contraction for construction	Shareholder's parent company	Limited liability	Wang Tongzhou
– China Communications Construction Company Limited.	Beijing	RMB16,166 million	201,089,738	0.80%	–	General contraction for construction, leasing and repair, technical consulting service, imports and exports, investment and management business	Shareholder	Joint stock limited company	Wang Tongzhou
Shanghai Automotive Industry Corporation (Group)	Shanghai	RMB21,749 million	310,125,822	1.23% (note(vi))	–	Production and sale of vehicles, asset management business, domestic trade business, consulting service	Shareholder's parent company	Limited liability	Chen Hong
– SAIC Motor Corporation Limited	Shanghai	RMB11,683 million	310,125,822	1.23%	–	Production and sale of vehicles, consulting service, imports and exports	Shareholder	Joint stock limited company	Chen Hong
CMB International Capital Holdings Corporation Limited (CMBIC)	Hong Kong	HKD4,129 million	–	–	100%	Investment bank and investment managements	Subsidiary	Limited liability	Wang, Liang
CMB Financial Leasing Company Limited (CMBFL)	Shanghai	RMB12,000 million	–	–	100%	Finance lease	Subsidiary	Limited liability	Shi Shunhua
CMB Wing Lung Bank Limited (CMB WLB)	Hong Kong	HKD1,161 million	–	–	100%	Banking	Subsidiary	Limited liability	Liu Yuan
China Merchants Fund Management Co., Ltd. (CMFM)	Shenzhen	RMB1,310 million	–	–	55%	Fund Management	Subsidiary	Limited liability	Wang Xiaoqing
CMB Wealth Management Co., Ltd	Shenzhen	RMB5,556 million	–	–	90%	Asset management	Subsidiary	Limited liability	Chen Yisong
China Merchants Europe S.A. (CMB Europe S.A.)	Luxembourg	EUR50 million	–	–	100%	Banking	Subsidiary	Limited liability	Li Biao
Cigna & CMB Asset Management Company Limited	Beijing	RMB500 million	–	–	Note 24 (vii)	Asset management	Subsidiary	Limited liability	Wang Xiaoqing

Notes:

(i) CMG together with its subsidiaries holds 29.97% of the Bank (2021: 29.97%).

(ii) As the largest direct shareholder, CMSNCL, a subsidiary of CMG, holds 13.04% of the Bank as at 31 December 2022 (2021: 13.04%).

(iii) China COSCO Shipping Corporation Ltd. holds 9.97 % of the Bank (2021: 9.97%) through its subsidiaries.

(iv) China Insurance Security Fund Co., Ltd ("China Insurance Security Fund") holds 3.19% of the Bank (2021: 3.23%) through its 98.23% holding in Dajia Insurance Group Co., Ltd.

(v) China Communications Construction Group Limited ("China Communications Construction Group") holds 1.68% of the Bank through its subsidiaries (2021:1.68%).

(vi) Shanghai Automotive Industry Corporation (Group) ("Shanghai Automotive Industry Group") holds 1.23% of the Bank through its subsidiaries (SAIC Motor Corporation Limited) (2021: 1.23%).

(vii) The sum of the direct holding percentage of CMG's shareholdings in the Bank and the sum of the above-mentioned relevant percentages may differ slightly due to rounding.

61. Material related party transactions *(continued)*

(a) Material connected person information *(continued)*

The registered capital of the Group's related parties as at 31 December 2022 and 2021 are as follows:

Name of related party	2022	2021
CMG	**RMB16,900,000,000**	RMB16,900,000,000
CMSNCL	**RMB17,000,000,000**	RMB7,000,000,000
Shenzhen Yan Qing Investment and Development Co., Ltd.	**RMB600,000,000**	RMB600,000,000
Shenzhen Chu Yuan Investment and Development Co., Ltd.	**RMB600,000,000**	RMB600,000,000
China Merchants Finance Investment Holdings Co., Ltd.	**RMB7,778,000,000**	RMB7,778,000,000
Best Winner Investment Ltd.	**USD50,000**	USD50,000
China Merchants Union (BVI) Limited	**USD60,000**	USD60,000
China Merchants Industry Development (Shenzhen) Ltd.	**USD10,000,000**	USD10,000,000
China Insurance Security Fund Co., Ltd	**RMB100,000,000**	RMB100,000,000
Dajia Life Insurance Co., Ltd	**RMB30,790,000,000**	RMB30,790,000,000
China COSCO Shipping Corporation Limited.	**RMB11,000,000,000**	RMB11,000,000,000
China Ocean Shipping Co., Ltd.	**RMB16,191,351,300**	RMB16,191,351,300
COSCO Shipping (Guangzhou) Co., Ltd.	**RMB3,191,200,000**	RMB3,191,200,000
Guangzhou Haining Maritime Technology Consulting Co., Ltd.	**RMB52,000,000**	RMB52,000,000
COSCO Shipping (Shanghai) Co., Ltd.	**RMB1,398,941,000**	RMB1,398,941,000
COSCO Shipping Investment Holdings Co., Ltd.	**HKD500,000,000**	HKD500,000,000
Guangzhou Tri-Dynas Oil & Shipping Co., Ltd.	**RMB299,020,000**	RMB299,020,000
China Communications Construction Group Limited.	**RMB7,274,023,830**	RMB7,274,023,830
China Communications Construction Company Limited	**RMB16,165,711,425**	RMB16,165,711,425
Shanghai Automotive Industry Corporation (Group)	**RMB21,749,175,737**	RMB21,749,175,737
SAIC Motor Corporation Limited	**RMB11,683,461,365**	RMB11,683,461,365
CMBIC	**HKD4,129,000,000**	HKD4,129,000,000
CMBFL	**RMB12,000,000,000**	RMB12,000,000,000
CMB WLB	**HKD1,160,950,575**	HKD1,160,950,575
CMFM	**RMB1,310,000,000**	RMB1,310,000,000
CMBWM	**RMB5,555,555,555**	RMB5,000,000,000
CMB Europe S.A.	**EUR50,000,000**	EUR50,000,000
Cigna & CMB Asset Management Company Limited	**RMB500,000,000**	RMB500,000,000

The proportion of the Bank held by the largest shareholder and the portion of the subsidiaries held by the Bank

	The Bank held by the largest shareholder		The subsidiaries held by the Bank														
	CMSNCL		CMBIC		CMBFL		CMB WLB		CMFM		CMBWM		CMB Europe S.A.		CIGNA & CMAM	
	No. of shares	%	HKD	%	RMB	%	HKD	%	RMB	%	RMB	%	EUR	%	RMB	%
At 1 January 2022	**3,289,470,337**	**13.04**	**4,129,000,000**	**100.00**	**12,000,000,000**	**100.00**	**1,160,950,575**	**100.00**	**1,310,000,000**	**55.00**	**5,000,000,000**	**100.00**	**50,000,000**	**100.00**	**500,000,000**	**note**
At 31 December 2022	**3,289,470,337**	**13.04**	**4,129,000,000**	**100.00**	**12,000,000,000**	**100.00**	**1,160,950,575**	**100.00**	**1,310,000,000**	**55.00**	**5,555,555,555**	**90.00**	**50,000,000**	**100.00**	**500,000,000**	**note**

	The Bank held by the largest shareholder		The subsidiaries held by the Bank														
	CMSNCL		CMBIC		CMBFL		CMB WLB		CMFM		CMBWM		CMB Europe S.A.		CIGNA & CMAM	
	No. of shares	%	HKD	%	RMB	%	HKD	%	RMB	%	RMB	%	EUR	%	RMB	%
At 1 January 2021	3,289,470,337	13.04	4,129,000,000	100.00	6,000,000,000	100.00	1,160,950,575	100.00	1,310,000,000	55.00	5,000,000,000	100.00	50,000,000	100.00	500,000,000	note
At 31 December 2021	3,289,470,337	13.04	4,129,000,000	100.00	12,000,000,000	100.00	1,160,950,575	100.00	1,310,000,000	55.00	5,000,000,000	100.00	50,000,000	100.00	500,000,000	note

Note: This information is detailed in note 24.

As of 31 December 2022, other than those disclosed above, there were 142 companies that shared common directors, supervisors and senior management including their close family members with the Bank and they can control or exercise significant influence over these companies (31 December 2021: 265).

61. Material related party transactions *(continued)*

(b) Terms and conditions for related-party transactions

The Group enters into transactions with related parties in the ordinary course of its banking business including lending, investing, deposit taking, securities trading, providing agency and trust services, and off-balance sheet transactions. In the opinion of the directors, the Group enters into such material related-party transactions under normal commercial terms. Interest rates on loans and deposits are set in accordance with such benchmark rates as PBOC rates and LPR:

	2022	2021
Short-term loans	**3.65% to 3.80%**	3.80% to 3.85%
Medium to long-term loans	**3.65% to 4.65%**	3.80% to 4.65%
Demand deposits	**0.35%**	0.35%
Time deposits	**1.10% to 2.75%**	1.10% to 2.75%

There were no loans and advances granted to related parties that were credit-impaired during the year (2021: None).

(c) Shareholders and their related companies

The Bank's largest shareholder CMG and its related companies held 29.97 % (2021: 29.97%) of the Bank's shares as at 31 December 2022 (among them 13.04 % of the shares were directly held by CMSNCL (2021: 13.04%)).

The Group's transactions and balances with CMSNCL and its related companies are disclosed as follows:

	2022	2021
On-balance sheet:		
– Placements with banks and other financial institutions	**2,000**	–
– Amounts held under resale agreements	**2,589**	13,967
– Loans and advances to customers	**40,772**	42,645
– Financial investments	**7,626**	1,147
– Deposits from banks and other financial institutions	**29,726**	29,755
– Deposits from customers	**45,342**	45,708
– Lease liabilities	**210**	186
Off-balance sheet:		
– Irrevocable guarantees	**5,087**	3,645
– Irrevocable letters of credit	**318**	251
– Bills of acceptances	**285**	188
Interest income	**1,848**	1,738
Interest expense	**(1,376)**	(1,599)
Net fee and commission income	**1,027**	669
Operating expenses	**(177)**	(42)
Other net (expenses)/income	**(10)**	38

61. Material related party transactions *(continued)*

(d) Companies that share common directors, supervisors or senior management with the Bank (other than those disclosed in Note 61(c)) and they can control or exercise significant influence over the companies

	2022	2021
On-balance sheet:		
– Placements with banks and other financial institutions	2,277	–
– Amounts held under resale agreements	3,770	285
– Loans and advances to customers	28,103	13,366
– Financial investments	770	595
– Deposits from banks and other financial institutions	4,346	21,356
– Placements from banks and other financial institutions	6,047	–
– Deposits from customers	13,447	31,016
– Lease liabilities	65	73
Off-balance sheet:		
– Irrevocable guarantees	580	1,711
– Irrevocable letters of credit	6	46
– Bills of acceptances	–	225
Interest income	1,035	927
Interest expense	(475)	(984)
Net fee and commission income	133	273
Operating expenses	(274)	(1,654)
Other net (expenses)/income	(129)	7

(e) Associates and joint ventures other than those disclosed in Note 61(c)

	2022	2021
On-balance sheet:		
– Placements with banks and other financial institutions	14,675	14,500
– Loans and advances to customers	6,848	6,044
– Deposits from banks and other financial institutions	896	1,251
– Deposits from customers	331	693
Off-balance sheet:		
– Irrevocable guarantees	–	8,700
Interest income	306	516
Interest expense	(19)	(20)
Net fee and commission income	2,498	1,695
Operating expenses	(8)	(6)

61. Material related party transactions *(continued)*

(f) Other major shareholders holding more than 5% shares of the Bank and exercising significant influence over the Bank

	2022	2021
On-balance sheet:		
– Amounts held under resale agreements	**–**	399
– Loans and advances to customers	**27,070**	17,654
– Financial investments	**4,302**	2,512
– Deposits from banks and other financial institutions	**2,929**	7,502
– Deposits from customers	**14,872**	19,704
– Lease liabilities	**40**	46
Off-balance sheet:		
– Irrevocable guarantees	**8,511**	7,895
– Irrevocable letters of credit	**1,835**	337
– Bills of acceptances	**5,125**	5,068
Interest income	**913**	738
Interest expense	**(633)**	(585)
Net fee and commission income	**2,242**	1,411
Operating expenses	**(138)**	–
Other net expense	**(1)**	(10)

(g) Subsidiaries

	2022	2021
On-balance sheet		
– Balances with banks and other financial institutions	**958**	1,950
– Placements with banks and other financial institutions	**32,438**	37,055
– Loans and advances to customers	**1,396**	–
– Financial investments	**3,415**	3,454
– Deposits from banks and other financial institutions	**4,630**	7,246
– Amounts sold under repurchase agreements	**–**	816
– Deposits from customers	**5,206**	3,957
Off-balance sheet		
– Irrevocable guarantees	**38**	–
– Irrevocable letters of credit	**4,599**	1,998
– Bills of acceptances	**222**	81
Interest income	**943**	1,124
Interest expense	**(129)**	(258)
Net fee and commission expenses	**(93)**	(1,294)
Operating expenses	**(1,797)**	(96)
Other net income	**150**	111

All significant balances and transactions between the Bank and its subsidiaries have been eliminated in the consolidated financial statements.

61. Material related party transactions *(continued)*

(h) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and executive officers.

	2022 in thousands	2021 in thousands
Salaries and other emoluments	**38,249**	39,264
Discretionary bonuses	**–**	11,087
Share-based payment	**(41,066)**	17,312
Contributions to defined contribution retirement schemes	**–**	567
Total	**(2,817)**	68,230

The above share-based payments represent the estimated fair value of the share appreciation rights granted (Note 39(a)(iii)) to senior management under the Bank's H share Appreciation Rights Scheme. The fair value is measured by using the Black-Scholes model and according to the accounting policy set out in Note 4(17); and the amounts are charged to the consolidated statement of profit or loss and other comprehensive income. As the share options may expire without being exercised, the directors consider the amounts disclosed are not representative of actual cash flows received or to be received by senior management.

(i) Annuity scheme

Apart from the obligation for defined contributions to the annuity scheme and normal banking transactions, no other transactions were conducted between the Group and the annuity scheme for the years ended 31 December 2022 and 2021.

62. Non-controlling interests

Non-controlling interests represent the interests that the Group does not hold in the subsidiaries, the Group does not have any subsidiary with significant non-controlling interests during the reporting period.

(a) Perpetual debt capital

CMB WLB, the Group's subsidiary, issued perpetual debt of US$170 million on 27 April 2017 and another perpetual debt of US$400 million on 24 January 2019. CMB WLB redeemed the USD170 million perpetual debt issued in 2017 during the current year. Movements of these perpetual debt capital are as follows:

	Principal	**Distributions/Paid**	**Total**
At 1 January 2022	**3,636**	**–**	**3,636**
Redemption in 2022	**(1,104)**	**–**	**(1,104)**
Distributions in 2022	**–**	**202**	**202**
Paid in 2022	**–**	**(202)**	**(202)**
Exchange difference	**255**	**–**	**255**
At 31 December 2022	**2,787**	**–**	**2,787**

	Principal	Distributions/Paid	Total
At 1 January 2021	3,753	–	3,753
Distributions in 2021	–	227	227
Paid in 2021	–	(227)	(227)
Exchange difference	(117)	–	(117)
At 31 December 2021	3,636	–	3,636

There is no maturity for the instruments and the payments of distribution can be cancelled at the discretion of the issuer. Cancelled interest is non-cumulative. There is no contractual obligation to deliver cash to other parties. During the years ended 31 December 2022 and 2021, CMB WLB did not cancel the payment of distribution and the corresponding amounts were paid to the perpetual debt holders accordingly.

63. Transfers of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose vehicles. In some cases, such transfers may give rise to full or partial derecognition of the financial assets concerned, and in other cases the transfers may not qualify for derecognition as the Group retains substantially all the risks and rewards of these transferred assets. As a result, the Group continues to recognise these transferred assets.

Securitisation of credit assets

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to special purpose trusts which in turn issue asset-backed securities to investors. The Group may acquire certain investments at the subordinated tranche level and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

With respect to the credit assets that are securitised and qualified for derecognition, based on the criteria set out in Note 4(5), the Group derecognises the transferred credit assets in their entirety. During the year ended 31 December 2022, the Group transferred loans amounting to RMB17,362 million (2021: RMB56,068 million) in securitisation arrangements, as well as substantially all the risks and rewards associated with the loans. The full amount of such securitised loans were then derecognised.

In the cases that the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and for which the Group retains control, the Group recognises an asset in the consolidated statement of financial position to the extent of the Group's continuing involvement in the transferred assets, the remaining portion is derecognised. The extent of the Group's continuing involvement is the extent of the risks and rewards exposed by the Group to the value changes of the transferred assets. For the year ended 31 December 2022, there were no new securitised credit assets in which the Group retained the continuing involvement (2021: RMB15,942 million). The carrying amount of the continuing involvement asset and the corresponding continuing involvement liability, are recognised in other assets and other liabilities in the consolidated statement of financial position, amounting to RMB5,274 million as at 31 December 2022 (31 December 2021: RMB5,274 million).

Transfers of credit assets to third parties

During the year of 2022, in addition to securitisation transactions, the Group transferred credit assets amounting to RMB995 million (2021: RMB548 million) to independent third parties directly during the year ended 31 December 2022. The Group determined that these transferred assets qualified for full derecognition, based on the criteria set out in Note 4(5), since the Group has transferred substantially all the risks and rewards of the transferred assets to the counterparties.

Repurchase transactions and securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities, discounted bills held by counterparties as collateral under repurchase agreements and securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities sold under agreements to repurchase in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. The Group determines that it retains substantially all the risks and rewards of these securities and therefore does not derecognise them. Instead, it recognises a financial liability for cash received as collateral.

64. Interests in unconsolidated structured entities

The scope of the Group's consolidated financial statements is determined on a control basis. Control means that the investor has the power over the investee, enjoys variable returns by participating in the relevant activities of the investee, and has the ability to use the power to affect the amount of its return.

The Group has the power over structured entities, and the other investors have no substantive rights. In the meantime, the Group is entitled to variable returns, and will consolidate entities, in which the Group has the right to affect the amount of its return.

In addition to the above-mentioned structured entities that have been included in the Group's consolidated financial statements, the Group's equity information on structured entities which is not covered by the consolidated financial statements is as follows:

(a) Interests in the structured entities sponsored by third parties institutions

The Group holds interests in some structured entities sponsored by third parties through investments in the units issued by these structured entities. Such interests include investments in wealth management products, asset management schemes, trust beneficiary rights, assets-backed securities and fund investments, and the Group does not consolidate these structured entities. The purpose of the Group holding these structured entities is to obtain investment income, capital appreciation or both.

The following tables set out an analysis of the balance of interests held by the Group in the structured entities sponsored by third parties and an analysis of the line items in the consolidated statement of financial positions as at 31 December 2022 and 31 December 2021 in which assets are recognised relating to the Group's interests in structured entities sponsored by third parties:

	2022				
	Balance				
	Financial investments at FVTPL	Debt investments at amortised cost	Debt investments at FVTOCI	Total	Maximum exposure
Asset management schemes	–	48,362	–	48,362	48,362
Trust beneficiary rights	–	37,954	–	37,954	37,954
Asset-backed securities	835	1,031	170	2,036	2,036
Fund investments	186,311	–	–	186,311	186,311
Wealth management products	110	–	–	110	110
Total	187,256	87,347	170	274,773	274,773

	2021				
	Balance				
	Financial investments at FVTPL	Debt investments at amortised cost	Debt investments at FVTOCI	Total	Maximum exposure
Asset management schemes	–	67,432	–	67,432	67,432
Trust beneficiary rights	–	34,112	–	34,112	34,112
Asset-backed securities	2,537	307	1,205	4,049	4,049
Fund investments	156,112	–	–	156,112	156,112
Total	158,649	101,851	1,205	261,705	261,705

The maximum exposures of investments in funds, trust beneficiary rights, asset management schemes, wealth management products and asset-backed securities are the balance of these assets.

64. Interests in unconsolidated structured entities *(continued)*

(b) Interests in the unconsolidated structured entities sponsored by the Group

The unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products, funds and assets management schemes. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issuance of investment products to investors. Interest of the Group in these unconsolidated structured entities is limited to fees and commissions charged for management services provided.

As at 31 December 2022, the amount of unconsolidated non-principal-guaranteed wealth management products sponsored by the Group was RMB2,667,663 million (31 December 2021: RMB2,777,537 million).

As at 31 December 2022, the amount of unconsolidated funds sponsored by the Group was RMB1,219,793 million (31 December 2021: RMB1,200,150 million).

As at 31 December 2022, the amount of unconsolidated asset management schemes sponsored by the Group was RMB189,332 million (31 December 2021: RMB174,555 million).

As at 31 December 2022, amounts held under resale agreements transacted between the Group and the non-principal-guaranteed wealth management products sponsored by the Group were nil (31 December 2021: RMB30,896 million). The above transactions were conducted in accordance with normal business terms and conditions.

As at 31 December 2022, the amount of unconsolidated non-principal-guaranteed wealth management products held by the Group was RMB2,433 million (31 December 2021: RMB2,396 million).

As at 31 December 2022, the amount of unconsolidated funds held by the Group was RMB14,228 million (31 December 2021: RMB6,658 million).

During the year ended 31 December 2022, the amount of unconsolidated non-principal-guaranteed wealth management products sponsored by the Group transferred to investments measured at amortised cost of the Group was RMB11,143 million (2021: RMB11,004 million).

During the year ended 31 December 2022, the amount of fee and commission income the Group received from such non-principal-guaranteed wealth management products was RMB17,037 million (2021: RMB11,998 million).

During the year ended 31 December 2022, the amount of fee and commission income the Group received from such unconsolidated funds was RMB5,627 million (2021: RMB4,223 million).

During the year ended 31 December 2022, the amount of fee and commission income the Group received from such unconsolidated asset management schemes was RMB526 million (2021: RMB627 million).

The total amount of non-principal-guaranteed wealth management products sponsored by the Group after 1 January 2022 with a maturity date before 31 December 2022 was RMB620,318 million (2021: RMB1,529,874 million).

65. Comparative figures

Certain comparative figures in the notes have been re-presented to conform to presentation in current year.

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi unless otherwise stated)

(A) Capital adequacy ratio

The Group's capital adequacy ratio was prepared solely in accordance with the CBIRC's Administrative Measures on the Capital of Commercial Banks (Provisional) issued in 2012 and effective on 1 January 2013. The bases used herein may differ from those adopted in Hong Kong or other countries and regions.

In accordance with the Advanced Measurement Approach approved by the CBIRC in April 2014, the Group calculates core tier-1 capital adequacy ratio, tier-1 capital adequacy ratio and capital adequacy ratio as follows:

	2022	2021
Core tier-1 capital adequacy ratio	**13.68%**	12.66%
Tier-1 capital adequacy ratio	**15.75%**	14.94%
Capital adequacy ratio	**17.77%**	17.48%
Components of capital base		
Core tier-1 capital:		
Qualifying portion of share capital	**25,220**	25,220
Qualifying portion of capital reserve	**65,397**	67,491
Surplus reserves	**94,948**	82,104
Regulatory general reserve	**132,451**	115,288
Retained earnings	**488,970**	424,768
Qualifying portion of non-controlling interests	**–**	–
Other (note (i))	**14,480**	12,788
Total core tier-1 capital	**821,466**	727,659
Regulatory deductions from core tier-1 capital	**22,114**	23,322
Net core tier-1 capital	**799,352**	704,337
Additional tier-1 capital (note (ii))	**120,446**	127,043
Net tier-1 capital	**919,798**	831,380
Tier-2 capital:		
Qualifying portion of tier-2 capital instruments and their premium	**20,000**	24,170
Surplus provision for loans impairment	**96,579**	115,472
Qualifying portion of non-controlling interests	**1,565**	1,584
Total tier-2 capital	**118,144**	141,226
Regulatory deductions from core tier-2 capital	**–**	–
Net tier-2 capital	**118,144**	141,226
Net capital	**1,037,942**	972,606
Total risk-weighted assets	**5,841,685**	5,563,724

Notes:

(i) : Under CBIRC's Administrative Measures on the Capital of Commercial Banks (Provisional), other includes investment revaluation reserve, exchange reserve, hedging reserve in the consolidated financial statements, etc.

(ii) : The Group's additional tier-1 capital includes preference shares, perpetual bonds, etc.

In 2022, in accordance with the advanced capital management approach approved by CBIRC in April 2014, the Bank calculated core tier-1 capital adequacy ratio is 13.23%, tier-1 capital adequacy ratio is 15.42%, capital adequacy ratio is 17.51%, net capital is RMB927,881 million and total risk-weighted assets is RMB5,299,237 million.

In 2022, by the method of calculating credit risk using the weighted approach, market risk using the standardised approach and operational risk using the basic indicator approach, the Group's core tier-1 capital adequacy ratio is 11.52%, tier-1 capital adequacy ratio is 13.25%, capital adequacy ratio is 14.68%, net capital is RMB1,018,678 million and total risk-weighted assets is RMB6,941,350 million.

In 2022, by the method of calculating credit risk using the weighted approach, market risk using the standardised approach and operational risk using the basic indicator approach, the Bank's core tier-1 capital adequacy ratio is 10.97%, tier-1 capital adequacy ratio is 12.79%, capital adequacy ratio is 14.22%, net capital is RMB908,572 million and total risk-weighted assets is RMB6,390,196 million.

(B) leverage ratio

In accordance with the CBIRC's Administrative Measures on Leverage Ratio of Commercial Banks (Revision) issued in 2015 and effective on 1 April 2015, the Group's leverage ratio is as follows. The basis used herein may differ from those adopted in Hong Kong or other countries and regions.

The difference between regulatory items and accounting items:

	2022	2021
Total consolidated assets as per published financial statements	**10,138,912**	9,249,021
Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	**(47,666)**	(54,231)
Adjustments for fiduciary assets	**–**	–
Adjustments for derivative financial instruments	**(7,911)**	(8,526)
Adjustment for securities financing transactions	**12,444**	27,776
Adjustment for off-balance sheet items	**1,496,177**	1,204,181
Other adjustments	**(22,114)**	(23,322)
Balance of adjusted on-balance sheet and off-balance sheet assets	**11,569,842**	10,394,899

Leverage ratio, net tier-1 capital, adjusted on-balance sheet and off-balance sheet exposures and other information:

	2022	2021
On-balance sheet items (excluding derivatives and securities financing transactions (SFT))	**9,796,112**	8,647,884
Less: Asset amounts deducted in determining Basel III Tier 1 capital	**(22,114)**	(23,322)
Balance of adjusted on-balance sheet assets (excluding derivatives and SFTs)	**9,773,998**	8,624,562
Replacement cost associated with all derivatives transactions (net of eligible cash variation margin)	**5,551**	5,374
Add-on amounts for potential future exposure associated with all derivatives transactions	**5,175**	9,489
Gross-up for derivatives collateral provided where deducted from the balance sheet assets	**–**	–
Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions	**–**	–
Less: Exempted central counterparty leg of client-cleared trade exposures	**–**	–
Effective notional amount of written credit derivatives	**–**	–
Less: Adjusted effective notional deductions for written credit derivatives	**–**	–
Total derivative exposures	**10,726**	14,863
Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	**276,497**	523,517
Less: Netted amounts of cash payables and cash receivables of gross SFT assets	**–**	–
Counterparty credit risk exposure for SFT assets	**12,444**	27,776
Agent transaction exposures	**–**	–
Total securities financing transaction exposures	**288,941**	551,293
Off-balance sheet exposure at gross notional amount	**3,093,836**	2,576,292
Less: Adjustments for conversion to credit equivalent amounts	**(1,597,659)**	(1,372,111)
Balance of adjusted off-balance sheet assets	**1,496,177**	1,204,181
Net tier-1 capital	**919,798**	831,380
Balance of adjusted on-balance sheet and off-balance sheet assets	**11,569,842**	10,394,899
Leverage ratio	**7.95%**	8.00%

(C) Liquidity coverage ratio

The Group prepared and disclosed information on liquidity coverage ratio in accordance with the "Measures for the Disclosure of Information on Liquidity Coverage Ratio by Commercial Banks". The basis used herein may differ from those adopted in Hong Kong or other countries and regions. The average of liquidity coverage ratio of the Group was 164.92% in the fourth quarter of 2022, an increase of 14.46 percentage points from the previous quarter, mainly due to the increase in high quality liquid assets. The liquidity coverage ratio of the Group at the end of the fourth quarter of 2022 was 180.48%, which met the regulatory requirements of the China Banking and Insurance Regulatory Commission in 2022. The breakdown of the Group's average value of each item of liquidity coverage ratio in the fourth quarter of 2022 is set out below:

(Expressed in millions of Renminbi except percentage)

Serial No.		Unweighted amount (average value)	Weighted amount (average value)
Stock of high quality liquid assets			
1	**Total stock of high quality liquid assets**		**1,776,915**
Cash outflows			
2	Retail and small business customers deposits, of which:	3,040,565	268,155
3	Stable deposits	718,034	35,902
4	Less stable deposits	2,322,531	232,253
5	Unsecured wholesale funding, of which:	4,308,337	1,404,145
6	Operational deposits (excluding correspondent banks)	2,736,973	678,934
7	Non-operational deposits (including all counterparties)	1,551,553	705,400
8	Unsecured debt issuance	19,811	19,811
9	Secured funding		20,190
10	Additional requirements, of which:	1,867,358	361,680
11	Cash outflows arising from derivative contract and other transactions arising from related collateral requirements	266,606	266,606
12	Cash outflows arising from secured debt instruments funding	–	–
13	Undrawn committed credit and liquidity facilities	1,600,752	95,074
14	Other contractual obligations to extend funds	80,435	80,435
15	Other contingent funding obligations	3,097,405	101,227
16	**Total cash outflows**		**2,235,832**
Cash inflows			
17	Secured lending (including reverse repo and securities borrowing)	225,766	225,358
18	Contractual inflows from fully performing loans	1,080,962	667,225
19	Other cash inflows	270,677	265,803
20	**Total cash inflows**	**1,577,405**	**1,158,386**

		Adjusted value
21	**Total stock of high quality liquid assets**	**1,776,915**
22	**Net cash outflows**	**1,077,446**
23	**Liquidity coverage ratio (%)**	**164.92%**

Notes:

(i) The domestic data in the above table is a simple arithmetic average of the 92-day value for the latest quarter and the month-end average for the data of subsidiaries.

(ii) The high quality liquid assets in the above table are prepared based on cash and the central bank reserve available under pressure conditions, as well as the bond in line with definition of Tier 1 and Tier 2 assets set by China Banking and Insurance Regulatory Commission on the "Measures for the Liquidity Risk Management of Commercial Banks".

(D) Net stable funding ratio

The Group prepared and disclosed information on Net Stable Funding Ratio in accordance with the "Measures for the Disclosure of Information on Net Stable Funding Ratio by Commercial Banks". The Group's Net Stable Funding Ratio at the end of the fourth quarter of 2022 was 131.83%, representing an increase of 7.59 percentage points as compared with the previous quarter, which was mainly affected by the increase in deposit scale. The breakdown of the Group's Net Stable Funding Ratio in the last two quarters is set out below:

31 December 2022

(Expressed in millions of Renminbi except percentage)

Serial No.		Unweighted amount				Weighted amount
		No maturity	< 6 months	6 months to 12 months	≥ 12 months	
Available stable funding (ASF) item						
1	Capital	943,308	–	–	20,000	963,308
2	Regulatory capital	943,308	–	–	20,000	963,308
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from Small business customer	2,400,097	1,062,658	52,074	6,630	3,209,709
5	Stable deposits	791,230	2,954	459	1,470	756,381
6	Less stable deposits	1,608,867	1,059,704	51,615	5,160	2,453,328
7	Wholesale funding	2,899,666	1,826,714	230,630	323,306	2,585,899
8	Operational deposits	2,676,551	–	–	–	1,338,276
9	Other wholesale funding	223,115	1,826,714	230,630	323,306	1,247,623
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	3,638	137,770	55,822	150,708	148,595
12	NSFR derivative liabilities				30,024	
13	All other liabilities and equity not included in the above categories	3,638	137,770	55,822	120,684	148,595
14	Total ASF					6,907,511
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					293,732
16	Deposits held at other financial institutions for operational purposes	48,737	10,735	1,923	352	31,049
17	Performing loans and securities	94,038	2,253,736	1,188,547	3,624,374	4,542,753
18	Performing loans to financial institutions secured by Level 1 HQLA	–	236,212	–	–	35,432
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	1,065	553,921	199,151	45,021	227,856
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	1,267,001	907,300	2,062,210	2,805,652
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	200,534	107,892	171,885	265,938
22	Performing residential mortgages, of which:	–	35,699	29,582	1,328,198	1,160,015
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	–	–	–	–
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	92,973	160,903	52,514	188,945	313,798
25	Assets with matching interdependent liabilities	–	–	–	–	–

(D) Net stable funding ratio *(continued)*

31 December 2022 *(continued)*

Serial No.		Unweighted amount No maturity	Unweighted amount < 6 months	Unweighted amount 6 months to 12 months	Unweighted amount ≥ 12 months	Weighted amount
Required stable funding (RSF) item *(continued)*						
26	Other assets	13,170	64,852	31,762	79,313	165,066
27	Physical traded commodities, including gold	2,960				2,516
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				193	164
29	NSFR derivative assets				29,609	–
30	NSFR derivative liabilities before deduction of variation margin posted				6,052	6,052
31	All other assets not included in the above categories	10,210	64,852	31,762	49,511	156,334
32	Off-balance sheet items				5,240,954	207,200
33	Total RSF					5,239,800
34	Net Stable Funding Ratio (%)					131.83%

30 September 2022

(Expressed in millions of Renminbi except percentage)

Serial No.		Unweighted amount No maturity	Unweighted amount < 6 months	Unweighted amount 6 months to 12 months	Unweighted amount ≥ 12 months	Weighted amount
Available stable funding (ASF) item						
1	Capital	915,811	–	–	20,000	935,811
2	Regulatory capital	904,111	–	–	20,000	924,111
3	Other capital instruments	11,700	–	–	–	11,700
4	Retail deposits and deposits from Small business customer	2,083,658	929,901	50,652	6,169	2,799,967
5	Stable deposits	717,290	2,328	560	1,492	685,660
6	Less stable deposits	1,366,368	927,573	50,092	4,677	2,114,307
7	Wholesale funding	2,695,594	2,089,784	204,797	294,768	2,480,625
8	Operational deposits	2,586,666	–	–	–	1,293,333
9	Other wholesale funding	108,928	2,089,784	204,797	294,768	1,187,292
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	1,881	133,303	57,590	178,153	153,577
12	NSFR derivative liabilities				53,370	
13	All other liabilities and equity not included in the above categories	1,881	133,303	57,590	124,783	153,577
14	Total ASF					6,369,980
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					263,625
16	Deposits held at other financial institutions for operational purposes	66,875	7,425	426	358	37,721
17	Performing loans and securities	133,231	2,064,861	1,221,079	3,521,960	4,445,654
18	Performing loans to financial institutions secured by Level 1 HQLA	–	29,972	–	–	4,496
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	2,075	616,806	233,095	44,055	253,446
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	1,231,312	905,290	1,970,877	2,708,159
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	183,747	112,249	176,934	263,005

(D) Net stable funding ratio *(continued)*

30 September 2022 *(continued)*

Serial No.		Unweighted amount				Weighted amount
		No maturity	< 6 months	6 months to 12 months	≥ 12 months	
Required stable funding (RSF) item *(continued)*						
22	Performing residential mortgages, of which:	–	36,764	28,732	1,334,010	1,164,925
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	–	–	–	–
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	131,156	150,007	53,962	173,018	314,628
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	13,381	55,991	21,802	81,815	128,438
27	Physical traded commodities, including gold	2,849				2,422
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				197	168
29	NSFR derivative assets				53,610	240
30	NSFR derivative liabilities before deduction of variation margin posted				10,917	10,917
31	All other assets not included in the above categories	10,532	55,991	21,802	28,008	114,691
32	Off-balance sheet items				6,059,234	251,667
33	**Total RSF**					5,127,105
34	**Net Stable Funding Ratio (%)**					124.24%

Notes:

(i) The Group calculates Net Stable Funding Ratio in accordance with the "Measures for the Liquidity Risk Management of Commercial Banks" and relevant statistical regulations.

(ii) Items to be reported in the "no maturity" time include, but are not limited to, items such as capital with perpetual maturity, non-maturity deposits, short positions, open maturity positions, non-HQLA equities and physical traded commodities.

(iii) The item 26 "Other assets" unweighted amount in the above table does not include the item 30 "NSFR derivative liabilities before deduction of variation margin posted".

(E) Currency concentrations other than RMB

	2022			
	USD	HKD	Other	Total
	(in millions of RMB)			
Non-structural position				
Spot assets	**547,489**	**41,714**	**53,176**	**642,379**
Spot liabilities	**530,903**	**16,460**	**91,232**	**638,595**
Forward purchased	**276,555**	**2,258**	**56,399**	**335,212**
Forward written	**305,169**	**17,447**	**18,938**	**341,554**
Net option position	**15,700**	**(1,122)**	**(695)**	**13,883**
Net long position	**3,672**	**8,943**	**(1,290)**	**11,325**
Net structural position	**9,974**	**40,691**	**1,136**	**51,801**

	2021			
	USD	HKD	Other	Total
	(in millions of RMB)			
Non-structural position				
Spot assets	495,257	35,808	59,918	590,983
Spot liabilities	512,533	15,558	83,915	612,006
Forward purchased	491,072	4,528	56,172	551,772
Forward written	492,022	19,146	32,156	543,324
Net option position	13,086	361	417	13,864
Net long position	(5,140)	5,993	436	1,289
Net structural position	19,155	33,220	991	53,366

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (the "HKMA"). The net structural position of the Group includes the structural positions of the Bank's branches substantially involved in foreign exchange. Structural assets and liabilities include:

- Investment properties, property and equipment, net of depreciation charges;
- Capital and statutory reserves of overseas branches; and
- Investments in overseas subsidiaries.

(F) International claims

The Group is principally engaged in business operations within the Chinese mainland, and regards all claims on third parties outside the Chinese mainland and claims in foreign currencies on third parties within the Chinese mainland as international claims.

International claims include loans and advances, balances and placements with banks and other financial institutions, holdings of trade bills, certificates of deposit and securities investment.

International claims have been disclosed by different countries or geographical areas. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk is transferred only when the claims are guaranteed by a party in country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	2022			
	Banks and other financial institutions	**Public sector entities**	**Other**	**Total**
Foreign currencies transactions in the Chinese mainland	**89,883**	**4,419**	**156,029**	**250,331**
Asia Pacific excluding the Chinese mainland	**62,407**	**22,043**	**162,273**	**246,723**
– of which attributed to Hong Kong	**39,726**	**19,891**	**146,107**	**205,724**
Europe	**12,472**	**1,732**	**20,479**	**34,683**
North and South America	**44,948**	**81,981**	**19,809**	**146,738**
Total	**209,710**	**110,175**	**358,590**	**678,475**

	2021			
	Banks and other financial institutions	Public sector entities	Other	Total
Foreign currencies transactions in the Chinese mainland	62,411	4,288	138,985	205,684
Asia Pacific excluding the Chinese mainland	94,844	31,175	168,891	294,910
– of which attributed to Hong Kong	74,244	28,801	146,575	249,620
Europe	10,851	2,098	18,389	31,338
North and South America	67,533	54,437	18,008	139,978
Total	235,639	91,998	344,273	671,910

(G) Further analysis on loans and advances to customers analysed by industry sector

Operation in the Chinese mainland

	2022		2021	
	Amount	% of gross loans and advances covered by collateral or other security	Amount	% of gross loans and advances covered by collateral or other security
Transportation, storage and postal services	461,434	37	412,417	47
Manufacturing	445,218	32	309,635	39
Property development	349,682	48	367,642	52
Production and supply of electric power, heating power, gas and water	203,870	38	187,611	47
Wholesale and retail	171,786	32	138,352	36
Leasing and commercial services	158,320	14	170,009	26
Construction	103,998	24	117,453	21
Telecommunications, software and IT services	78,950	48	58,267	44
Finance	75,593	23	57,988	28
Water, environment and public utilities management	64,886	30	64,427	41
Mining	34,421	33	28,854	32
Others	67,677	30	66,364	23
Corporate loans and advances subtotal	2,215,835	35	1,979,019	40
Discounted bills	514,054	100	431,305	100
Residential mortgage	1,379,825	100	1,364,534	100
Credit cards	884,395	–	840,254	–
Micro-finance loans	629,857	79	560,657	81
Others	213,599	8	173,527	16
Retail loans and advances subtotal	3,107,676	61	2,938,972	63
Gross loans and advances to customers	5,837,565	54	5,349,296	57

(G) Further analysis on loans and advances to customers analysed by industry sector *(continued)*

Operation outside the Chinese mainland

	2022		2021	
	Amount	% of gross loans and advances covered by collateral or other security	Amount	% of gross loans and advances covered by collateral or other security
Finance	36,521	23	37,345	16
Transportation, storage and postal services	30,814	19	33,186	84
Property development	26,298	37	34,062	51
Manufacturing	20,494	39	23,763	28
Telecommunications, software and IT services	10,908	30	7,727	25
Production and supply of electric power, heating power, gas and water	9,023	33	7,077	18
Wholesale and retail	8,923	28	8,920	26
Mining	6,074	46	5,651	21
Leasing and commercial services	3,430	30	4,749	46
Construction	1,772	99	3,481	69
Water, environment and public utilities management	110	40	821	60
Others	5,414	72	5,137	51
Corporate loans and advances subtotal	159,781	32	171,919	42
Discounted bills	–	–	–	–
Residential mortgage	9,383	100	9,872	100
Credit cards	124	–	117	–
Micro-finance loans	1,181	100	1,214	99
Others	43,425	93	37,616	98
Retail loans and advances subtotal	54,113	94	48,819	98
Gross loans and advances to customers	213,894	47	220,738	55

(G) Further analysis on loans and advances to customers analysed by industry sector *(continued)*

When the amount of loans and advances to customers for an industry/category accounts for 10% or above of the total amount of loans and advances to customers, the amount of overdue loans, impaired loans and credit impairment allowances in each expected credit loss stage are disclosed as follows:

	2022				
	Overdue loans and advances	**Impaired loans and advances**	**– Stage 1 (12-month ECL)**	**– Stage 2 (Lifetime ECL – not credit-impaired)**	**– Stage 3 (Lifetime ECL – credit-impaired)**
Residential mortgage	**7,342**	**4,904**	**8,604**	**2,441**	**3,821**
Credit card	**31,413**	**15,650**	**26,255**	**19,383**	**14,665**
Micro-business loan	**4,582**	**4,031**	**11,180**	**1,839**	**3,640**

	2021				
	Overdue loans and advances	Impaired loans and advances	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)
Residential mortgage	3,966	3,821	19,333	1,525	2,677
Credit card	26,823	13,846	21,585	8,506	12,987
Micro-business loan	3,101	3,500	11,285	728	3,007

As at 31 December 2022, for corporate loans and advances measured at amortised cost, the fair value of collateral held against impaired loans and advances is RMB3,206 million (31 December 2021: RMB3,304 million).

(H) Loans and advances to customers overdue for more than 90 days

(i) By geographical segments

	2022	2021
Headquarters	**11,980**	13,812
Yangtze River Delta region	**7,716**	3,711
Bohai Rim region	**4,051**	3,490
Pearl River Delta and West Coast region	**4,619**	5,052
Northeast region	**967**	1,510
Central region	**5,239**	4,066
Western region	**3,653**	2,295
Outside the Chinese mainland	**395**	166
Subsidiaries	**2,458**	997
Total	**41,078**	35,099

(ii) By overdue period

	2022	2021
Gross loans and advances to customers which have been overdue with respect to either principal or interest for periods of:		
– between 3 and 6 months (inclusive)	**15,379**	8,629
– between 6 and 12 months (inclusive)	**11,290**	7,710
– over 12 months	**14,409**	18,760
Total	**41,078**	35,099
As a percentage of total gross loans and advances:		
– between 3 and 6 months (inclusive)	**0.25%**	0.15%
– between 6 and 12 months (inclusive)	**0.19%**	0.14%
– over 12 months	**0.24%**	0.33%
Total	**0.68%**	0.62%

(H) Loans and advances to customers overdue for more than 90 days

(continued)

(iii) Collateral information

	2022	2021
Secured portion of overdue loans and advances	**16,404**	13,345
Unsecured portion of overdue loans and advances	**24,674**	21,754
Fair value of collateral held against overdue loans and advances	**42,302**	29,922

The amount of the Group's overdue loans and advances to financial institutions for more than 90 days as at 31 December 2022 was RMB1 million (2021: RMB1 million).

Note: The above analysis represents loans and advances overdue for more than 90 days as required and defined by the HKMA.

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

For loans and advances repayable by regular installments, if part of the installments is overdue, the whole amount of these loans would be classified as overdue.

Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances repayable on demand are outside the approved limit that was advised to the borrower, they were also considered as overdue.

The collateral of the Group included cash deposit, shares, land use right, property, motor vehicles and other equipment, etc. The fair value of collateral was estimated by management based on the latest available external valuations adjusted by taking into account the current realisation experience as well as market situation. Where collateral values are greater than gross advances, only the amount of collateral up to the gross advance had been included in the "secured portion of overdue loans and advances" as set out in the above tables.

(I) Renegotiated loans and advances to customers

	2022		2021	
	Amount	% of total loans and advances	Amount	% of total loans and advances
Renegotiated loans and advances to customers (Note)	**12,076**	**0.20%**	16,517	0.30%
Less:				
– Renegotiated loans and advances overdue more than 90 days	**5,207**	**0.09%**	10,406	0.19%
– Renegotiated loans and advances overdue less than 90 days	**6,869**	**0.11%**	6,111	0.11%

Note: Represents the restructured non-performing loans.

The amount of the Group's renegotiated loans and advances to financial institutions as at 31 December 2022 was nil (2021: RMB1 million).

(J) Non-bank the Chinese mainland exposures

The Bank is a commercial bank incorporated in the Chinese mainland with its banking business primarily conducted in the Chinese mainland. As of 31 December 2022 and 31 December 2021, most of the Bank's exposures arose from businesses with the Chinese mainland non-bank institutions or individuals. Analyses of various types of exposure by counterparty have been disclosed in the notes to the financial report.