

Bank of Beijing Co., Ltd.



**Y2022 Annual Report
(Stock code: 601169)**

April 2023

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Legal Notice: The English version is an unofficial courtesy translation of the original “Y2022 Annual Report of Bank of Beijing Co., Ltd.” in Chinese. In case of any inconsistency between the English and Chinese version of this document, the Chinese version shall prevail.

Important Notice

1. The Board of Directors, Board of Supervisors, Directors, Supervisors and senior managers of the Company hereby guarantee that the content of this annual report is true, accurate and complete and there are no false records, misleading statements or material omissions in this report, and they bear individual and joint legal responsibilities.
2. This annual report (including the main content and abstract) was reviewed and approved by the meeting of the Board of Directors of the Company on 6 April, 2023, with all 13 directors participating in the meeting and 7 supervisors participating in the meeting as observers.
3. The profit distribution plan approved by the Board of Directors: Cash dividends of RMB 0.310 (including tax) for every share will be distributed to all shareholders. This profit distribution plan is subject to the approval of the general meeting of shareholders. For the year 2022, the Bank will not convert capital reserve into share capital.
4. The Company's external auditor, KPMG Huazhen LLP, audited the 2022 annual financial statements of the Company prepared according to the accounting standards of China, and issued a standard unqualified audit report.
5. Mr. Huo Xuewen, the legal representative of the Bank, Mr. Yang Shujian, President of the Bank, and Ms. Liang Yan, CFO of the Bank, hereby guarantee the authenticity, accuracy and completeness of the financial statements contained in this annual report.
6. This report may contain forward-looking statements that involve future plans. These forward-looking statements do not constitute a commitment by the Company to its investors, so investors should pay attention to investment risks. Investors and people concerned should be fully aware of the investment risks, and understand the differences among plans, prediction and commitments.

Definitions

Unless otherwise stated, the following terms shall have the meaning set out below in this Report:

| In this Report | Definition |
|--------------------------------------|--|
| The Bank | Bank of Beijing Co., Ltd. |
| Company, the Company | Bank of Beijing Co., Ltd. and its affiliates |
| The AOA, the Articles of Association | The Articles of Association of Bank of Beijing Co., Ltd. |
| The PBOC, Central Bank | The People's Bank of China |
| CBIRC | China Banking and Insurance Regulatory Commission |
| CSRC | China Securities Regulatory Commission |
| SSE | Shanghai Stock Exchange |
| RMB | Renminbi Yuan |

Significant Risk Warning

The Company has elaborated in this report the main risks it faces and the measures it plans to take. For details, please refer to "Management Discussion and Analysis".

Reference Documents

1. The written confirmation on the Annual Report with the signatures of the Bank's Directors, Supervisors and Senior Managers.
2. The financial statements with the signatures and seals of the Bank's legal representative, president and CFO.
3. The original of the auditor's report with the seal of the accounting firm and the signatures and seals of the certified public accountants.
4. The original of the internal control auditing report with the seal of the accounting firm and the signatures and seals of the certified public accountants.
5. The originals of all the documents and announcements disclosed publicly by the Bank during the reporting period.

Message from Chairman

Strive in Unity to Uphold Fundamental Principles and Break New Ground

The year 2022 was an extraordinary one. The successful 20th National Congress of the CPC proposed advancing the rejuvenation of the Chinese nation on all fronts through a Chinese path to modernization and drew up a grand blueprint for building a modern socialist country in all respects, and pursuing the path of financial development with Chinese characteristics for the banking sector. The year 2022 also marked the first year of the new leadership of Bank of Beijing. Over the past year, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, Bank of Beijing grounded its efforts in the new development stage, followed the new development philosophy, and served the new development pattern. Highlighting the political, people-oriented and professional nature of financial work, Bank of Beijing promoted its service for the real economy, enhanced risk prevention and control, and advanced transformation and development in a coordinated manner, and achieved historical, systematic and holistic renovation in multiple fields, getting off to a good start of the new journey.

Faith brings strength, and working hard is the most beautiful state of life.

Over the past year, we made steady progress and delivered excellent business results with high quality and efficiency. As at the end of 2022, both scale and profit of the Bank achieved double-digit growth: the total assets of the Bank reached RMB 3.39 trillion, an increase of 10.76% over the beginning of the year, maintaining the first place in terms of scale among city commercial banks; and net profit attributable to shareholders of the parent company amounted to RMB 24.760 billion, an increase of 11.40% year on year, registering the highest growth rate in the past eight years. Both the scale and net profit registered double digit growth rate. The non-performing loan (NPL) ratio was 1.43%, down 0.01% from the previous year; the provision coverage ratio reached 210.04%, and the asset quality was steadily reinforced. BOB Wealth Management, Xiong'an Regional Branch and Jiading Regional Branch were officially launched, and Suzhou Regional Branch was approved for preparation of establishment, marking the continuous optimization of the Bank's market presence. Moreover, the Bank ranked 50th on the "Top 1000 World Banks" list in terms of the tier-1 capital and was again identified as a systemically important bank in China by the PBOC and the CBIRC, realizing steady improvement of its brand image.

Over the past year, we strove in unity, demonstrating courage and enterprising spirit. In addition to the improvement of performance, what makes us more delighted was the spiritual power of "forging ahead despite the mounting adversity and danger" shown by the staff of the whole bank in the course of transformation and development. In the past year, my colleagues pressed on to ensure the uninterrupted financial services in the face of the impact of unexpected factors; the agile teams worked around the clock even in holidays and festivals, living and eating in the R&D center, and solving the tough problems of system development in the shortest possible time; and our relationship managers drove for hours every day in all weathers to deliver warm and professional services to our customers. This spiritual strength was rooted in our enthusiasm for the cause of Bank of Beijing and was reflected in the dedication of 17 thousand employees of the Bank, inspiring us to forge ahead with fortitude and move from strength to

strength.

Over the past year, we took the initiative to reform, broke down barriers and formed a set of coordinated and efficient systems and mechanisms. Carbon atoms make soft graphite when arranged in rings, and form incredibly hard diamond when arranged in a three-dimensional structure. For a long time, the organizational structure of clearly-defined lines and hierarchies has made banks vulnerable to lengthy decision-making chains and cumbersome operational processes, and the “clearly-defined responsibilities and accountability” under “departmentalism” may turn into “fallacy of composition” and bottlenecks and interruptions in customer journey upon the smallest false move. Therefore, we adhered to the principle of “collaboration between headquarters and regional branches and collaboration across departments, and integrated financial solutions and comprehensive services”, insisted that “there are boundaries between departmental responsibilities, yet synergy and cooperation are boundless”, removed departmental barriers and self-imposed limits, and adopted the open competition mechanism to select the best candidates. We adopted the LPRM way of working which features list management, project promotion, responsibility implementation and matrix management. The “borderless” agile teams were active in all lines of the Bank, forming horizontally a coordination model in which business departments, functional departments and IT departments share performance responsibilities and benefits, and vertically, a joint combat mode in which the Head Office makes overall planning and coordination, regional branches conducted specialized operation and branches provide quality service. We built mechanisms for the coordinated development of the Beijing-Tianjin-Hebei region and the integrated development of the Yangtze River Delta area, bringing about synergy effect of regional branches in those regions. We optimized the group-level coordinated development mechanism to promote a closer and all-round coordination between the Bank’s subsidiaries and affiliates and business lines within the Bank, aiming to generate strong synergy of “One Bank”.

Over the past year, we blazed a new trail of digital bank through technology empowerment and agile iteration. The essence of digital transformation is a profound self-revolution of restructuring productivity and production relations. Patching up the beaten track will get us nowhere. Future can only be reached if we are audacious enough to reform ourselves. We were committed to advancing the transformation in the five major areas with digital transformation as the core engine, established the strategic system of “Digital Bank of Beijing”, and upheld the concept of “One Bank, One Data, One Platform”. Through transformation of the concepts, mindset, methodology and organizational matrix, the outline of “Digital Bank of Beijing” became clearer. In the area of business transformation, we achieved a number of milestones, such as the implementation of “*Aixintong*” 3.0 salary service, restructuring of corporate account opening processes and the development of “Smoke Index”, and solved a number of problems that we had long wanted to solve in the past but failed to do so. In the area of technological revolution, we built a unified data foundation and accelerated the development of a unified financial operating system to propel the whole bank into a new stage of digital management. In the area of organizational restructuring, we created an agile organization, cultivated agile talents, established an internal forum called “*Yinghuo* Community”, and compiled an index that reflects the most urgent and difficult problems, so as to foster a more agile organization. More importantly, the concept and mindset of digitalization were implicitly incorporated into our DNA, and a growing number of colleagues are consciously making digitalization the “first option” to

solve problems.

Over the past year, we provided consistently sincere and considerate services, further consolidating the foundation of development. We were fully aware that customers were always the basics of a bank's development and the source of value creation. Bearing in mind that "people come first" and "experience is the first priority", we adhered to a customer-centered approach, took customer experience as criterion and value creation as the core, and enhanced customer management through the comprehensive financial service model of GBIC². We launched the innovative "*Jingying* Program", comprehensive financial services for children, issued 520 thousand "*Xiaojing* Cards", with the number of children customers increasing by 41%, and served more than 1.38 million families. We proactively worked to build the third pillar pension system, and became one of the first banks for personal pension account opening and pension fund sales, with the number of personal pension accounts opened exceeding 200 thousand. Our vision is to accelerate the building of a lifecycle and comprehensive financial service system with the elderly and the children as the starting point, covering children finance, growth finance, startup finance, wealth finance, family finance, wealth finance and pension finance, and build the Bank of Beijing into "Your Lifetime Bank".

The year 2022 witnessed our moments of excellent performance and glory, and also captured many warm and unforgettable freeze-frames. The children's wish of "managing their own lucky money" was realized with the help of "*Xiaojing* Card"; restaurant owners endured the hardship with the support of Bank of Beijing and restored with the return of the long-lost hustle and bustle; newly graduated college students bravely pursued their entrepreneurial dreams with the help of the "*Chuangying* Loan" (Successful Entrepreneurship Loan); villagers became "housekeepers" of the rural homestays with the help of the "Ten Thousand-Courtyard Plan" and realized income increase at their doorsteps. All the above convinced us that the word finance is not an ice-cold "noun", but a "verb" full of warmth and power, and is a cause that helps achieve good results.

Never stop chasing the wind and the moon, because at the end of the grassy plain await the spring hills.

The year 2023 marks the opening year of the comprehensive implementation of the guiding principles of the 20th CPC National Congress, and the development of the banking industry is full of opportunities and challenges. We will continue to respond to the uncertainty of the external environment with the certainty of our own development. We will accurately identify changes, adeptly respond to them and work to steer them in our favor, and work to refine our products and services to meet people's aspiration for a better life, explore our development potential by solving the most urgent and difficult problems that beset the people, and transform the innovation and creativity of the Bank's 17 thousand managers and employees into the inexhaustible power of Bank of Beijing to brave the wind and waves.

We firmly believe that innovation is the biggest increment in the era of existing volume. Involution reflects the complexity at the low level, while innovation embodies the simplicity at the high level. For banks, true innovation means returning to common sense, adhering to the basics, upholding fundamental principles and breaking new ground and achieving "simplification of complex issues, standardization of simple issues and superior optimization of standardized

issues". We will accelerate the development of a unified financial operating system, create a stable, flexible and module-based enterprise-level architecture, so as to realize the three-level transition from "data tag" to "data pool" and then to "data intelligence" and build a new intelligent financial ecosystem in all aspects. We will proactively coordinate and integrate internal and external resources, leverage the technological power of the Head Office and Regional Branches, and focus on 20 key IT projects to make continuous improvement and breakthroughs in IT R&D, accelerate the development of key projects such as the distributed core banking system and the new credit risk management system, speed up the application of e-CNY in all areas and lines of the Bank, and further increase the proportion of IT input in revenue to 4%, thus achieving a deeper integration of business and technology.

We firmly believe that opening up is the only way to cope with entropy. Peter Drucker said, "The only thing management has to do is to fight against entropy." By integrating into the prevailing trend of the digital economy era and grasping the new model of distributed business, we will carry the open banking concept through business expansion, product innovation, internal management and culture building. We will further promote the openness of our branches, explore the new business model of "branch + community + business circle", and gradually upgrade the traditional branches with monotonous functions into a "government service hall", "outdoor workers station" and "community activity center", making it an important hub for community finance, group finance and social networking finance. We will further advance the openness of our ecosystem, build a three-in-one financial service ecosystem that integrates Enterprises' Home, the inter-customer market and the ecosystem partner platform, upgrade self-developed ecosystem, integrate with the customer ecosystem and link to the industry ecosystem. Through the convergence of different ecosystems, we will transform from a major player in the closed financial system to a super partner in the open financial ecosystem, so as to obtain an edge in future competition. We will further strengthen the openness of the organization, promote the optimization of the internal business environment, establish an open mindset, agile mechanisms and a light-weight culture, with an aim to transform the "Beijing experience" of mega-city governance driven by the demands of people into the "Bank of Beijing practice" in which the high-quality development of the Bank is driven by the needs of customers and users.

We firmly believe that companionship is the most sincere commitment to our customers. We will continue to focus on both the elderly and the children, enrich the financial intelligence function, reading function and social function of children financial services, and form the business model of "One Platform" (building the operational platform of "Jingmiao Club") at the Head Office, "One Circle" (expanding the circle of local merchant partners) at the regional branch level, and "One Community" (establishing the customer group of children finance) at the branch level. We will seize the opportunities arising from the building of the "third pillar" and the awakening of the pension awareness of the young to further promote the branding and characteristic development of pension finance. We will focus on three customer groups, namely, central SOEs, "innovative enterprises that use special and sophisticated technologies to produce novel and unique products", and SMEs, and build up a hierarchical and categorical cultivation model covering the life cycle of corporate customers. From the first card, the first account and the first loan for our customers, we will consistently accompany our customers with good service, offer financial services at every crucial life milestone of customers and at every key development stage of enterprises, and achieve "common growth and win-win results" with each customer.

We firmly believe that security is the eternal theme of financial work. Banking business is about maintaining equilibrium of security and development under multi-guideline decision-making mechanism, and we must handle the relationship between effective development and prudent operation at any time, and must not sacrifice quality in exchange for blind expansion in the short term. We will continue to strengthen the risk control of the whole group, all asset, all risks, whole process and all personnel with the sense of responsibility at all times, to form a holistic risk control system across the Bank. We will assign chief risk officers to regional branches, upgrade and iterate the “smoke index”, accelerate the building of a new generation of credit risk management system, give full play to the role of the Special Asset Management Department, and realize the transformation from traditional way of collecting and managing non-performing assets to running non-performing assets, and make every effort to build a more accurate, effective and digital risk control system to ensure that risk management is always ahead of the market curve and to achieve higher quality development through more proactive risk management.

We firmly believe that talents are the primary resource for business development. General Secretary Xi Jinping stressed that “we must regard science and technology as our primary productive force, talent as our primary resource, and innovation as our primary driver of growth.” We will accelerate the digital transformation of human resource management and strengthen the building of comprehensive inventory, accurate portrait and capability map of talents, so that talents can find their precise positions, play their due roles and realize their values on the value network of “Digital Bank of Beijing”. Focusing on the key areas of the Bank’s development, we will introduce leading, high-end and urgently needed talents in a targeted manner, and cultivate a professional talent team that is “dedicated, professional, expert and specialized”, so as to ensure the cause of Bank of Beijing is carried forward by future generations.

The opportunist can only gain temporary victory, the pragmatist will gain short-term victory, and it is the long-termist who can win sustained victory. We firmly believe that as long as we concentrate on our pure goal without distractions, and keep doing the right things even when it's hard, time will tell.

In this year, Bank of Beijing will seize the strategic opportunities, take Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as its guidance, fully implement the guiding principles of the 20th CPC National Congress, and advance the transformation in the five major areas with digital transformation as the core engine. The Bank will make forward-looking strategic plans, future-proof business plans, effective risk monitoring and early warning and adequate talent reserve, strive in unity, uphold fundamental principles and break new ground, and forge ahead with determination and courage towards the development goal of “Commercial Bank Version 2.0”.

Message from President

The year 2022 marks the convening of the 20th CPC National Congress and is a crucial year for the implementation of the 14th Five-Year Plan. Over the past year, Bank of Beijing has been striving hard and forging ahead, and advanced the transformation in the five major areas with digital transformation as the core engine. The Bank has coordinated development and security, upheld fundamental principles and broken new ground, promoted steady growth in quantity and effective improvement in quality of businesses, and delivered a sincere and solid performance results to the investors.

In the past year, we took proactive measures and achieved steady progress. As of the end of 2022, the Bank's major indicators registered stable growth: total assets hit RMB 3.39 trillion, up 10.76% over the beginning of the year; total deposits RMB 1.91 trillion, up 12.59% from the beginning of the year; total loans RMB 1.8 trillion, up 7.42% from the beginning of the year; operating income RMB 66.276 billion, basically flat with the previous year; the net profit attributable to the parent company RMB 24.760 billion, a year-on-year increase of 11.40%. The Bank ranked 50th on the "Top 1000 World Banks" list in terms of tier-1 capital and was again identified as a systemically important bank in China by the PBOC and the CBIRC, realizing new improvement of its brand image.

In the past year, we further highlighted our original mission by serving the real economy. Focusing on the strategic positioning of the capital city, we provided all-round services to help build Beijing into "four centers" and integrate into the strategy of "Five Initiatives". As a result, the balance of RMB deposits and loans in Beijing was RMB 2.56 trillion, an increase of RMB 306.1 billion or 13.6% year-on-year, ranking first among financial enterprises under Beijing's supervision and management in terms of both scale and growth of deposit and loan, effectively contributing to the stabilization of the economy. To deepen inclusive finance, we also launched Digital Inclusive Finance Companion Program, and put online the "Little Giant" 2.0. The balance of inclusive financial loans hit RMB 172.1 billion, up 36.49% year-on-year, and the amount of online inclusive loans increased by 144.66% year-on-year; the number of micro and small enterprises covered by our inclusive financial services was 299 thousand, up 161 thousand from the beginning of the year, an increase of 116.67%. Focusing on "extending, complementing, upgrading and building" industrial chains, we upgraded the full-chain service ecosystem of supply chain finance, with the number of core enterprises and suppliers on the "*Jingxin* Chain" platform increased by 134% and 174% year-on-year, and the total financing amount also registered a year-on-year growth of 186%. We served the implementation of the carbon peak and neutrality goals, improved the green finance ecosystem, implemented the first CCER pledge loan in Beijing, and launched the digital and low-carbon service brand "*Jingtanbao*" and the first low-carbon credit and benefits system for enterprises in China. As of the end of 2022, the Bank's green loan balance was RMB 110.303 billion, an increase of RMB 62.559 billion or 131.03% compared with the beginning of the year; the Bank formally joined the "UN Principles for Responsible Banking", prepared and disclosed its ESG report for the first time, accelerated its progress towards the development goal of "ecological bank".

In the past year, we continued to deepen retail transformation and strived to move forward

in the “second curve” of growth. As of the end of 2022, the percentage of retail banking in the total operating income reached 34.1%, up 6 percentage points from the beginning of the year; the retail AUM reached RMB 974.94 billion, up RMB 90.48 billion or 10.23% from the beginning of the year; the savings deposits grew by 21.7%, the highest growth rate in the past decade; personal loans reached RMB 636.282 billion, up 8.69% from the beginning of the year, ranking first in the banking industry in Beijing in terms of the scale of personal loans; the proportion of the balance of consumer loans and business loans exceeded 45.8%, an year-on-year increase of 6.7 percentage points. The Green Auto Financial Center was established, and personal auto loan products such as “Auto Loan+” and “Micro Auto Loan” were launched.

In the past year, we continued to convey the warmth of financial services to our customers through sincere companion. We built a financial service system covering the life cycle of customers featuring whole-ecosystem cooperation and serving more than 27 million customers. We launched the innovative “*Jingying* Program” and created the “1+2+N” special financial service system for children based on the concept of “time, companionship and growth”. The cumulative sales of “*Xiaojing Yasuibao*” exceeded RMB 2.6 billion, with a total of 520 thousand “*Xiaojing*” cards issued, the customer base of children finance increased by 41%, and the total number of families served exceeded 1.38 million. We also established the financial service task force for new urban residents, built a comprehensive financial service system for new urban residents, and launched twelve financial service measures for new urban residents, with the total credit scale of the exclusive start-up loan for new urban residents “*Chuangying* Loan” exceeding RMB 6 billion. The Bank became one of the first banks qualified for personal pension account opening and pension fund sales, and the total number of personal pension fund accounts opened exceeded 200 thousand.

In the past year, we endeavored to build “Digital Bank of Beijing” by strengthening technological empowerment. Focusing on the strategy of “Digital Bank of Beijing”, we established Digital Transformation Strategy Committee, FinTech Committee and the first Technology Association of Financial Enterprises in Beijing. We strengthened strategic coordination, and stepped up efforts to build the Bank into a sci-tech bank, digital bank, DCEP bank, ecological bank and cultural bank. We established a unified data foundation to break down the data silos and built a unified financial operating system to tackle the system silos. We adopted the agile mechanism and implemented a number of key projects such as “*Aixintong*” 3.0, remodeling the corporate account opening process, “smoke index”, “*Keqicha*” and the upgrading and revamping of the official website. The number of monthly active users (MAU) of Mobile Banking exceeded 5.3 million, an increase of 29% year-on-year, and ranking first among city commercial banks. Input in technology accounted for 3.7% of the operating income for the year, keep spending high input into IT.

In the past year, we reinforced “endogenous power” by accelerating the reform of management. We deepened the reform of the management system of subsidiaries and affiliates and maximized the synergy between the parent bank and subsidiaries and affiliates. Bank of Beijing Consumer Finance Company was approved for conducting credit asset securitization business, Bank of Beijing Financial Leasing Company increased the proportion of bank-lease projects to 54%; Bank of Beijing Scotiabank Asset Management Co., Ltd. and BOB-Cardif Life Insurance Co., Ltd. achieved good growth momentum; and Bank of Beijing Wealth Management

Company was approved for establishment. We set up the internal forum “Yinghuo Community”, with more than 1,600 suggestions received and more than 2,200 responses made by various departments, making new progress in following the online mass line in the new era. We realized centralized financial approval in seven pilot regional branches, rolled out the new counter system, and further strengthened the management foundation.

In the past year, we realized steady and sustainable growth amid risks and challenges. We launched the “smoke index” 1.0, started the project of reconstructing new-generation credit risk management system, and completed a unified enterprise-level credit line control platform. We pushed forward the special risk screening in key areas and accelerated resolution of large risk exposures. Moreover, Special Assets Management Department was established to accelerate the transformation from traditional way of collecting and managing non-performing assets to running non-performing assets. The Bank’s NPL ratio was 1.43%, down 0.01% from the previous year; the provision coverage ratio reached 210.04%, and the asset quality was further strengthened.

Looking into 2023, along with the gradual rebound in market demand and the emergence of policy effects, China’s economy will see accelerated recovery, driving effective improvement in corporate and residential credit demand and creating a favorable environment for banks’ development. At the same time, the reform of the national financial regulatory system, the introduction of new regulatory regulations such as the “Administration Measures for the Capital of Commercial Banks (Draft for Public Comments)” (《商业银行资本管理办法(征求意见稿)》) and the emergence of new technologies such as ChatGPT bring new opportunities and challenges for the future transformation and development of banks.

In this year, following the guiding principles of the 20th CPC National Congress, Bank of Beijing will proactively integrate itself into the new development pattern, proactively serve the development of Beijing in the new era, persist in the “three-pronged” integrated progress of the full and strict governance of the Party and the Bank as well as comprehensive risk control, and accelerate the digital transformation in various fields across the Bank, so as to write a new chapter of high-quality development with determination and perseverance on its new journey in the new era.

Chapter I Company Information

1.1 Company Profile

1.1.1 Registered company name in Chinese: 北京银行股份有限公司(abbr.: 北京银行)

Registered company name in English: Bank of Beijing Co., Ltd.

1.1.2 Legal representative: Huo Xuewen

Secretary of the Board of Directors: Cao Zhuo

1.1.3 Registered address: Ground Floor, A-17 Financial Street, Xicheng District, Beijing

Office address: C-17 Financial Street, Xicheng District, Beijing

Historic changes:

The original registered address: 65 You'anmennei Street, Xuanwu District, Beijing

In December 2001, the registered address was changed to Ground Floor, Tower B, 156 Fuxingmennei Street, Xicheng District, Beijing.

In February 2007, the registered address was changed to Ground Floor, A-17 Financial Street, Xicheng District, Beijing

1.1.4 Contact address: C-17 Financial Street, Xicheng District, Beijing, China

Postcode: 100033

Tel: (86) 10-66426500

Fax: (86) 10-66426519

Call Center: (86) 10-95526

Investor hotline: (86) 10- 66223826

E-mail of Secretary of the Board of Directors: snow@bankofbeijing.com.cn

Website: www.bankofbeijing.com.cn

1.1.5 Websites designated for information disclosure:

The Website of Shanghai Stock Exchange (www.sse.com.cn)

China Securities Journal (www.cs.com.cn)

Shanghai Securities (www.cnstock.com)

Securities Times (www.stcn.com)

Securities Daily (www.zqrb.cn)

This Report is accessible at the Board of Directors Office of Bank of Beijing

1.1.6 Share listing: Shanghai Stock Exchange

Stock abbr.: Bank of Beijing; Stock code: 601169

Stock abbr.: *Beiyinyou 1*; Stock code: 360018

Stock abbr.: *Beiyinyou 2*; Stock code: 360023

1.1.7 Business license information

Registration code of business license for enterprise legal person: 91110000101174712L

Business scope: Absorbing public deposits; issuing short-term, medium-term and long-term loans; handling domestic settlement; handling discount of negotiable instruments; issuing financial bonds; issuing, cashing and underwriting government bonds as an agent; buying

and selling government bonds as an agent; inter-bank borrowing and lending; providing guarantee; handling receipts and payments as an agent and handling insurance as an agent; providing safe box service; handling entrusted loan used for local fiscal credit working funds; foreign exchange deposits; foreign exchange loans; foreign exchange remittance; foreign currency exchange; inter-bank foreign exchange borrowing and lending; international settlement; settlement and sale of foreign exchange; acceptance and discount of foreign exchange negotiable instruments; foreign exchange guarantees; credit record investigation, consulting and certifying business; buying/selling or buying/selling as an agent foreign currency negotiable securities excluding stocks; conducting proprietary foreign exchange trading and foreign exchange trading as an agent; securities settlement business; selling open-end securities investment fund as an agent; settlement of bonds; underwriting short-term commercial paper as the lead underwriter; and other businesses approved by the CBRC (The Company defines its business scope in compliance with laws. For any business activities subject to approval pursuant to any laws, these business activities can only be carried out upon the approval of relevant authorities. Business activities under the categories of forbidden or restricted businesses as defined by the municipal industrial policy shall not be conducted).

1.1.8 Information of the accounting firm and the sponsor performing ongoing supervision responsibilities during the reporting period.

1. Accounting firm hired by the Company: KPMG Huazhen LLP

Office address: Floor 8, East Tower 2, Oriental Plaza, 1 East Chang An Avenue, Dongcheng District, Beijing

Signing accountants: Shi Jian, Zhang Luyang

2. Sponsor performing ongoing supervising responsibilities during the reporting period:

☐ Applicable

☒ Not applicable

1.2 Introduction

Founded in 1996 and headquartered in Beijing, Bank of Beijing is one of the 19 systemically important banks and the largest city commercial bank by asset size in China.

In 2005, Bank of Beijing introduced the Dutch group ING Bank N.V. as a strategic investor and became a Sino-foreign joint-stock commercial bank. On September 19, 2007, the Bank went public on the main board of the Shanghai Stock Exchange with the stock code 601169 and became a publicly traded bank. In 2022, the Bank appeared as No.50 in *The Banker's* "Top 1000 World Banks" list in terms of tier-1 capital, ranking among the world's top 50 banks for the first time. That was the 9th consecutive year that the Bank had ranked among the world's top 100 banks. In the "China's 500 Most Valuable Brands" released by the World Brand Lab, the Bank ranked 85th with a brand value of RMB 76.9 billion.

By grasping the opportunities of financial reform and opening up, Bank of Beijing has achieved a series of strategic breakthroughs. The Bank has its business presence in more than a dozen core cities such as Beijing, Tianjin, Shijiazhuang, Jinan, Qingdao, Shanghai, Nanjing, Hangzhou, Ningbo, Shenzhen, Nanchang, Changsha, Xi'an, and Urumqi and also representative offices in the Hong Kong Special Administrative Region and the Netherlands. The Bank has formed a

comprehensive financial service platform covering the mainstay of commercial banking and other businesses such as consumer finance, life insurance, financial leasing, funds, wealth management and rural finance. With this platform, the Bank actively provides customers with a package of integrated and one-stop financial service solutions.

Bank of Beijing pursues differentiated and characteristic development, with the aim of “serving the local economy, serving small and medium-sized enterprises, and serving the local citizens”. Through continuous innovation in financial products and services, the Bank has developed distinct characteristics in sci-tech innovation finance, cultural finance, green finance and other businesses. Through proactive and prospective exploration in new businesses such as children finance, ECNY finance, pension finance and new citizen finance, the Bank launched a series of highly favored and trusted service programs and financial products such as “*Duandaibao*”, “Little Giant” and “*Xiaojing Card*”. With the service philosophy of “Our Sincerity, Your Trust”, the Bank has fully built itself into “Your Lifetime Bank”.

On the new journey of the “Fourteenth Five-Year Plan”, Bank of Beijing always bears in mind the country’s most fundamental interests and the Bank’s original mission of financing for the people. The Bank works harder to accelerate its transformation in five major areas, namely the development mode, business structure, customer structure, operation capacity and management style, with digital transformation as the core engine.. It implements the policy of “enhancing collaboration between headquarters and regional branches and across departments, and developing integrated financial solutions and comprehensive services” to building the GBIC² comprehensive financial solutions, and strives to grow into a hi-tech bank, digital bank, ECNY bank, ecosystem bank and cultural bank featuring a high-quality and sustainable development pattern with distinctive characteristics, good structure, refined management, advanced technology, solid risk control, and sustainable growth. With greater openness, inclusiveness and ambition, the Bank starts a new undertaking and forges ahead towards the development goal of the “Commercial Bank 2.0”.

1.3 Development Strategy

Following the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, Bank of Beijing grounds efforts in the new development stage and applies the new development philosophy to serve the new pattern of development. The Bank adheres to the political and people-oriented nature of finance and the fundamental financial role of serving the real economy, keeps in mind the original aspiration of serving the people with finance, and deepens the supply-side structural reform of the financial sector. In serving the capital’s development strategy, meeting the local citizens’ needs, and performing the responsibility as a bank of the capital city, the Bank strengthened, expanded and optimized the core competitiveness of serving the capital to fully support the “Five Initiatives” of Beijing for high-quality development. The Bank actively promotes comprehensive innovation centered on technological innovation, and implements the development strategy of “advancing transformation in the five major areas empowered by digital transformation”. With data as a key factor of production, technology as the driver of innovation, reform as the impetus for organic growth, and openness as the cultural gene for transformation, the Bank aims to realize customer-centric digital reconstruction and form a development pattern featuring distinctive characteristics, good structure, refined management, advanced technology, solid risk control and

sustainable growth. With such efforts, the Bank strives to turn the blueprint of digital transformation into reality in the new era.

Strategic vision: Aiming for the goal of “One Bank, One Data, One Platform”, the Bank practices the philosophy of “the Head Office serving regional branches, regional branches serving branches and the entire bank serving the frontline”. By flexibly using the working method of list-based management, project-based implementation, responsibility assignment and matrix management, the Bank advances transformation in five major areas, namely the development mode, business structure, customer structure, operation capacity and management style, with digital transformation as the core engine, so as to push its digital transformation to the industry-leading level.

Strategic direction: The Bank aims to build itself in five directions, namely the “Hi-tech Bank” that enables business agility with technology and supports specialized and sophisticated enterprises that produce new and unique products with sci-tech innovation financial services, the “Digital Bank” that facilitates intelligent decision-making through data unification and reshapes customer journey through data analysis, the “ECNY Bank” that links all business scenes with e-CNY services and creates a new financial ecology in an open mode, the “Ecosystem Bank” that builds a service ecosystem through comprehensive cooperation and promotes ESG development with green finance, and the “Cultural Bank” that boosts intrinsic motivation through culture reshaping and supports cultural and creative enterprises with cultural financial services. The Bank provides customers with inclusive and value-added financial services, bridges customers with financial services, and creates superior digital experience for customer, thus achieving mutual growth and benefits with customers.

Strategic path: Focusing on building the “GBIC²” comprehensive financial solutions to coordinate government services, commercial banking, investment banking, and company and consumer services, the Bank offers customers quality, comprehensive and one-stop financial solutions that cover the whole lifecycle and all ecosystems, and build unique advantages and outstanding service brands of Bank of Beijing.

Five systems: The Bank aims to build a financial ecosystem for companies listed and to be listed, a new retail system based on customer experience improvement and value creation, a wealth and asset management system providing value-added services, a smart risk management system supported by big data and covering all business units, assets, risks, processes and staff, and an integrated, intelligent and scene-based data governance system built on a unified data foundation platform, so as to form the values that are “connected by data, driven by data and reshaped by data” and let data continuously release productivity and creativity.

Supporting mechanisms: The Bank has established and fully implemented five mechanisms, namely the strategy unification mechanism, coordination mechanism, agile operation mechanism, innovation mechanism and management and support mechanism,

1.4 Honors and Awards

In 2022, the Bank won the following honors and awards from home and abroad:

In January 2022, the Bank was awarded the honorary title of “Excellent Financial Bond Issuer” by China Central Depository and Clearing Co., Ltd.

In February 2022, the Bank won the “Excellence Award for UnionPay Card Marketing Cooperation” and the “Outstanding Contribution Award for UnionPay Mobile Payment Cooperation” from China UnionPay.

In March 2022, the Bank won the awards of “Excellent Acceptor”, “Excellent Discount Agency” and “Excellent Custody and Clearing Agency” for 2021 from the Shanghai Stock Exchange.

In April 2022, the Bank won *Asiamoney*’s “overall best regional private bank” in China 2022.

In June 2022, the Bank won the Golden Reputation Award of “Excellent City Commercial Bank Award for Asset Management” from PY Standard.

In July 2022, the Bank was listed in the “China’s 500 Most Valuable Brands” released by the World Brand Lab.

In July 2022, the Bank won the honor of the “2022 China ESG ‘Frontier Award’: Best Bank of the Year” at China Financial Frontier Forum (CFAF).

In July 2022, the “*Jingying* Program”, the Bank’s comprehensive financial solutions for children, won the “Industrial Innovation Achievement Award” at the 2022 Global Digital Economy Conference.

In July 2022, “Bank of Beijing E-Warning” won the award of “Top Ten FinTech Innovation” in *The Chinese Banker*’ selection of “China’s Financial Service Innovation Awards”.

In August 2022, the Bank was selected as the “Annual Financing Enterprise” by the Chinese film industry.

In September 2022, the “*Jingying* Program”, the Bank’s comprehensive financial solutions for children, was awarded the “Demonstration Case of Service with Development Potential” for 2022 China International Fair for Trade in Services.

In November 2022, the Bank won the first place among the city commercial banks in the 2022 Gyroscope evaluation for commercial banks conducted by the China Banking Association.

In November 2022, the Bank won the “2022 Wealth Management and Private Banking Player with Excellent Competitiveness” from *China Business Journal*.

In November 2022, the Bank won the “Golden Bull Award for Wealth Management Banks” from *China Securities Journal*.

In December 2022, the Bank won the honors of the “Excellent Intelligent Risk Control Bank of the

Year” and “China’s Most Respected Enterprise 2021-2022” from *The Economic Observer*.

In December 2022, the Bank won the honor of the “2022 Commercial Bank of the Year for Outstanding Digital Transformation” from *investor.org.cn*.

In December 2022, the Bank won the "Tianji Award 2022 for China Banking ESG Practice " issued by *Securities Times*.

In December 2022, the Bank was listed by the China Association for Public Companies in the “Best Practices of Annual Report Briefings by Listed Companies in 2021”.

In December 2022, the Bank won the awards of the “Outstanding Digital City Commercial Bank of the Year” and the “Digital Banking Brand Project of the Year” in the selection of “China Credit Awards” at the 3rd Banking Digital Innovation (China) Summit.

In December 2022, the Bank won the annual award of the 3rd “IFF Global Green Finance Awards” at the International Finance Forum.

In December 2022, the Bank won the awards for “Annual Market Influence” and “Market Innovation” from the China Foreign Exchange Trading Center, covering three honors of “Core Dealer”, “Currency Market Dealer” and “X-Repo”.

In December 2022, the Bank won the award of the “Best Partner Bank of Trade Enterprise” in the 12th (2022) Most Trusted Financial Service Providers by Trade & Economic Enterprises in China (Golden Trade Awards).

Chapter II Summary of Accounting Data and Financial Indicators

2.1 Key Accounting Data and Financial Indicators

2.1.1 Business performance

In 2022, the Company pursued transformation and development with enthusiasm and hard work, realizing steady progress of business in an all-round way. During the reporting period, the Company realized operating income of RMB 66.276 billion, basically flat with 2021; realized net profit attributable to shareholders of the parent company of RMB 24.76 billion, up 11.40% year on year; and realized basic earnings per share of RMB 1.02, flat with 2021.

| Item | 2022 | 2021 | Changes (%) | 2020 |
|--|---------|----------|-------------|--------|
| Business performance (in RMB million) | | | | |
| Operating income | 66,276 | 66,275 | - | 64,299 |
| Operating profit | 26,944 | 25,297 | 6.51 | 24,536 |
| Total profit | 27,019 | 25,178 | 7.31 | 24,434 |
| Net profit attributable to shareholders of the listed company | 24,760 | 22,226 | 11.40 | 21,484 |
| Net profit after extraordinary gains & losses attributable to shareholders of the listed company | 24,744 | 22,338 | 10.77 | 21,566 |
| Net cash flow from operating activities | 126,042 | (39,561) | 418.60 | 18,977 |
| EPS (RMB/share) | | | | |
| Basic earnings per share | 1.02 | 1.02 | - | 0.98 |
| Diluted earnings per share | 1.02 | 1.02 | - | 0.98 |
| Basic earnings per share after extraordinary items | 1.02 | 1.02 | - | 0.98 |
| Net cash flow per share from operating activities | 5.96 | (1.87) | 418.72 | 0.90 |

Notes:

Earnings per share were calculated in accordance with “Code No.9 Concerning Information Disclosure by Companies Issuing Securities to the Public – Calculation and Disclosure of Return on Equity and Earnings per Share” (revised in 2010) (《公开发行证券的公司信息披露编报规则第9号—净资产收益率和每股收益的计算及披露》(2010年修订)).

2.1.2 Financial ratios

During the reporting period, the Company's ROA was 0.77%, up 0.02% year on year, and its weighted average ROE was 9.60%, down 0.69% year on year.

| Financial ratios (%) | | | |
|-----------------------------|------|-------|-------|
| Item | 2022 | 2021 | 2020 |
| ROA | 0.77 | 0.75 | 0.77 |
| Weighted average ROE | 9.60 | 10.29 | 10.65 |

| | | | |
|---|------|-------|-------|
| Weighted average ROE after extraordinary gains & losses | 9.59 | 10.34 | 10.69 |
|---|------|-------|-------|

Notes:

1. ROE was calculated in accordance with “Code No.9 Concerning Information Disclosure by Companies Issuing Securities to the Public – Calculation and Disclosure of Return on Equity and Earnings per Share” (revised in 2010) (《公开发行证券的公司信息披露编报规则第9号—净资产收益率和每股收益的计算及披露》(2010年修订)).
2. ROA = net profit/ [(total assets at term-beginning + total assets at term-end)/2].

2.1.3 Business scale

The Company's business scale maintained steady growth. As of the end of the reporting period, the Company's total assets increased by 10.76% from year-beginning to RMB 3.39 trillion; total liabilities increased by 11.42% from year-beginning to RMB 3.08 trillion; deposit principals increased by 12.59% from year-beginning to RMB 1.91 trillion; and principals of loans and advances to customers increased by 7.42% from year-beginning to RMB 1.80 trillion. Specifically, total corporate loans increased by 6.46%, with a focus on key areas and sectors such as sci-tech innovation, green and inclusive business as well as innovative SMEs that use special and sophisticated technologies to produce novel and unique products. Total retail loans increased by 8.69%, and the Bank continuously pushed forward retail transformation, centralized management of online lending, and development of proprietary consumer loans, realizing rapid growth of retail loans, especially online retail loans.

(Unit: RMB million)

| Scale indicators | 31-12-2022 | 31-12-2021 | Changes (%) | 31-12-2020 |
|--|----------------|----------------|-------------|------------------|
| Total assets | 3,387,952 | 3,058,959 | 10.76 | 2,900,014 |
| Total principals of loans and advances to customers | 1,797,319 | 1,673,238 | 7.42 | 1,567,721 |
| Incl.: Corporate loans | 1,002,672 | 941,788 | 6.46 | 970,642 |
| Retail loans | 639,873 | 588,715 | 8.69 | 507,898 |
| Bill discounting | 154,774 | 142,735 | 8.43 | 89,181 |
| Loan loss reserve measured at amortized cost | 52,854 | 49,909 | 5.90 | 52,001 |
| Total liabilities | 3,077,335 | 2,761,881 | 11.42 | 2,678,871 |
| Principals of deposits from customers | 1,913,358 | 1,699,337 | 12.59 | 1,637,391 |
| Incl.: Current savings deposits | 165,046 | 146,522 | 12.64 | 120,411 |
| Fixed savings deposits | 374,251 | 298,930 | 25.20 | 272,089 |
| Current corporate deposits | 631,144 | 597,669 | 5.60 | 657,115 |
| Fixed corporate deposits | 584,819 | 551,273 | 6.09 | 490,560 |
| Margin deposits | 158,098 | 104,943 | 50.65 | 97,216 |
| Shareholders' equity attributable to the parent company | 308,473 | 295,054 | 4.55 | 219,219 |
| Net assets per share attributable to common shareholders of the listed | 10.91 | 10.27 | 6.23 | 9.52 |

company (in RMB)

2.2 Supplementary Financial Indicators and Regulatory Indicators

2.2.1 Profitability

The Company continued to optimize its asset and liability structure to keep its NIS and NIM within a reasonable range. During the reporting period, the Company's NIS and NIM were 1.71% and 1.76% respectively. The main influencing factors are as follows. The return on interest-generating assets decreased year on year under the impact of market interest rate changes and cuts in the Loan Prime Rate (LPR). Meanwhile, the Company optimized its liability structure and strengthened management and control of high-cost liabilities, which effectively reduced liability cost and slowed down the shrinking of NIM.

(Unit: %)

| Profitability indicators | 2022 | 2021 | 2020 |
|----------------------------------|-------|-------|-------|
| Loan and deposit interest spread | 2.34 | 2.58 | 2.76 |
| NIS | 1.71 | 1.80 | 1.88 |
| NIM | 1.76 | 1.83 | 1.93 |
| Cost to income ratio | 26.55 | 24.96 | 22.07 |

Notes: Cost to income ratio = Operating and administrative expenses / Operating income.

2.2.2 Asset quality

During the reporting period, facing internal and external changes, the Bank proactively made counter-cyclical adjustments, continuously enhanced full-process risk management and control, constantly optimized asset structure, business structure and customer structure, strengthened risk management of key regions, sectors and customers, innovated NPA disposal to improve disposal efficiency, and improved risk management quality and efficiency through digital transformation. With these efforts, the Bank steadily improved asset quality and consolidated the foundation for the upward trend in the long run.

As of the end of the reporting period, the Company's NPL ratio was 1.43%, down 0.01% from year-beginning; and the provision coverage ratio and provision-to-loan ratio was 210.04% and 3.00% respectively, flat with year-beginning, which reflected its sufficient risk resilience.

(Unit: %)

| Asset quality indicators | 31-12-2022 | 31-12-2021 | 31-12-2020 |
|--------------------------------------|------------|------------|------------|
| NPL ratio | 1.43 | 1.44 | 1.57 |
| Provision coverage ratio | 210.04 | 210.22 | 215.95 |
| Provision to loan ratio | 3.00 | 3.03 | 3.38 |
| Credit cost | 0.76 | 0.85 | 1.33 |
| Pass loan migration ratio | 1.54 | 1.39 | 1.20 |
| Special-mention loan migration ratio | 28.96 | 44.54 | 47.53 |
| Sub-standard loan migration ratio | 27.13 | 75.30 | 17.70 |

| | | | |
|-------------------------------|-------|-------|-------|
| Doubtful loan migration ratio | 25.87 | 26.47 | 55.14 |
|-------------------------------|-------|-------|-------|

Notes:

1. Pass, special-mention, sub-standard and doubtful loan migration ratios were calculated with the bank-level data and in accordance with the “Notice of the CBIRC on Revising the Definitions and Formulas of Basic Indicators for the Off-site Supervision of the Banking Sector” (No. 2 [2022] of the CBIRC) (银保监发〔2022〕2号《中国银保监会关于修订银行业非现场监管基础指标定义及计算公式的通知》)。
2. $NPL\ ratio = (Sub\text{-}standard\ loans + Doubtful\ loans + Losses) / Total\ loans \times 100\%$
3. $Provision\ coverage\ ratio = Loan\ loss\ provision / (Sub\text{-}standard\ loans + Doubtful\ loans + Losses) \times 100\%$
4. $Provision\ to\ loan\ ratio = Loan\ loss\ provision / Total\ loans \times 100\%$
5. Credit cost was calculated with the bank-level data. $Credit\ cost = Loan\ loss\ provision\ accrued\ in\ this\ term / ((Loan\ balance\ at\ term\text{-}beginning + Loan\ balance\ at\ term\text{-}end) / 2) \times 100\% \times Annualized\ coefficient$.

2.2.3 Liquidity indicators

During the reporting period, the prudent monetary policy of the PBOC was flexible, accurate, reasonable and moderate and the market liquidity was kept reasonably sufficient. Under this background, the Company’s regulatory liquidity indicators all met regulatory requirements thanks to the constant optimization of the asset and liability structure, improved digital level of liquidity risk management and refined liquidity management.

(Unit: %, RMB million)

| Liquidity indicators | 31-12-2022 | 31-12-2021 | Changes (%) | 31-12-2020 |
|---|------------|------------|-------------|------------|
| Liquidity ratio | 76.93 | 71.82 | 5.11 | 60.33 |
| Liquidity coverage ratio | 163.74 | 164.03 | -0.29 | 118.49 |
| High-quality liquid assets | 414,240 | 379,259 | 9.22 | 363,770 |
| Net cash outflow over a 30-day period at term-end | 252,984 | 231,211 | 9.42 | 307,001 |

Notes: The above indicators were calculated and disclosed in accordance with the “Measures of Commercial Banks on Liquidity Risk Management” (No. 3 [2018] of the CBIRC) (中国银行保险监督管理委员会令 2018 年第 3 号《商业银行流动性风险管理办法》) and the “Measures of Commercial Banks on Liquidity Coverage Ratio Information Disclosure” (No. 52 [2015] of the CBIRC) (银监发〔2015〕52号《商业银行流动性覆盖率信息披露办法》)。

2.3 Key Financial Data of Each Quarter

(Unit: RMB million)

| Item | Q1 | Q2 | Q3 | Q4 |
|--|--------|--------|--------|---------|
| Operating income | 17,622 | 16,321 | 17,447 | 14,886 |
| Net profit attributable to shareholders of the listed company | 7,353 | 6,221 | 5,787 | 5,399 |
| Net profit after extraordinary gains & losses attributable to shareholders of the listed company | 7,310 | 6,233 | 5,766 | 5,435 |
| Net cash flow from operating activities | 2,926 | 680 | 15,891 | 106,545 |

2.4 Extraordinary Gains & Losses

(Unit: RMB million)

| Extraordinary gains & losses | Reporting period |
|--|------------------|
| Non-operating income | 170 |
| --Government subsidies | 96 |
| -- Income from funds in dormant accounts | - |
| --Others | 74 |
| Non-operating expense | 95 |
| --Public welfare donation expense | 60 |
| --Expected litigation loss | 3 |
| --Others | 32 |
| Net non-operating income | 75 |
| Income tax affected by extraordinary items | (41) |
| Total | 34 |

Notes: The above indicators were defined and calculated in accordance with the “Code No.1 Concerning Information Disclosure by Companies Issuing Securities to the Public – Extraordinary Gains & Losses (revised in 2014)” (《公开发行证券的公司信息披露规范问答第 1 号：非经常性损益（2014 年修订）》).

2.5 Capital Structure

During the reporting period, the Company’s core tier-1 capital, tier-1 capital and capital adequacy ratios were 9.54%, 12.86%, and 14.04% respectively.

(Unit: RMB million)

| Item | 31-12-2022 | | 31-12-2021 | | 31-12-2020 | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| | The Group | The Bank | The Group | The Bank | The Group | The Bank |
| 1. Net Capital | 330,283 | 320,165 | 317,828 | 310,485 | 241,735 | 236,256 |
| 1.1 Core tier-1 capital | 233,065 | 229,265 | 219,525 | 216,013 | 202,778 | 200,316 |
| 1.2 Core tier-1 capital deduction | 8,738 | 13,507 | 5,423 | 7,966 | 4,500 | 6,541 |
| 1.3 Net core tier-1 capital | 224,327 | 215,758 | 214,102 | 208,047 | 198,278 | 193,775 |
| 1.4 Additional tier-1 capital | 78,107 | 77,832 | 78,026 | 77,832 | 17,972 | 17,841 |
| 1.5 Additional tier-1 capital deduction | - | - | - | - | - | - |
| 1.6 Net tier-1 capital | 302,434 | 293,590 | 292,128 | 285,879 | 216,250 | 211,616 |
| 1.7 Tier-2 capital | 27,849 | 26,575 | 25,700 | 24,606 | 25,485 | 24,640 |
| 1.8 Tier-2 capital deduction | - | - | - | - | - | - |
| 2. Credit risk weighted assets | 2,211,854 | 2,152,581 | 2,045,294 | 1,993,078 | 1,982,497 | 1,939,207 |
| 3. Market risk weighted assets | 15,420 | 15,420 | 4,461 | 4,461 | 7,054 | 7,054 |
| 4. Operational risk weighted assets | 124,832 | 120,254 | 122,576 | 118,174 | 114,336 | 111,679 |
| 5. Total risk weighted assets | 2,352,106 | 2,288,255 | 2,172,331 | 2,115,713 | 2,103,887 | 2,057,940 |
| 6. Core tier-1 capital adequacy ratio | 9.54% | 9.43% | 9.86% | 9.83% | 9.42% | 9.42% |

| | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| 7. Tier-1 capital adequacy ratio | 12.86% | 12.83% | 13.45% | 13.51% | 10.28% | 10.28% |
| 8. Capital adequacy ratio | 14.04% | 13.99% | 14.63% | 14.68% | 11.49% | 11.48% |
| 9. Capital instruments eligible for preferential policies during the transition period: None. | | | | | | |

Notes:

1. The above mentioned indicators were calculated according to the “Administrative Measures for the Capital of Commercial Banks (for trial implementation) (《商业银行资本管理办法（试行）》)”.
2. According to the “Regulatory Requirements on Information Disclosure of Capital Structure of Commercial Banks” (《关于商业银行资本构成信息披露的监管要求》), the Company discloses some annexes including the Capital Structure within the Reporting Period, Description of Relevant Items, and Main Features of Capital Instruments in the Investor Relations Column of the Company’s website (www.bankofbeijing.com.cn).

2.6 Leverage Ratio and Net Stable Funding Ratio

(Unit: RMB million)

| Item | 31-12-2022 | 30-9-2022 | 30-6-2022 | 31-3-2022 |
|--|-------------------|------------------|------------------|------------------|
| Leverage ratio (%) | 7.53 | 7.97 | 7.94 | 8.22 |
| Net tier-1 capital | 302,434 | 301,666 | 295,808 | 297,985 |
| Balance of on- and off-balance sheet assets after adjustment | 4,017,432 | 3,784,470 | 3,723,210 | 3,625,793 |
| Net stable funding ratio (%) | 115.19 | 116.30 | 115.96 | 115.66 |
| Available stable funding | 1,835,338.50 | 1,747,052.87 | 1,752,054.35 | 1,731,146.39 |
| Required stable funding | 1,593,303.96 | 1,502,247.05 | 1,510,874.02 | 1,496,712.29 |

Notes:

1. The above indicators were calculated and disclosed based on the “Measures for Management of the Leverage Ratio of Commercial Banks (Revised)” (No. 1 [2015] of the CBRC) (《商业银行杠杆率管理办法(修订)》(银监会令〔2015〕1号)). For more details about the leverage ratio, the Company discloses some annexes including the Capital Structure within the Reporting Period and Balance of On- and Off-Balance Sheet Assets after Adjustment in the Investor Relations Column of the Company’s website (www.bankofbeijing.com.cn).
2. The above indicators were calculated and disclosed based on the “Measures of Commercial Banks on Liquidity Risk Management” (No. 3 [2018] of the CBIRC) (《商业银行流动性风险管理办法》(中国银行保险监督管理委员会令2018年第3号)) and the “Measures of Commercial Banks on Information Disclosure of Net Stable Funding Ratio” (No. 11 [2019] of the CBIRC) (《商业银行净稳定资金比例信息披露办法》(银保监发[2019]11号)).

2.7 Changes of Shareholders’ Equity during the Reporting Period

(Unit: RMB million)

| Item | Balance at term-beginning | Increase during the reporting period | Decrease during the reporting period | Balance at term-end |
|--------------------------|----------------------------------|---|---|----------------------------|
| Share capital | 21,143 | - | - | 21,143 |
| Other equity instruments | 77,831 | - | - | 77,831 |
| Capital reserve | 43,882 | - | - | 43,882 |

| | | | | |
|-------------------------------|----------------|---------------|--------------|----------------|
| Other comprehensive revenues | 1,866 | - | 1,609 | 257 |
| Surplus reserve | 22,095 | 2,459 | - | 24,554 |
| General reserve | 35,335 | 3,316 | - | 38,651 |
| Undistributed profit | 92,902 | 9,253 | - | 102,155 |
| Minority shareholders' equity | 2,024 | 120 | - | 2,144 |
| Total | 297,078 | 15,148 | 1,609 | 310,617 |

2.8 Loan Concentration

In 2022, adopting the prudent risk appetite, the Bank continued to stick to the principles of “controlling large exposures, loan accumulation, high concentration and high credit lines”, strictly managed approval of large exposures, strengthened cooperation between the Head Office and regional branches, conducted differentiated management, regular monitoring and dynamic early warning, took multiple measures to dispose of non-performing large-amount assets, and achieved progress in the reduction of high-risk customers. As of the end of 2022, the Company's large exposure indicators all met regulatory requirements.

(Unit: %)

| Indicators | 31-12-2022 | 31-12-2021 | Changes (%) | 31-12-2020 |
|--|------------|------------|-------------|------------|
| Percentage of loans to the Top1 single customer | 7.56 | 5.03 | 2.53 | 3.18 |
| Percentage of loans to the Top 10 single customers | 25.59 | 20.57 | 5.02 | 21.74 |

Chapter III Management Discussion and Analysis

3.1 Analysis of Overall Business Performance

3.1.1 Market conditions

In 2022, the domestic economy ran steadily under the intertwined impacts of the complex international environment, the persistent “triple pressure of demand contraction, supply shocks and weakening expectations” and the arduous development task. The banking industry fulfilled the important mission of stabilizing economic development, maintained the balance between bailing out enterprises and growing business, and achieved great economic and social benefits.

Helping ensure overall economic stability. The banking industry actively implemented policies and measures to ensure overall economic stability, with more credit granted to key areas and weak links such as infrastructure construction, green and low-carbon development, and technological innovation, and greater financial support to San Nong, small and micro enterprises as well as private enterprises. Active efforts were made to bail out market entities and solve their difficulties and promote inclusive finance through volume growth, coverage expansion and price reduction. All these have strongly boosted economic recovery.

Promoting green and low-carbon development. The banking industry proactively embraced the concept of green development and supported green and sustainable economic and social development and low-carbon transformation. Green loans were granted to fund green projects. Green financial bonds were issued to support the construction of urban and rural environmental facilities and public transportation projects. Efforts were made to establish a “personal carbon account” system to encourage individuals’ green behaviors.

Enriching private pension finance services. The banking industry actively developed pension finance and supported the building of the national elderly care system. The pension wealth management program and the specific pension savings program were smoothly piloted, and private pension account opening was also available. Differentiated and diversified pension financial products and services were launched one after another, providing customers with comprehensive financial services throughout the life cycle.

Providing high-quality and efficient financial services for new urban residents. The banking industry explored and optimized financial services for new urban residents in an all-round way. For core scenes such as housing, medical care, elderly care, employment and education, banks provided a larger high-quality financial supply through exclusive financial service systems, customized comprehensive services and supporting measures and to make financial services for new urban residents more accessible, equal and convenient.

Accelerating digital transformation. The banking industry promoted comprehensive digital transformation and enhanced FinTech service capabilities. Banking institutions deeply applied cutting-edge digital technologies such as big data, blockchain and AI. Digital operations were in full swing, and online services continued to expand. Efforts were made to speed up digital talent cultivation and promote the integrated development of “business + technology” talents.

3.1.2 Main business results

In face of uncertainties in the external environment, as well as the challenges and opportunities in the banking industry in 2022, the Company actively implemented national policies and decisions, and achieved new progress and results in all aspects with the joint efforts of the management and employees. Historic, systematic and holistic transformation took place in many fields. Business operations in 2022 are summarized as follows:

Business performance improved steadily. As of the end of 2022, the Company's total assets rose by RMB 329.0 billion, or 10.76%, year-on-year to RMB 3.39 trillion. In 2022, the Company's operating income was RMB 66.276 billion; and net profit attributable to shareholders of the parent company stood at RMB 24.76 billion, up RMB 2.534 billion or 11.40% year-on-year. Its net capital amounted to RMB 330.3 billion, and the core tier-1 capital, tier-1 capital and capital adequacy ratios stood at 9.54%, 12.86% and 14.04% respectively. The Company was once again recognized as a domestic systemically important bank by the People's Bank of China and the China Banking and Insurance Regulatory Commission. The Bank achieved historic breakthroughs in scale, profitability, quality and branding.

All businesses were carried out in an orderly fashion. The Bank steadily improved its corporate banking performance. The corporate deposits and loans grew by more than RMB 100 billion, representing a double-digit growth in scale. The number of valid corporate customers increased by 21.67% to 216 thousand. The Bank released the “*Yangfan Plan*” (Sailing Plan) for innovative SMEs that use special and sophisticated technologies to produce novel and unique products, pre-IPO companies and listed companies, built a digital marketing system “*Baiwanlaike*”, and launched the digital supply chain products “*Caigou Loan*” (Procurement Loan) and “*Dinghuo Loan*” (Order Loan), the products “*Keqi Loan*” (Sci-tech Enterprise Loan) and “*Linghang Loan*” exclusive for sci-tech innovation enterprises, and the Apps of “Little Giant” 2.0 and “Corporate Online Banking” 9.0. The Bank accelerated its retail transformation. The retail AUM grew by 10.2% compared with the beginning of the year. The savings deposits increased by 21.68%, a record high in the past ten years. The Bank ranked first among city commercial banks in terms of the scale and growth of retail loans. The Bank's salary business exceeded RMB 110 billion. The Bank launched “*Jingying Program*” to provide comprehensive finance services to children, increasing the number of children customers by 41% and serving more than 1.38 million families in total. The Bank was one of the first banking institutions to have obtained the qualifications for both private pension account opening and pension fund sales. The MAU of its Mobile Banking App exceeded 5.3 million, up 29%. The Bank made steady progress in financial market business. The scale of business under management reached RMB 3 trillion. The money market transaction volume exceeded RMB 40 trillion, accounting for 2.7% of the national market and ranking among top-tier market participants. The amount of bill transactions increased by 142% year on year, and the income from bill bid-ask spread increased by 107% year on year. The income brought by custody of publicly-offered funds increased by 82% year on year, and the scale of insurance funds under custody increased by 16% from the beginning of the year.

Good results were achieved in risk management. The Bank launched the “smoke index” 1.0, started the rebuilding of a new-generation credit risk management system, and established an enterprise-level unified credit limit control platform. The Bank coordinated online and offline services to ensure continuous business approval, and formulated the white list for authorization and the white list for proactive credit-granting in 2022. In addition, the Bank's NPL ratio was

1.43%, down 0.01% from the beginning of the year, indicating strengthened asset quality.

Digital transformation was continuously deepened. The Bank established the concept of “One Bank, One Data, and One Platform”, advanced transformation in five major areas, namely the development mode, business structure, customer structure, operation capacity and management style, with digital transformation as the core engine, and strove to build itself into a hi-tech bank, digital bank, ECNY bank, ecosystem bank and cultural bank with an aim to become the “Digital Bank of Beijing”. The Bank established the first Technology Association of Financial Enterprises in Beijing and the Financial Technology Committee. Adopting the agile mechanism, the Bank carried out a group of key projects including “Aixintong” 3.0, the reshaping of corporate account opening process, the unified data foundation platform, the “smoke index” and the “Keqicha” (Corporate Customer Query). The Bank unified all data silos into a data foundation platform and unified all systems silos into a centralized financial operation system.

3.2 Core Competitiveness

Complete and well-defined strategy: With the original aspirations of “serving the local economy, serving small and medium-sized enterprises, and serving the local citizens”, the Company adhered to the fundamental role of finance in serving the real economy, and opened up a path of financial development with Chinese characteristics in serving national strategies, promoting regional synergy and integrating into the high-quality development of the capital city. Dedicated to supporting the Chinese modernization and meeting customers’ comprehensive financial needs, the Company embraced the concept of “One Bank, One Data and One Platform”, practiced the philosophy of “the Head Office serving regional branches, regional branches serving branches and the entire bank serving the frontline”, and implemented the policy of “enhancing collaboration between headquarters and regional branches and across departments, and developing integrated financial solutions and comprehensive services”. By flexibly using list-based management, project-based organization, responsibility assignment, matrix management and other methods, project-based implementation, responsibility assignment and matrix management, the Company advances transformation in five major areas, namely the development mode, business structure, customer structure, operation capacity and management style, with digital transformation as the core engine. With greater digital service capacity, the Company provided and bridged customers with inclusive and value-added financial services, so as to connect and grow with customers.

Efficient corporate governance through Party building. The Company holds high the great banner of socialism with Chinese characteristics, follows the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and upholds the overall leadership of the Party. Giving full play to the role of the Party Committee in “setting the right direction, keeping in mind the big picture and ensuring the implementation”, the Company followed the Party’s leadership throughout the business management and development, and practiced the political and people-oriented nature of finance. In addition, the Company held general meetings of shareholders, meetings of the Board of Directors and meetings of the Board of Supervisors in strict accordance with the rules of procedure. Directors, supervisors and senior management increased their holdings of shares of the Company, which demonstrated their firm confidence in the future development of Bank of Beijing.

Unique and tailor-made services. In order to build itself into a hi-tech bank, digital bank, ECNY bank, ecosystem bank and cultural bank, the Company followed the new trend of industrial digitalization and digital industrialization. It made every effort to become the “No. 1 bank for Little Giants (innovative SMEs that use special and sophisticated technologies to produce novel and unique products)”, and built an echelon cultivation mechanism covering the entire life cycle of sci-tech innovation enterprises. The Bank launched the financial service plan, “*Yangfan Plan*”, and featured products such as “*Linghang Loan*”, “*Rongxinbao*” and “*Zhiquan Loan*”. To build itself into “Your Lifetime Bank”, the Company rolled out the “*Jingying Program*”, a comprehensive financial service brand for children, and became one of the first financial institutions to provide private pension services, establishing a financial service system covering customers’ entire life cycle, including children finance, growth finance, startup finance, family finance, wealth finance and pension finance. In order to become the “Bank providing the best customer experience”, the Company optimized the corporate account opening process, significantly reduced the material submission and business handling time for customers and continuously improved the mobile banking App, which remarkably improved customer activeness.

Agile development empowered by technology. The Company takes digital transformation as the key to serve the real economy and promote its own high-quality development. With digital transformation as the primary project, the Company established the Digital Transformation Strategic Committee of Bank of Beijing. Relying on agile management, coordination and integration, the Committee promoted key works in all fields of digital transformation, and accelerated the effective implementation of key digital transformation projects in key areas and crucial links across the Company. With a series of key projects such as the unified financial operating system, the unified data foundation platform, “*Aixintong*” 3.0 payroll service, the optimization of the corporate account opening process and the digital supply chain, the Bank consolidated the technological base, continuously improved data governance, and sped up the building of a digital marketing and operating system, thus providing strong support to the development of frontline business.

Deepening the commitment to the capital city. As a bank with the capital city “Beijing” in its name, the Company always gives top priority to serving the capital city’s development strategy, meeting the needs of the local citizens and assuming its responsibility as a bank of the capital city, and continued to deepen the commitment to key areas related to the capital’s development and the people’s livelihood, including finance, social security, medical insurances, taxation, education, healthcare, trade unions and housing provident funds. The Company carried out close cooperation with the districts and counties in Beijing on national key strategies and municipal development focuses. Supporting development of the “four centers”, “two districts” and “three platforms” in Beijing, the Company strove to assist the capital in its development into a benchmark city for the global digital economy, and kept strengthening, optimizing and expanding its core competitiveness to fully serve the capital’s high-quality development strategy of “Five Initiatives”.

Comprehensive and intelligent risk management. Under the concept of comprehensive risk management, the Company keeps developing a solid risk management culture, cultivating risk management experts and improving the comprehensive and unified risk management capability. By doing so, the Company aims to achieve full-process and penetrating risk management of

institutions at all levels and various businesses. In 2022, the Company further strengthened the guidance on business norms, and issued the *Guiding Opinion of Bank of Beijing on Credit Granting Business in 2022* (《北京银行 2022 年授信业务指导意见》) to provide quantitative standards for various businesses. It optimized the structure of credit customers, issued the authorization white list 2022 and supported the “Head Office-to-Head Office” marketing, in an effort to guide credit granting. In addition, the Company strengthened technological empowerment by intensifying model development, validation and application, innovating the “Jingyu” risk control model and developing the “smoke index” early-warning system. With such efforts, the Company constantly improved digital and intelligent risk control and gradually built a new pattern of comprehensive risk management.

A stronger brand with growing value. Focusing on national strategic plans, Beijing’s overall development plan and regulatory policies, the Company strengthened risk prevention and control, improved development quality and achieved balanced growth in scale, profitability and quality. With a brand value of RMB 76.9 billion, the Bank was listed among China’s 500 Most Valuable Brands, and ranked No. 50 in the “Top 1000 World Banks” list in terms of the tier-1 capital. With steadily growing business performance, the Bank has become a world leading bank in terms of major business indicators. It was listed as a systemically important bank in China, and continued to rise in industry position and brand influence.

3.3 Main Business Performance¹

3.3.1 Retail banking

1. Main achievements

The Bank advanced retail transformation empowered by digital transformation and worked faster to establish a new retail strategy system based on customer experience and value creation. As a result, the Bank achieved rapid growth in the percentage of retail profit and scale. It continuously optimized the business structure and enhanced brand characteristics, ranking among the top-tier banks in terms of asset quality.

First, a substantial increase in profitability contribution. During the reporting period, retail operating income rose by 21.67% year-on-year to RMB 22.131 billion, accounting for 34.1% of the Bank’s total operating income, an increase of 6 percentage points over the beginning of the year. The net retail interest income grew by 22.86% year-on-year to RMB 20.058 billion, which made up 40.12% of the Bank’s total interest income, up 7.64 percentage points year-on-year. In addition, the interest spreads of retail deposits and loans increased by 42 basis points year-on-year.

Second, a new high in assets under management (AUM). Retail AUM increased by more than RMB 90.48 billion to RMB 974.942 billion, a 10.23% growth year-on-year. Savings deposits grew at the highest rate in the past decade to RMB 537.767 billion, with a growth of RMB 95.831 billion or 21.68%. The accumulative daily average savings rose by 14.69%, and deposit cost fell by 14 bps. Retail savings deposits accounted for 28.19% of the Bank’s total deposits, up 2.11 percentage points from the beginning of the year. The growth of retail deposits accounted for 44.95% of the Bank’s total deposit growth.

In this sub-section, financial statistics are analyzed from the Bank’s perspective.

Third, rises in both the volume and price of retail loans. Retail loans reached RMB 636.282 billion, increasing by RMB 50.897 billion from the beginning of the year and 8.69% year on year, making the Bank No.1 among city commercial banks in terms of the growth and balance of retail loans. The interest rate of retail loans increased by 28 bps. The loan structure continued to optimize. Consumer loans and business loans accounted for more than 46.79% of the total, representing a year-on-year increase of 6.42 percentage points. The balance of personal inclusive loans stood at RMB 87.299 billion, increasing by 32.98% year on year. The scale of retail loans in Beijing rose to rank No.1 of the market.

Fourth, further consolidated customer base. The number of retail customers came in at 27,525.2 thousand, up 1,867.2 thousand or 7.28% from the beginning of the year. The number of VIP customers reached 864.9 thousand, up 78.7 thousand or 10.01% from the beginning of the year. The number of private banking customers reached 12,915, up 1,706 or 15.22% from the beginning of the year. In December 2022, the number of monthly active users (MAU) of “*Jingcai Life*”, the Bank’s mobile banking App, exceeded 5.3 million, up 29% year-on-year, ranking first among city commercial banks.

Fifth, good and stable asset quality. As at the end of the reporting period, the Bank’s non-performing loan (NPL) ratio of retail loans came in at 0.82%.

2. Business highlights

(1) Building a lifecycle financial service system

During the reporting period, the Bank focused on each “Moment of Truth” in the life of customers, with a focus on “the elderly and children”, and developed a financial service model of serving “a generation” through their lifetime, and full-spectrum, full-lifecycle and comprehensive financial service solutions covering children finance, growth finance, startup finance, family finance, wealth finance and pension finance. By doing so, the Bank aims to build itself into “Your Lifetime Bank” and become customers’ lifetime financial partner through companionship, cooperation and win-win development.

Under the long-term strategy of children finance, the Bank creatively launched the “*Jingying Program*” to offer comprehensive financial services to children. In an active response to the call of the State on building a child-friendly environment and a child-friendly city, the Bank launched the “1 + 2 + N” characteristic children financial service system with the concept of “time, companionship and growth”, aiming to promote children’s comprehensive and healthy development. The Bank created the characteristic cooperation mode of “finance + education”, established cooperation with more than 1,200 colleges and universities, and worked with the Foreign Language Teaching and Research Press (FLTRP) to hold the National English Competition for Schools. The Bank presented a new and immersive experience for children through the digital children finance ecosystem, and organized more than 8,000 “*Jingmiao Club*” activities involving financial education, cultural continuation, public welfare, and professional competitions etc. As at the end of the reporting period, “*Xiaojing Yasuibao*” registered a sales volume of RMB 2.6 billion, 520 thousand “*Xiaojing Cards*” were issued, and the number of children finance customers rose by 41%, benefiting more than 1.38 million families. “*Jingying Program*” won the Industrial Innovation Achievement Award at 2022 Global Digital Economy

Conference and the Award of Development Potential Service Demonstration Case at 2022 China International Fair for Trade in Services (CIFTIS).

In supporting the development of the third pillar pension plans, the Bank was one of the first banks in China to have obtained the qualifications for conducting private pension business and selling private pension funds. Following relevant national policies, the Bank took the initiative to work on system development, testing and policy development with all strength, and became one of the first banks to have quickly launched private pension business. It accelerated development of pension finance, immediately launched private pension funds and private pension savings products and conducted all-around marketing through the Mobile Banking App, Mini programs and batch account opening for corporate customers. As at the end of the reporting period, the Bank opened more than 200 thousand private pension accounts. Focusing on the young, middle-aged and elderly customers, the Bank developed comprehensive pension service programs featuring elderly care services, characteristic investment functions and personalized solutions, and signed a strategic cooperation agreement with Guomin Pension, in a bid to provide professional, convenient, beneficial and safe private pension financial services.

(2) Deepening the commitment to characteristic customer groups through cooperation with governments

Developing characteristic services for labor union customers. The Bank issued more than 5.94 million labor union cards, upgraded the distinctive “Perfect Services”, and built a harmonious, caring and convenient service platform for more than 70 thousand enterprises in Beijing and millions of Union members. The characteristic brand of “Labor Union Member Day”, which fell on Tuesday, attracted more than one million members. In addition, The Bank issued hundreds of exclusive deposit products for labor union customers, launched the service ecosystem of “Labor Union Zone” on the Mobile Banking App, organized hundreds of colorful offline campaigns such as “Employee Communication Day” and “Special Services for Exam Candidates”, and launched the pure online service mode from card application, card activation, to card use. In conjunction with the Beijing Municipal Office for Support and Cooperation, the Beijing Federation of Trade Unions and Beijing Capital Agribusiness Group, the Bank carried out the “*Jingcai Xipin*” campaign featuring assistance through consumption, and developed “labor union + assistance through consumption” as a characteristic service mode in Beijing.

Enriching the services for salary customers. The Bank launched the intelligent salary platform “*Aixintong*” 3.0, and developed four new intelligent modules: office support, human resources, remuneration management, and cost control. Based on the core service of payroll payment, the Bank expanded “financial + non-financial” services to cover pay calculation, social insurance, salary, human resources, reimbursement and office support to help enterprises with digital management of human resources, finance and daily work. At the same time, the Bank provided a set of full-process digital payroll solutions and developed “five service modules” for corporate users and “six salary service modules” for individual users. It adopted the comprehensive financial service model of GBIC² to fully empower enterprises to conduct digital transformation, reduce production and operational costs and raise their collaborative working efficiency. The platform allows enterprises to optimize their internal management processes through flexible system configurations, improves financial and non-financial service experiences,

and enables digital operations for corporate and individual users, pushing corporate and retail coordination to a new level.

Providing comprehensive services for new urban residents. The Bank set up a task force for the provision of financial services for new urban residents. It rolled out 12 measures to increase the sense of gain, happiness and security of new urban residents and build a comprehensive financial service system for them. By doing so, the Bank provided new urban residents with access to resources in education, business startup, housing, employment, relief funds and pensions. The total scale of “*Chuangyin* Loan”, an exclusive start-up loan for new urban residents, exceeded RMB 6 billion. Two branches of the Bank won the “Best Labor Union Service Site for Outdoor Workers” from the All-China Federation of Trade Unions in 2022.

(3) Improving comprehensive digital services

The Bank reengineered the digital process of mobile services. The Bank developed Mobile Banking 7.0, adopting a data-led approach to reshape the visual interfaces and user journeys of all businesses. It optimized functions and experiences, built seven core service scenes of government service, urban transport, trade union services, medical care, utility bill payment, lifestyle consumption and e-CNY, and further enriched the scene-based online non-financial ecosystem. As at the end of the reporting period, the Bank had 13.66 million mobile banking customers, a year-on-year increase of 2.34 million or 21%, and saw a year-on-year increase of 1.2 million or 29% in the MAU of mobile banking, ranking first among city commercial banks.

The Bank built a new online operation model for air banking. With the “new paradigm” of omni-channel, all-scene and all-strategy customer management empowered by digitization and intelligence, the Bank built a closed loop of “online + offline + remote” services, promoted the implementation of the customer base strategy, the organizational mechanism, the operation policies and the management process, and achieved the data-driven closed-loop management of mass retail customers. Focusing on AUM, the Head Office and regional branches collaborated to conduct pilot online operation, laying a solid foundation for normal business operations.

The Bank implemented the “Zhice” (Smart Strategies) retail digital operation system. The Bank transformed the traditional operation model into a new and digital one featuring “data drive, strategy guidance, flexible access and targeted services”. Through the five core links of data mining, customer grouping, strategy setting, strengthened management and rapid upgrading, the “Zhice” system formed a closed loop of strategic operation, which sped up the operation process from manual to data-based, and to automated and intelligent decision-making, and achieved the leapfrog development of data empowerment. At present, the “Zhice” system has been widely used in retail business scenes to promote app user growth, “*Jing E-Loan*” growth, fund retention, pension promotion and air banking. In total, more than 500 online strategies have been launched, reaching more than 30 million customers.

The Bank created a digital capability system for smart banking. “Digital employees” showed remarkable efficiency. Throughout the year, intelligent chatbots and intelligent navigation robots served a total of 7.92 million customers, with intelligent services accounting for 81.6% of the inbound calling services, and 2.03 million outbound calls made by intelligent outbound calling robots. The Bank relied on “human + digitalization” to continuously upgrade

customer service capabilities and explore new digital service models. **The Bank fully developed AI-empowered businesses.** The Bank extensively applied AI capabilities such as computer hearing, computer vision, natural language recognition and knowledge graphs to improve the modeling capabilities of underlying decision-making data, build machine learning models, and produce in-depth portraits of customers. Moreover, these capabilities were also deeply applied in business scenes such as online customer operations and anti-frauds. **The Bank continued to improve the risk control capabilities of online channels.** The “Hudun” (Shield) intelligent transaction anti-fraud platform intercepted more than 250 thousand risky transactions and prevented more than 90% customers from being deeply defrauded, with zero incident of bank card fraud via online channels throughout the year.

The Bank improved the management efficiency of digital marketing. The Bank developed “Mobile Banker” 4.0, a mobile workbench integrating customer management and product marketing. Based on the platform, the Bank built a five-pronged business system of “cloud decision-making + cloud business expansion + cloud business + cloud services + cloud management”, and enabled one-stop direct connection between investment and research teams and customers. The number of registered users of the Retail Shopping Mall with Reward Points grew by 142%, with targeted marketing activities for specific customer groups and assets to provide digital support for branches to acquire and activate customers. Relying on the “Jingcai Wallet”, the Bank established an ecosystem for financial + non-financial cooperation, and conducted in-depth cooperation with more than 100 scene-based channels such as Beijing Federation of Trade Unions, Beijing Subway, Dmall and 01zhuanche.com on developing the open payment service system in “public domains + private domains”. As at the end of the reporting period, the “Jingcai Wallet” had 510 thousand users, 54% of which were registered card users of other banks. The number of users maintained steady and high growth year on year.

(4) Strengthening competitive edge in three major business lines

Wealth management and private banking businesses constantly improved. The Bank developed a wealth management system based on value appreciation. It established and refined an open and high-quality wealth management platform, achieved steady growth in self-operated and third-party wealth management products, and introduced more than 100 products of various categories from eight wealth management subsidiaries of banks. During the reporting period, the fee income of wealth management products increased by 18.7% year on year. **The Bank continued to improve the capacity of earning income from insurance business.** It continuously enriched the product system and provided better financial supply for targeted customer groups such as children, families and pensioners, and launched legal training, lawyer talks, and salons for high-end customers and insurance trusts to improve the provision of insurance services for high-end customers. In response to the call of promoting the “Beijing Inclusive Health Insurance”, the Bank immediately developed the online and offline agency sales channels for this insurance. During the reporting period, the scale of insurance funds increased by 44% year on year, and the fee income of wealth management products rose by 45% year on year. **The Bank upgraded the private banking service system on all fronts.** It furthered the development of the private banking center, enriched the private banking product system, gave full play to the role of the investment advisor team, and optimized the business processes of family trusts and the service process of private banking. By doing so, the Bank fully improved the customer experience of private banking. The private banking centers were established in all

regional branches. The number of private banking customers grew by 15.22% from the beginning of the year, the AUM of private banking increased by 18.88% from the beginning of the year, and the agency sales scale of private banking products increased by 52.16%.

Personal credit business developed steadily. The Bank achieved significant results in digital process reengineering. It improved both service efficiency and experience, completed the online migration of housing loans and “Duandaibao”, which enabled online business acceptance, paperless application documents and standardized and modeled loan approval. The Bank developed a centralized system for online loans, established a centralized management mechanism for online loan business, and achieved unified cooperation channel management with standardized processes. Moreover, it carried out cooperation projects with various leading channels and achieved steady growth in loan scale. **The Bank integrated and upgraded the brand “Jing E-Loan”.** Through the self-run online loan products and multiple business acceptance channels such as Mini program, H5 and API, the Bank simplified business process and improved customer experience. **The Bank enlarged the scale of auto finance loans.** It constantly expanded the coverage of the auto finance brand, strengthened cooperation with Internet platforms, auto finance companies, large dealers and other distributors, and put equal emphasis on self operation. With multiple measures, the Bank strengthened its presence on the markets of new energy vehicles as well as first-hand and second-hand vehicles. Through online processes, agile cooperation channels, intelligent risk control and intensified businesses, the Bank provided customers with auto financial services covering the entire process from purchase, use, maintenance to replacement. At the same time, the Bank’s credit card business established a consumer finance team, which carried out businesses with more than 200 auto dealers in 10 cities across the country. **The Bank launched “Jingdun”, a personal loan anti-fraud system.** Applied in all online loan businesses, the system features data collection, real-time data pre-processing, rule engine etc., supports high concurrent business needs, and significantly improves independent risk control capabilities. The system is based on such data as users’ identities, behaviors, and social networks, and introduces third-party data to optimize anti-fraud rules and accurately identify all kinds of fraudulent behaviors.

The transformation of credit card business went deeper, laying a solid foundation for specialized operations. The Bank solidly implemented the “four-step” strategy for specialized operations of credit card business. It adopted scientific assessment tools, established a sales team of more than 1,000 members, and acquired more than 60% of customers through direct sales. To attract young and high-value customers, the Bank issued co-branded credit cards with “Vegetables Fairy” and “Bilibili”, developed the three major brands of “Monday Refuel”, “Daily Surprise” and “Unusual Holiday” and cooperated with nearly 300 brands and 4,000 stores. As at the end of the reporting period, the Bank had 5.18 million credit card holders and issued 5.97 million cards. **The Bank worked faster towards digital transformation.** It upgraded the credit card App and launched the English version of the App, and achieved a year-on-year increase of 32.48% in the total number of APP users. 77% of credit card application came from electronic channels. The Bank built a traffic management platform, a message push management platform, a tag marketplace and a dashboard of business indicators to improve decision-making. A new generation of payment system was released, with one-click account-binding to third-party payment channels. The Bank also developed intelligent customer services, with the robot recognition accuracy of 96.71% and a satisfaction rate of 96.14%. An intelligent credit card

approval platform was established to reduce the time for each step from six minutes to three minutes. In addition, the Bank adopted differentiated audit strategies for different customer groups, of which high-value customer groups accounted for 43%, up 3.4 percentage points year on year. Through the intelligent credit line adjustment, the Bank increased the outstanding balance in the T+1 month and monthly transaction volume by 12% and 11%, respectively.

3.3.2 Corporate banking

1. Main achievements

During the reporting period, the Bank actively responded to market changes, steadily expanded the scale of corporate banking business, and laid a solid foundation for its development. It deeply practiced the transformation strategy and strove to develop a solid customer base, quality products and optimize featured businesses. As a result, the Bank successfully sped up the transformation of corporate banking business.

The business scale showed momentum for continued growth. New deposits and loans exceeded RMB 100 billion, achieving double-digit growth. RMB corporate deposits reached RMB 1,332.1 billion, up RMB 139.1 billion or 11.66% from the end of the previous year. RMB corporate loans rose to RMB 1,054.1 billion, up RMB 101.4 billion or 10.65% from the beginning of the year.

The intensive operation capability continued to improve. Core deposits grew by an annual average of RMB 98.9 billion from the end of the previous year, up 2 percentage points in proportion. Structured deposits dropped by an annual average of RMB 27.7 billion, down 3 percentage points in proportion. The Bank focused on high-quality business sectors and invested more resources in manufacturing, infrastructure, clean energy etc.

The customer base was continuously consolidated. The Bank had 216 thousand effective corporate customers, up 38.5 thousand or 21.67% from the beginning of the year. With the newly released Corporate Banking 9.0 and Corporate Mobile Banking 5.0, the Bank gained 147.6 thousand effective Corporate Banking customers, up 26.9 thousand or 22.26% from the beginning of the year.

Inclusive finance developed ever faster. The Bank reported an inclusive finance loan balance of RMB 172.128 billion, up 36.49% from the beginning of the year. It served 299 thousand inclusive SMEs, up 161.3 thousand or 117.20% from the beginning of the year.

Characteristic services got ever strengthened. The balance of sci-tech finance was RMB 194.770 billion, up RMB 36.867 billion or 23.35% from the beginning of the year. The balance of cultural finance was RMB 72.822 billion, up RMB 9.405 billion or 14.83% from the beginning of the year. The balance of corporate green loans was RMB 110.083 billion, up RMB 62.635 billion or 132.01% from the beginning of the year. The balance of agriculture-related loans was RMB 88.581 billion, up RMB 15.971 billion or 22% from the beginning of the year.

2. Business highlights

For corporate banking, the Bank deeply integrates the responsibility of serving the real economy with the strategic goal of transformation, and adopted a customer-centered approach to develop an in-depth and refined customer base management strategy. Based on its market positioning, the Bank maintained its advantages in serving the capital and SMEs. In addition, the Bank

practiced the comprehensive financial service model of GBIC² to upgrade the digitalized, specialized and integrated service capabilities of corporate banking.

(1) Upholding the customer-oriented philosophy to develop the customer base

During the reporting period, the Bank continued to strengthen the corporate customer base. It launched the differentiated initiatives of “*Jishi Plan*” (Cornerstone Plan), “*Yangfan Plan*” (Sailing Plan) and “*Beizeng Plan*” (the plan of “Doubling Corporate Customers”), issued the *Financial Services Plan* and built a comprehensive, management system for different segments of corporate customers. In-depth efforts were made to develop strategic customers, including establishing the service framework of the “*Jishi Plan*”, formulating the list of strategic customers at the Head Office level, covering 340 central SOEs, key provincial and municipal SOEs and leading private enterprises, and adopting the marketing model of “Chief Relationship Manager” + “National Relationship Manager”. As a result, the Bank won the bid for the depository bank of Beijing Municipal Social Security Fund. At the same time, the Bank strengthened and refined the efforts to develop medium-sized clients. In respect of innovative enterprises that use special and sophisticated technologies to produce novel and unique products, pre-IPO companies and listed companies, the Bank launched the “*Yangfan Plan*” (Sailing) with three sub-plans: “*Qihang*” (Setting Sail), “*Linghang*” (Navigating) and “*Yuanhang*” (Voyaging) to develop a full-product, full-process and full-lifecycle financial service system. In addition, the Bank launched the “Quick Win” Project with clean energy industry as the starting point to foster specialized management of industry customer groups, expanded the basic customer base by continuously promoting the “corporate customer doubling” plan to drive the rapid growth of corporate customers, and applied the Corporate Banking Solutions, Rime Data and other data applications to improve the efficiency of customer expansion.

(2) Adhering to the original mission of “serving the capital city”

The Bank gave full play to its local resources to expand the market presence in the capital city. With the strategic positioning of “serving the capital city” and the advantage as a host, the Bank actively implemented the overall plan and strategic arrangements of Beijing, focused on building Beijing into “Four Centers” and integrated into the “Five Initiatives” strategy. During the reporting period, the Bank granted corporate loans of RMB 333.1 billion in Beijing, RMB 56.9 billion more than the same period of the previous year. The Bank actively participated in Beijing’s municipal-level and district-level key projects including the “Three 100” key projects. As at the end of the reporting period, the Bank approved the loans for 30 projects with a total amount of RMB 36.5 billion, and provided credit support for a batch of key projects in Beijing, including the Anding Circular Economy Park, Zhongguancun Industrial Internet Park and Beijing-Tangshan Intercity Railway. Meanwhile, the Bank upgraded smart government service scenes with the theme of “convenience and benefits for the people”. It improved the service capability of “Smart Finance”, connected to the business system of the Ministry of Finance for the first time, and continuously promoted the financial integration in Beijing. As at the end of the reporting period, the amount of fiscal services and payments at the municipal level and district levels of Beijing hit record highs compared with the same period of previous years, with a system automation rate of 92%. In addition, the Bank enhanced the operation capability of “Smart Social Insurance” by optimizing the processes of businesses for the elderly and children, launching the contracting function on the Mobile Banking channel, and strengthening the service guarantee for centralized insurance purchase. The Bank also improved the innovation capability of “Smart Healthcare” products by

launching the platforms of “Smart In-patient Service” and “Smart Reconciliation Platform”. A national service network was established with Beijing as the center. Focusing on the development of key regions such as the Beijing-Tianjin-Hebei region and the Yangtze River Delta, the Bank launched the “Quick Win Project” to expand the customer base and increase the allocation of relevant credit resources. The Bank granted corporate loans of RMB 347.7 billion and RMB 149.6 billion in the Beijing-Tianjin-Hebei region and the Yangtze River Delta, respectively, increasing the proportion of RMB corporate loans in the Yangtze River Delta by 1.74 percentage points. Moreover, the Bank actively expanded the scope of “Belt and Road Initiative” services by establishing correspondent bank relationships with 757 financial institutions worldwide, including 202 banks and financial institutions in 39 countries along the “Belt and Road” Initiative.

The Bank gained an edge in inclusive finance through digital empowerment and developed a “growth pole” for small and micro enterprises. During the reporting period, with the development positioning of “serving small and micro enterprises”, the Bank launched the Digital Inclusive Financial Companionship Program to build a digital inclusive development model and strengthen inclusive financial guarantee. Focusing on “inclusiveness”, the Bank relied on digital technology to broaden the scope of inclusive financial services. In deepening the operation of the digital intelligence platform, the Bank launched the “Little Giant” 2.0 with brand-new upgrades in the four dimensions of service, function, products and experience, enhancing the response to customer needs. In expanding the functions of the online lending platform for corporate customers, the Bank enabled more efficient services like interfaces to channels, credit approval by risk control models, unified credit line control, online withdrawal and repayment, and one-click inquiry of internal and external data. In optimizing the digital product matrix, the Bank upgraded the “Yinshui Loan” and the “Expedite Inclusive Finance Loans” and launched the new products of “Piaoyi Loan” and “Expedite Account Loan”. The Bank was the first bank in China to have launched an App integrating banking and guarantee functions, providing credit and guarantee limits in real time to better meet customer needs. During the reporting period, the total online inclusive loans granted to corporate customers increased by 144.66% year on year. Focusing on “benefiting the people”, the Bank took multiple measures to deepen inclusive financial services. In order to bail out enterprises in difficulties, the Bank formulated 25 measures in five categories, and established a long-term lending mechanism to help small and micro enterprises become confident, willing, qualified and able to apply for loans. At the same time, the Bank released 26 measures in six categories to strengthen the financial supply for small and micro enterprises. During the reporting period, the Bank supported a total of 8,210 small and micro enterprises with a total of RMB 72.926 billion in first loans, and handled 516 loan renewals without principal repayment for small and micro enterprises with a total loan amount of RMB 2.917 billion. The Bank strengthened financial concessions to small and micro enterprises. During the reporting period, the average interest rate for new loans to small and medium-sized enterprises (including individual business owners and small and medium-sized business owners) was 4.93%, down 7 bps from the previous year, which further reduced financing costs for the customers.

(3) Serving the real economy with the three upgraded service capabilities

The Bank continuously upgraded the digital service capabilities of corporate financial products. During the reporting period, the Bank adhered to the “customer-centric” philosophy, strengthened technology-empowered “traffic management” and built a “smart and connected”

digital service ecosystem for corporate finance. To strengthen the channel-based refined operation capability, the Bank launched electronic receipts, electronic invoices, electronic reconciliation and other functions to solve the “last-mile” problem of customer service. The online self-service rates among corporate customers continued to rise, with a self-service rate of 98% for discounting, 75% for letters of guarantee and 59% for letter of credit settlement. The Bank improved the comprehensive service capability of cash management. With corporate accounts as the core, the Bank continued to expand diversified scenes for cash management business, strengthened the integrated services of “account management + fund management”, integrated with the enterprises’ financial and fund management ecosystem, and achieved the digital upgrade and value of banks and enterprises. The Bank developed scene-based collection and payment service capabilities. “*Jingguang Cloud*” financial + non-financial solutions continued to improve in service capability. The expansion of settlement scenes of payment applications and trading platforms drove the growth of low-cost daily average deposits. The Bank upgraded the full-chain service ecosystem of supply chain finance. Leveraging the advantages of the products and platform of “*Jingxin Chain*”, the Bank launched the innovative products of “*Dinghuo Loan*” (Order Loan) and “*Caigou Loan*” (Procurement Loan), thus delivering full-chain credit products ranging from entity-based credit products to data-based credit products. The number of core enterprises and suppliers and financing amount on the “*Jingxin Chain*” increased by more than 100% year on year. The Bank built the cross-border financial sharing service ecosystem. The Bank upgraded the layout of online products and scenes and launched “E-Document”, “E-L/G”, “E-Financing”, and GPI remittance tracking service etc. on Online Banking. The Bank built a shared service circle for cross-border finance by connecting to the State Administration of Foreign Exchange goods trade monitoring platform, the standard service scenes for online separate letters of guarantee, the China Trade Finance Union (CTFU), the TradeGo digital platform for international bulk cargo trading, and the ASOne digital cross-border platform for blockchain services. In order to optimize the foreign exchange derivative services for small and micro enterprises, the Bank launched “*Yuanqibao*” (Forward Guarantee) and first-time service account, and fulfilled the social responsibility of a financial institution to “provide foreign exchange service for the people”.

The Bank continuously enhanced the capability of providing characteristic services for niche customer groups. During the reporting period, the Bank kept upgrading the characteristic financial service system with a focus on sci-tech finance, culture finance, green finance and rural finance. In order to promote characteristic financial services for small and medium-sized enterprises, the Bank set up 60 branches with featured businesses and 3 culture and creativity branches, further strengthening its strategic positioning as the bank of the capital city. Sci-tech Finance services were further upgraded. The Bank pioneered the “*Keqi Loan*” (Sci-tech Loan), a big data-based online automated approval product for intellectual property, and launched the characteristic “*Linghang Loan*” (“*Navigating Loan*”) to provide more intensive services for sci-tech enterprises. The Bank was among the first batch of pilot banks to settle in Zhongguancun Technology Finance Service Center, which allowed the Bank to further smooth the communication with governments and enterprises. Greater support was provided to innovative enterprises that use special and sophisticated technologies to produce novel and unique products, with “*Linghang Loans*” granted to such SMEs ranking first among the financial institutions under the cooperation with Beijing Municipal Commission of Economy and Informatization. The cooperation in cultural financial channels went deeper. The Bank sponsored

the 2022 Competition for the Transmission and Promotion of Beijing Central Axis organized by Beijing Municipal Cultural Heritage Bureau and the Beijing Central Axis Heritage Application and Protection Office, and deeply involved in the 12th Beijing International Film Festival. efforts were made to promote the development of branches engaged in providing exclusive financial services for culture and creativity enterprises, and enhance the service availability in the three districts of Dongcheng, Chaoyang and Xicheng, with RMB 8 billion of credit loans granted to more than 500 culture and creativity enterprises in total. The green finance improved in quality and efficiency. With greater efforts in product innovation, the Bank launched the first CCER pledge loan in Beijing and the first carbon neutrality loan in the Bank. In promoting DCEP applications, the Bank released the digital and low-carbon service brand, “*Jingtanbao*”. In implementing the concept of green development, the Bank drove Tongzhou Green Branch into the first carbon neutral branch of the banking sector in Beijing. The rural finance showed preliminary results. The Bank formulated the “Implementing Plan of Bank of Beijing for the Comprehensive Promotion of Financial Support for Rural Revitalization” (《北京银行关于全面推进金融支持乡村振兴工作的实施方案》) and launched a series of featured products such as “Rural Revitalization Loan”, “Rural Homestay Loan” and “Rural Tourism Loan” to support the development of high-quality rural homestays.

The Bank continuously developed the integrated service capability of “commercial banking + investment banking”. During the reporting period, the Bank practiced the comprehensive financial service model of GBIC² to lay a solid foundation for traditional investment banking, and established a service ecosystem for integrated development of investment banking and commercial banking. The Bank strengthened the basic investment banking business and came back to the league of main underwriters with the issuance of RMB 100 billion bonds. Specifically, the scale of sci-tech notes underwritten ranked No.1 among city merchant banks and 9th in the market. Seizing the opportunity of reform toward mixed system among high-end chip industry, key projects in Beijing, and the municipal government-owned enterprises, the Bank increased M&A loans. The Bank worked faster to explore innovative business and grew into a leading city merchant bank in public REITs business. The business of listed public REITs investments became available in all regions covered by the Bank’s business network. The Bank launched multiple services such as strategic investment, offline investment and fund distribution, and won bids for acting as the custodian and supervisory bank for many publicly-offered REITs projects. Fully playing the leading role, the Bank worked with Galaxy Capital to launch the first business under the new model of “PE Investment + *Jinghang* Loan”. The Bank held the event of “Mutual Growth and Win-win Development through Ecological Collaboration: Bank of Beijing Industrial Finance Forum and Ecosystem Partners Conference”, established the Ecosystem Partners Service System of Bank of Beijing, and built an investment and financing service ecosystem for key industries.

3.3.3 Financial market business

1. Main achievements

During the reporting period, in the face of the complex and volatile external market environment, the Bank developed the financial business in accordance with regulatory guidance. It supported the real economy, seized market opportunities, optimized investment transactions, and actively promoted business transformation. As a result, the Bank’s asset and liability structure continued to optimize, the operational quality and efficiency improved steadily, and the momentum of

sustainable development grew ever stronger.

As at the end of the reporting period, the Bank had a business scale of RMB 3 trillion in financial market management, a trading volume of more than RMB 40 trillion in the monetary market, accounting for 2.7% of the national market and ranking among the first echelon of banking institutions. The number of quality customers increased by 25.34% from the beginning of the year. **Profitability continued to improve.** The scale of bill business increased by 142% year on year, the income from bill bid-ask spread increased by 107% year on year, and the income from the spread of self-operated precious metals increased by 45% year on year. **Business transformation showed preliminary results.** The Bank achieved an income of RMB 680 million in asset custody business, ranking first among city merchant banks. Specifically, the income from publicly offered fund custody grew by 82% year on year, the highest growth among all listed banks. In addition, the scale of insurance funds under custody increased by 16% from the beginning of the year. **Product innovation advanced solidly.** The Bank concluded the first X-Repo interbank deposit contract in the market, invested in the first batch of book-entry treasury bonds and Beijing local government bonds issued on the Beijing Stock Exchange, implemented the first reverse repurchase transaction of an electronic bank acceptance bill, obtained the qualification for the pilot sales of (electronic) saving treasury bonds through mobile banking, and held in custody the Bank's first customized publicly offered fund that made its debut on the Internet.

2. Business highlights

During the reporting period, the Bank developed financial market business based on the strategy of “capital-saving, synergistic and IT-empowered” development. The financial market business continued to play the role of an “profit growth pole”, “structural balancer” and “customer adhesive” of the whole Bank, promoting the steady development of money market, interbank and custodian businesses and releasing continuous development momentum.

(1) By consolidating the foundation and making innovative breakthroughs, the Bank created a characteristic financial market product system. During the reporting period, the Bank closely followed the changes in market policies, kept strengthening the study and judgment of interest rate trends, and actively grasped market opportunities. It timely adjusted the investment progress, and improved the capabilities of trading, investment research and risk prevention. As a result, the money market trading volume amounted to RMB 40.44 trillion, accounting for 2.7% of the national market. The trading and investment capabilities further improved, with continued efforts to innovate product instruments. The Bank concluded the first X-Repo interbank deposit contract in the market and supported the issuance on the primary market, giving better play to the role of finance in serving the real economy, and implemented the first reverse repurchase transaction of an electronic bank acceptance bill, controlling operational risks and reducing transaction costs. It obtained the qualification for the pilot sales of (electronic) saving treasury bonds through mobile banking and became the only city commercial bank among the second batch of approved banks, thus opening a new convenient channel to further serve the real economy, the public and the people. The Bank continued to explore the custody of innovative products by holding in custody the first new customized publicly offered fund that was distributed online. In addition, it launched the first custody product for securitized intellectual property financing of a technology enterprise in Beijing, and explored the custody of pension FOF products

to support the development of the third pillar personal pension.

(2) By optimizing the structure and serving the overall situation, the Bank played an active role in the bank-wide liquidity management. During the reporting period, the Bank continued to leverage its advantages in financial market platforms and its professional strength, and made coordinated efforts to improve liquidity management, structural adjustment etc. Based on the macroeconomic situation and the latest regulatory requirements, the Bank continued to optimize the structure of interbank assets, enhance the stability of interbank liabilities, control the cost of liabilities and improve liability management capabilities. It proactively responded to changes in the economic situation, and timely adjusted the duration, position size and structure of asset portfolios. With the help of multiple market instruments, it actively grasped the asset allocation opportunities amid interest rate fluctuations, flexibly adjusted the placement structure and controlled the limits of investment products. At the same time, the Bank actively promoted the development of resource-saving businesses, and continued to explore the efficiency of light capital businesses. As at the end of the reporting period, the cost of interbank liabilities decreased significantly from the beginning of the year and the liability channels were further broadened, which greatly facilitated capital management, limit management, maturity management, liquidity management and risk management across the Bank.

(3) By strengthening synergy and coordination, the Bank continuously improved customer service quality and efficiency. During the reporting period, the Bank further deepened the “customer-centric” concept in financial market business and implemented the comprehensive financial service model of GBIC². It actively coordinated with corporate, retail and other business segments of the Group to build an all-round, full-cycle and full-process customer service system and further improve customer service quality and efficiency. The Bank continuously supported the development of the real economy. In terms of interbank investment, the Bank launched green, carbon neutrality and rural revitalization products. It actively developed the rediscounting products of “Jingchuangtong” and “Jinglvvtong” to provide low-cost funds for specialized areas of trade finance, sci-tech finance, green finance and manufacturing finance, benefiting more than 7,000 customers, including small and micro enterprises and personal loan customers. With the “+custody” synergistic development model, the Bank continued to expand businesses such as publicly offered funds custody and insurance funds custody. As at the end of the reporting period, the Bank’s scale of insurance funds under custody grew by 16% from the beginning of the year. During the reporting period, the income from publicly offered funds custody increased by 82% year on year, and the business structure continued to improve. The Bank worked faster on digital transformation, and reconstructed the front and back office systems of asset custody business in all aspects. Through architecture upgrade and the introduction of new technologies, the Bank further improved customer experience.

3.3.4 Greater wealth management

1. Main achievements

As the middle-income group continued to expand, and residents’ wealth continued to grow, the demand for wealth management becomes more and more diversified, and the wealth management model needs to be transformed. Empowered by digital transformation, the Bank gave full play to the Group’s advantages by strengthening digital empowerment and risk prevention and control. It embraced the era of “Greater Wealth Management” and built a “Greater

Wealth Management System". As at the end of the reporting period, the number of private banking customers grew by 15.22% from the beginning of the year, and the AUM of private banking grew by 18.88% from the beginning of the year. The increase in the AUM of private banking clients accounted for 29.37% of the Bank's total increase in retail AUM. The scale of third-party privately offered products grew by 52.16% from the beginning of the year. The scale of financial products managed by Bank of Beijing Wealth Management amounted to RMB 303.828 billion.

2. Business highlights

(I) Building an open, all-weather, and full lifecycle greater wealth management platform.

During the reporting period, guided by market needs, the Bank centered on customer experiences to build the "Greater Wealth Management System". **First, the Bank continued to strengthen product selection capabilities.** The Bank selected high-quality cooperative third parties and products, and continuously enriched product categories and investment strategies, so as to provide customers with diversified sources of asset income and allocation tools in different market stages. **Second, the Bank fully optimized the product supply matrix.** The Bank selected products from the top 50% cooperative institutions in the industry, with more than 100 products in the supply matrix winning Golden Bull Awards and other prestigious awards. During the reporting period, the Bank cooperated with eight wealth management subsidiaries of other banks, and put on shelf more than 100 products from wealth management companies of other banks, with a scale of over RMB 25.0 billion. **Third, the Bank continued to deepen the asset allocation concept.** The Bank provided a package of product portfolios to serve the comprehensive wealth management needs of customers in different cycles, and developed from a product seller to an investment advisor to provide customers with tailored asset allocation services.

(II) Cultivating the customer group ecosystem and providing wealth management experiences with exclusive products, scenes and services.

During the reporting period, the Bank adhered to the service concept of "Our Sincerity, Your Trust". Anchored to customer management and aimed at customers' core needs, the Bank developed a layered resource allocation system, refined the customer management, and acted as a professional wealth investment and research advisor for customers.

First, the Bank continued to develop exclusive, innovative and scene-based products. The Bank launched customized products to meet the needs of salary and medical insurance customers. In serving national strategies, the Bank provided financial services for the strategy of strengthening the country through talents, launched integrated talent finance solutions and built an industry-leading talent service ecosystem. By doing so, the Bank met the financial and non-financial needs of talent customers. In serving the young, middle-aged and elderly customers, the Bank provided full life-cycle services and long-term companionship and became the first bank to start personal pension business, and built an integrated, one-stop and all-ecosystem pension financial service system to provide rich and extensive services with personal pension as the core. **Second, the Bank fulfilled social responsibilities by facilitating the realization of common wealth, developing inclusive wealth and serving the public with heart and soul.** The Bank held the first season of "Jingcai Gongfu" wealth management campaign to help residents grow their wealth, and built family wealth service packages around the family lifecycle to meet the

family wealth management needs.

Third, the Bank strengthened investor education and developed the customer group ecosystem. The Bank provided wealth education through lectures, videos, posters and other forms, guided customers towards a wealth concept meeting the requirements of the era of net value, and provided customers with valuable after-sales financial services. By doing so, the Bank grew together with customers by cultivating the customer group ecosystem.

(III) Shaping wealth management capabilities based on a solid foundation, a professional team and man + machine intelligence.

First, the Bank strengthened the infrastructure of the greater wealth management system. During the reporting period, the Bank upgraded the private banking service system. For the Wealth Center and Private Banking Center, the Bank further leveraged their market development, communication and other platform functions and their business functions of providing add-value services for customers in local branches. With personalized product configuration and professional consultant teams, the Bank strengthened the maintenance and acquisition of customers, built a full-cycle value chain for wealth inheritance and family planning, and offered supporting consulting services. By doing so, the Bank developed private banking business into an important engine for the development of the greater wealth system.

Second, the Bank fully enhanced the professional competencies of the wealth management team. The Bank relied on the four core service capabilities, “proactive business planning, comprehensive resource integration, product and service innovation, and customer marketing execution”, to protect customers’ wealth. The Bank carried out systematic and hierarchical empowerment training for relationship managers, and simultaneously promoted their professional competency and marketing skills. Based on the timeliness of business development, the Bank conducted regular advanced training. The Bank actively promoted certification training for pension planners, gradually established a professional team of pension financial talents, provided comprehensive pension financial services covering pension planning, asset allocation and long-term companionship, perfected customers’ pension financial experience, and formed a characteristic pension finance brand.

Third, the Bank continued to strengthen “man + machine integration” in the digital era. Relying on digital technology empowerment, the Bank strengthened the development of a wealth management talent team and made every effort to build a professional investment advisory team. The Bank launched the “Mobile Banker” 4.0 to help improve refined customer management and product sales at the frontline. The Bank launched “Relationship Manager Cloud Studio” 1.0 to build a new retail system integrated with “cloud decision making + cloud business development + cloud business + cloud services + cloud management”. The Bank leveraged standardized and unified data, agile application, online/offline coordination and scene diversification in retail business to build professional, differentiated and intelligent wealth service capabilities.

(IV) The opening of Bank of Beijing Wealth Management deepened the development of “Greater Wealth Management System”.

Bank of Beijing Wealth Management focused on the Bank’s development strategy, focused itself on value creation, and integrated into the greater wealth management system. First,

The Bank made orderly preparations in terms of corporate governance, institutional building, personnel arrangement and system development for its wealth management subsidiary, Bank of Beijing Wealth Management, which obtained the approval for opening on October 31, 2022. After the completion of key tasks such as the transformation of cash management products and the migration and transfer of all existing products, Bank of Beijing Wealth Management obtained the business license on November 25, 2022, and held the opening ceremony on December 23, 2022.

Second, Bank of Beijing Wealth Management focuses on serving customers' needs, follows the business philosophy of "distinctive features, standardized management, technology-driven, diversified products, expert management and leading performance". With the basis of a digital asset management platform and the two-wheel drive of asset management and wealth management, Bank of Beijing Wealth Management continuously improves its capabilities in investment research, risk control, product innovation, data application and efficient operation to achieve brand value, wealth value, capital value, social value, talent value and synergy value. Aiming to build a first-class asset management institution featuring "Dedicated, Professional and Trust-worthy", Bank of Beijing Wealth Management directs more resources to sci-tech finance and green finance, in order to create more sustained value for customers.

Bank of Beijing Wealth Management focused on diversified customer needs, strengthened product innovation, and laid out a differentiated product system. **First**, positioned towards differentiated and distinctive development, Bank of Beijing Wealth Management adopted the product development strategy of "consolidating the foundation, developing advantages and adding highlights" to create a product supply lineup covering all types of customers, investment markets and mainstream strategies. **Second**, Bank of Beijing Wealth Management tapped into the diversified investment needs of investors to continuously enrich and expand the product spectrum. In addition to regular products such as cash management, fixed income and fixed income enhancement, Bank of Beijing Wealth Management continued to develop new products and cultivate competitive product lines, launching "*Jinghuasiji*", a product series that met the characteristics of banking customers and market trends. **Third**, Bank of Beijing Wealth Management developed online channels such as the WeChat Official Account, WeChat Channels and Douyin to reach customers, and strengthened cooperation with the Bank's channel departments. Through marketing training, special training and one-on-one counseling, Bank of Beijing Wealth Management continuously improved the capability of accompanying investors and build a "layered, precise, warm and profound" customer service system.

Bank of Beijing Wealth Management focused on national strategies, enriched investment categories and established an integrated investment research system. **First**, In response to national strategies, Bank of Beijing Wealth Management supported the development of the real economy in Beijing, and allocated more assets to green and low-carbon, sci-tech, regional development, rural revitalization and other areas. **Second**, Bank of Beijing Wealth Management added a number of innovative businesses such as public REITs and asset securitization, allocated new assets such as equity funds and index funds, and continuously enriched asset investment categories. **Third**, focusing on product returns and risk objectives, Bank of Beijing Wealth Management strengthened proactive research and evaluation, enhanced the allocation capability of assets, and developed the "CSI-BOB WM BJTIDE" index and "ChinaBond-BOBWM GRID" index.

Bank of Beijing Wealth Management focused on FinTech empowerment, built a firm risk defense line, and improved the efficiency of corporate operation. **First**, based on the isolation requirement of independent operation and the actual needs of business development, Bank of Beijing Wealth Management strengthened digital penetration and technological innovation, optimized the process management of front, middle and back offices, and streamlined the investment approval process. It improved the intelligent operation of key steps, built the Bank of Beijing WM Production Data center, completed backbone network switch, cyber security strategy adjustment, database migration and other system deployments, and ensured standardized, efficient, safe and reliable business management. **Second**, Bank of Beijing Wealth Management conducted business in strict accordance with regulatory requirements, and laws and regulations, cultivated the awareness of the rule of law and compliance, developed businesses within its operation and management capabilities, strengthened risk control and indicator monitoring, and established and refined a sound comprehensive risk management system. **Third**, Bank of Beijing Wealth Management set up a complete corporate governance structure, a refined management system and standardized internal control mechanism to ensure the realization of strategic goals. **Fourth**, Bank of Beijing Wealth Management reserved more talents, and established a talent management system featuring “selection, cultivation, retention and utilization” and a talent evaluation system integrated with “performance, capabilities and culture” to develop a high-quality and high-level professional talent team.

3.4 Priorities in Business Operations

3.4.1 Uniting managers and employees and encouraging innovative practices

During the reporting period, in the face of the complex and ever-changing operating environment, the Bank relied on the strong will and joint efforts of 17 thousand managers and employees across the Bank to realize a series of systematic reforms and reconstruction in various areas through the “transformation in five major areas” empowered by digital transformation. Determined and devoted, the employees of the Bank accomplished all their tasks in an exemplary manner, and helped achieve performance growth of the Bank, with significant improvement in organic impetus.

Creating synergy. In order to overcome difficulties and make progress in a complex environment, a bank must have sufficient material strength, mental strength and willpower. In the process of digital transformation, the Bank recruited talents across the company and organized a number of cross-department agile teams through open competitions, in which managers and employees actively took part, gave advice and suggestions, and made contributions. In the project development process, the agile teams fully carried forward the spirit of “hard work, collaboration, pioneer mindset, innovation and courage”. They were always prepared to tackle hot potatoes or tough issues, stuck to their posts and worked continuously, and successfully turned “impossibilities” into “possibilities” and “weak areas” into “strong areas”, demonstrating a fighting spirit and strong execution.

Building a strong learning atmosphere. Upholding the concept that “learning is the lifeline of financial workers”, the Bank actively builds itself into a “learning organization” and a “learning bank”. During the reporting period, the Bank established Bank of Beijing Party School and the Financial Research and Training Institute, forming a classified and professional training system. In 2022, the Bank organized nearly 2,400 training sessions, with nearly 20 thousand class hours

and participation of 600 thousand person-times. The Bank developed the “Financial Lectures” brand, which gives lectures to the whole bank every Monday. During the reporting period, the Bank invited experts from various industries to give 35 sessions of lectures. In this strong learning atmosphere, the skills and capabilities of the employees of the Bank were further strengthened.

Carrying forward the pioneering spirit of primary-level institutions. During the reporting period, regional branches actively innovated products and services based on local situations and customer demand, and rolled out a batch of innovative models and innovative products in the areas of sci-tech finance, green finance, supply chain finance, inclusive finance, etc. originated by primary-level institutions, such as Zhongguancun Regional Branch’s “Technological Innovation e Loan” and Nanjing Regional Branch’s “Eight Industrial Chains”. Some of them were even duplicated and promoted across the Bank. In this process, an innovation model was formed combining the top-down leadership of the Head Office and the bottom-up exploration of regional branches, demonstrating the vitality of innovation across the Bank.

3.4.2 Promoting high-quality development of Bank of Beijing through digital transformation

During the reporting period, the Bank firmly established the concept of “One Bank, One Data and One Platform” and advanced the transformation in the five major areas empowered by digital transformation, namely, development mode, business structure, customer structure, operation capability and management style. The Bank laid out the overall strategic layout of “Digital Bank of Beijing”, refined the top-level design for digital transformation, and completed the building of core digitalization infrastructure such as the unified data base, which played a stronger role in empowering high-quality business development, thus getting off to a good start in the “three-year action plan for digital transformation” and laying a solid foundation for building the Bank into a “leading digital bank in China”.

Refining the top-level design for digital transformation. The Bank established the Digital Transformation Strategy Committee and the Committee for Deepening Reform in All Respects, optimized the FinTech Committee, and set up the first Technology Association of Financial Enterprises in Beijing, to comprehensively strengthen forward-looking thinking, overall planning, strategic layout and holistic implementation of digital transformation. In 2022, the Bank’s IT input accounted for 3.7% of operating income, up 0.2 percentage points year on year.

Strengthening key infrastructure. First, the Bank completed the unified data base and connected data silos. With the unified data base, the Bank realized bank-wide unified data, unified supply, unified service and unified sharing and also efficient circulation of data as a factor and resource of production between systems of the Bank, pushing the Bank to officially enter the new stage of digitalized management. Based on the unified data base, the Bank developed the unified data service portal “*Shujutong*” that provides one-stop data service centering on customer journey, which has significantly lowered the data access threshold. The Bank deepened the building of the “*Shuju* Think Tank” platform, which became the “intelligent decision-making information center” that runs through the value chain of the Bank. Second, the Bank accelerated the development of the unified financial operating system to break through system silos. The unified financial operating system is the core connotation of the Bank’s One Platform, which aims to connect to a large number of devices and massive data and support fast development and

deployment of digital transformation by installing a base similar to the operating system of a computer or cell phone between existing systems, so as to realize interconnectivity of business systems on the unified financial operating system and completely solve the problem of system silos. During the reporting period, the Bank actively promoted the development of the unified financial operating system toward “five highs, two lows and one intelligence” (high concurrency, high penetration, high synergy, highly consistent and high experience; low coding and low coupling; intelligence) and achieved phased results. The system is expected to go live at the end of June 2023.

Empowering high-quality development of businesses. The Bank continued to change ideology, mindset and tactics and empower high-quality development of businesses through digitalization. First, the Bank pushed for the change from experience-based decision-making to data-based decision-making. The Bank refined the AI platform “*Jingzhi* Brain”, established the “*Zhice*” (Intelligent Decision-making) system for retail banking business, refined the intelligent decision-making model, and strengthened the supporting role of big data in business decision-making. Second, the Bank pushed for the change from the traditional customer acquisition model to the digital customer acquisition model featuring “ultimate customer experience, traffic management, scene-based promotion, platform empowerment and integrated ecosystem”. Highlighting “ultimate customer experience”, the Bank set up the Customer Experience Department and established the NPS customer experience assessment system, made customer experience both the starting point and ultimate purpose of product and service innovation, and completed milestone projects including the “optimization of corporate account opening procedures”. With those efforts, customer experience and user experience improved significantly. The Bank launched the “Digital Inclusive Finance Companionship Program”. Online inclusive loans increased by 144.66% year on year. The Bank developed the “Children’s Finance Platform” concentrating resources from the government, universities, media and sci-tech companies, established the “Greater Wealth Management Platform”, an open, around-the-clock and full-lifecycle platform, built a digital supply chain service system with “*Jingxin* Chain” corporate credit at its core and “Procurement Loan” and “Order Loan” data credit as its support, forming a “three-in-one” bank-enterprise win-win ecosystem comprising Enterprises’ Home, the inter-customer market and the ecosystem partner platform, transforming the Bank from a major participant of the closed financial system to a super partner of the open financial ecosystem. Third, the Bank pushed for the change from the manual operation mode to the “man-machine combined” operation mode. With “alleviating the burdens of employees and empowering the frontline” as the goals of digital transformation, the Bank developed a series of digital tools including “Mobile Banker” 4.0 and “*Jingke* Map” to liberate frontline workers from routine work that is miscellaneous and of low value creation. Moreover, the Bank developed “Digital Employees”, launched a multi-model digital human platform, released the image of the first group of virtual digital employees, and built the RPA factory. Throughout the year, AI chatbots and intelligent navigation robots provided services 7.92 million times in total and the proportion of intelligent service for inbound customer calls reached 81.6%. The goal of the Bank is to enhance employees’ sense of participation and sense of gain from digital transformation amid “visible, sensible and attainable” changes and made overall planning for digital transformation which all employees participate in and benefit from.

Strengthening support and guarantee capability. During the reporting period, the Bank put

forth effort to build the “Five Mechanisms” to support high-quality implementation of digital transformation, namely, overall strategic planning mechanism, coordination mechanism, agile operation mechanism, innovation and breakthrough mechanism, and management guarantee mechanism. The Bank refined the overall strategy planning mechanism, established and improved the top-down, coordinated governance structure and working mechanism for digital transformation, and took coordinated moves to push for implementation of key projects of digital transformation. The Bank refined the coordination mechanism by continuing to improve the horizontal cooperation mode in which business departments, functional departments and IT departments share performance, responsibilities and benefits, as well as the vertical joint combat mode in which the Head Office makes overall planning and coordination, regional branches perform specialized operation and branches provide quality service. In refining the agile operation mechanism, the Bank actively organized cross-business line, cross-function, end-to-end agile teams, and improved the management measures, working process and evaluation mechanism to adapt to the agile organization. In refining the innovation and breakthrough mechanism, the Bank built the innovation management system that comprises planning of accepting creative ideas, expert team support, capital budget management, innovation incentive and fault tolerance, cultivation of cultural genes, etc. In refining the management guarantee mechanism, the Bank classified, consolidated and combed key projects in each area and updated the digital transformation project library. The Bank kept cultivating inter-disciplinary management talent, agile development talent, open R&D talent and innovative execution talent.

Growing brand influence. During the reporting period, on the list of the World Brand Lab, the Bank’s brand value recorded RMB 76.9 billion, ranking 7th in the Chinese banking industry. On *The Banker’s* list, the Bank ranked 50th among Top 1000 World Banks by tier-1 capital, 12 positions up from the previous year and entering the top 50 club for the first time. The Bank was included into the 19 systemically important banks of China for the second year straight, indicating significant improvement in brand influence.

3.4.3 Asset size and net profit regained a double-digit growth

During the reporting period, with the joint efforts of all managers and employees across the Bank, the Bank made new progress and new achievements in all areas of work. Initial results were achieved in the “transformation in the five major areas empowered by digital transformation, with successful establishment of the GBIC² financial service mode, greater synergy and efficiency in the business segments of corporate banking, retail banking, financial markets, etc., and steady growth in business performance.

Profitability was positive, with a double-digit growth in net profit attributable to shareholders of the parent company. The Bank attached great importance to key profitability indicators such as operating income, net profit and net interest margin, and promoted refined management of business segments and improved the effect of resource allocation. Throughout the year, the Bank realized operating income of RMB 66.276 billion, maintaining a positive growth. Net profit attributable to shareholders of the parent company recorded RMB 24.760 billion, up 11.40% year on year, the highest level over the past eight years. Return on total assets was 0.77%, reflecting a steady rise from 2021.

The income structure was further refined and fee business income registered a fast

growth. During the reporting period, the Bank accelerated the transformation toward a retail-based, light and integrated business structure. The fee business income structure was further optimized, generating more sustainable income. Throughout the year, the Bank realized net fee and commission income of RMB 7.066 billion, up 17.96% year on year, of which the fee and commission income from agent and commission services was RMB 5.615 billion, up 33.85% year on year. Of the major businesses, the fee income from the wealth management business and insurance sales business increased by 47.3% and 44.7% year on year, respectively.

The business structure was optimizing and asset size saw sustained growth. During the reporting period, the Bank intensified placement of quality assets and continued to optimize the credit structure. As at the end of the reporting period, the Bank's total assets posted RMB 3.39 trillion, an increase of RMB 329.0 billion or 10.76% over the beginning of the year. Loans stood at RMB 1.80 trillion, an increase of RMB 124.1 billion or 7.42% over the beginning of the year. Retail loans grew faster than customer loans of the Bank, and the increment in retail loans accounted for 41.2%. The increment in high-yield consumer loans and operating loans took up 124% in retail loans. Deposits recorded RMB 1.91 trillion, an increase of RMB 214.0 billion or 12.59% over the beginning of the year, the highest growth in history, and the proportion of deposits rose to 62.2%. The growth in personal deposits exceeded 20% and the proportion of retail deposits recorded 28.2%, up 2 percentage points over the beginning of the year. In the fourth quarter of 2022, the Bank combined the "year-end work" and the "good start" and increased investment in high-quality credit assets according to policy requirements, the market environment and operating needs, laying a solid foundation for business development in 2023.

The quality and efficiency of cost management improved, and the efficiency of business management continued to increase. In 2022, the Bank took a combination of measures to strengthen control of cost of liabilities, and pushed for the optimization of the liability structure by consolidating the customer base, improving service capability and enhancing coordination of corporate banking business and private banking business. As at the end of the year, the Bank's cost of debt ratio went down by 13 bps from the beginning of the year to 2.14%, the lowest level in recent years. Cost-to-income ratio was 26.55%, maintaining an excellent level among listed banks.

3.4.4 Achieving remarkable results in retail transformation

During the reporting period, the Bank firmly advanced the retail banking business transformation strategy. With digital transformation as the lead, customers at the center and the development of full-lifecycle financial services as the main task, the Bank accelerated transformation and development on all fronts. The three major business segments, namely, wealth management, personal credit and credit card, maintained rapid and stable development momentum, indicating that remarkable results were achieved in retail banking business transformation.

The profit contribution of the retail banking business increased, and both the business volume and the customer size rose to new levels. During the reporting period, the proportion of the operating income of the retail banking business of the Bank reached 34.1%, up 6 percentage points compared to that in the previous year. The AUM of the retail banking business was RMB 974.942 billion, an increase of 10.23% over the beginning of the year. Savings deposits saw its highest growth of 21.68% in a decade. The increment in and balance of personal loans

continued to lead city commercial banks, and in Beijing, the Bank surpassed all peers in terms of size of personal loans and became No. 1 in the region. Retail customers totaled 27.5252 million, an increase of 7.28% over the beginning of the year. Private banking customers reached 12,915 and registered a growth of 15.22%.

Developing full-lifecycle financial services and achieving new breakthroughs in pension finance and children's finance. Seeing it as its task to improve financial literacy for children and teenagers, cultivate their full-length article reading capability and social interaction capability, etc., the Bank rolled out the “*Jingying* Program” comprehensive children's finance services, and issued 520 thousand “*Xiaojing* Cards”. The customers of children's finance increased by 41%, and the Bank served more than 1.38 million families and held over 8,000 “*Jingmiao* Club” events. The Bank developed the “finance + education” characteristic cooperation model, expanded cooperation to cover more than 1,200 universities and institutes, and held the National English Competition for Schools with Foreign Language Teaching and Research Press. The Bank was among the first bank to conduct personal pension business. It took the lead to launch personal pension funds and personal pension savings products, and established a pension planner team. More than 200 thousand personal pension accounts were opened. The Bank signed a strategic cooperation agreement with Guomin Pension to jointly develop high-quality “third pillar” pension business.

Strengthening management of customer groups of government services and providing them with targeted, thorough and differentiated financial services. Financial services for trade union members covered more than 70 thousand Beijing-based enterprises with nearly 6 million trade union members, forming a harmonious, caring and convenient service platform. With a focus on new urban residents, the Bank improved the availability and convenience of financial services and built a comprehensive financial service system for new urban residents. The Bank launched “*Aixintong*” 3.0 the intelligent salary service platform, realizing digital management of both corporate customers and personal customers. More than RMB 110.0 billion salary payments were made via the platform.

Unleashing more momentum of development through digital transformation and pushing the troika of economic growth to shift gears and speed up. The Bank built a wealth management system based on value increment, and enriched the products by introducing more than 100 products from eight other banks' wealth management subsidiaries. Agent insurance sales and fee income increased by 44% and 45% year on year respectively, and agent sales of private placement products increased by 52.16%. The Bank developed the mobile workbench “*Mobile Banker*” 4.0 and “*Cloud Studio*” to empower frontline marketing management. The private banking service system was fully upgraded and all regional branches were equipped with one private banking center. Private banking customers and AUM went up by 15.22% and 18.88% over the beginning of the year. Personal credit maintained high-quality growth. The online procedures of mortgage loans and operating loans were reshaped, online co-lending business was further standardized, and six products from leading online lending platforms were launched. The Bank established Green Automobile Finance Center and rolled out “Auto Loan +” and “Micro Auto Loan”. The “*Jing Dun*” personal credit anti-fraud system was launched to improve independent risk control capability. Meanwhile, the Bank facilitated further development of specialized credit card business, completed the building of the joint management mechanism with regional

branches, and issued co-branded cards with “Vegetables Fairy” “Bilibili”, etc., successfully extending services to reach young customers and value customers.

Building experience-driven and scene-based ecosystem, and improving the level of digitalization of business management in all respects. The Bank coordinated synergetic services of all channels, pushed for rebuilding of the digitalization process on the mobile platform, built seven core groups of scenes, and further enriched the online non-financial scene ecosystem. As a result, the MAU of mobile banking business increased by 29% year on year. The Bank established an air banking center, which, through coordination between the Head Office and regional branches, launched the “data-driven” remote closed-loop of business operation model. The application of the “Zhice” digital operation system for retail banking was expanded to more than a dozen of scenes, opening up a new chapter of digital operation. Through “Digital Employees”, the Bank has gained a clear advantage in service efficiency. Throughout the year, intelligent chatbots and intelligent navigation robots provided services 7.92 million times in total and the proportion of intelligent service for inbound customer calls reached 81.6%, reaching the advanced level of the industry. Based on “Jingcai Wallet”, the Bank established the “public domain + private domain” open payment service system. The Bank also established the NPS customer experience assessment system to guide employees to improve customer group strategies, channel strategies and product experience. The online transaction risk control platform “Shield” intercepted more than 250 thousand risk transactions. The successful interception rate concerning customers deeply involved in fraud was over 90%, with zero incident of bank card fraud via online channels in the year.

3.4.5 Corporate banking business saw improvement in both quality and efficiency

During the reporting period, the corporate banking business of the Bank continued increasing investment in quality assets and effectively controlling cost of liabilities. With a focus on digital supply chain finance and “Suying” (quick win) projects in the clean energy industry, the Bank improved professional, solution-like integrated marketing service capability for key projects and increased both quality and efficiency of corporate banking.

Granting credit to quality assets. The Bank actively implemented the decisions and plans of the CPC Central Committee and the State Council and channeled more credit resources to key industries, key projects and key areas in Beijing. It actively served the strategy of “boost China’s strength in manufacturing”, increase credit support to characteristic areas such as sci-tech, culture and green development. The balances of sci-tech finance loans, cultural finance loans and corporate green loans increased by 23.35%, 14.83% and 132.01% from the beginning of the year, respectively.

Actively expanding low-cost liabilities. With a focus on improving the three core capabilities in collection, payment and management, the Bank intensified the building of the integrated payment capability, driving stable growth of low-cost core deposits. The Bank continued to strengthen “Jingguan Cloud” and “financial + non-financial” combination solution service capability, established cooperation with the national comprehensive platform for supervision and services of after-school tutoring, expanded payment application scenes to include education & tutoring, culture & tourism, housing, elderly care, industrial parks, property management, etc., and promoted growth in customers and low-cost corporate deposits with “internet payment +

regulation” intelligent settlement service. The Bank continued to strengthen innovative application of FinTech in cash management service and put forth effort to develop safe, convenient and efficient comprehensive treasury management service. With enterprises’ “accounts” at the core, the Bank strengthened “account management + fund management” integrated service, continued to expand diversified application scenes of cash management business, took solid steps to integrate into the treasury management ecosystems of institutional customers, group customers and trading platform customers, and contributed to digital upgrading and value realization of the Bank and corporate customers.

Putting forth effort to expand digital supply chain finance. The Bank built the digital supply chain finance ecosystem featuring “multi-dimensional products, a closed-loop ecosystem and strong chains” and expanded the boundary of full-chain services. The Bank continued to give play to the advantages of “Jingxin Chain” and the coupling platform and developed the innovative digital risk control products “Order Loan” and “Procurement Loan”. Through the “industry data + order data + invoice data + transaction data” modeling, the Bank realized online automatic credit granting to customers in the upstream and downstream sections of the industrial chain and also application of credit products from corporate credit to data credit across the full product chain. As at the end of the reporting period, the numbers of core enterprises and suppliers using “Jingxin Chain” and the financing amount all grew by over 100% year on year.

Developing full-chain comprehensive cross-border financial services. The Bank upgraded the layout of online products and scene platforms, launched “E-Document”, “E-L/G”, “E-Financing” and GPI global remittance tracking service on Online Banking, and improved the “three-in-one” cross-border product system that integrates Online Banking, Mobile Banking and platforms. The Bank connected to the State Administration of Foreign Exchange goods trade monitoring platform, the China Trade Finance Union (CTFU), the TradeGo digital platform for international bulk cargo trading, and the ASOne digital cross-border platform for blockchain services, etc., building a shared service circle for cross-border financial scenes. The Bank optimized the foreign exchange derivative services for micro and small businesses, rolled out “Yuanqibao” (Forward Guarantee) and first-time service account, and fulfilled the social responsibility of a financial institution to “provide foreign exchange service for the people”. The Bank actively expanded its network of overseas correspondent banks and supported the Belt and Road Initiative. The Bank has established a correspondent banking relationship with 757 financial institutions all over the world, including 202 banking or financial institutions in 39 countries along the Belt and Road.

Strengthening specialized operation capability. The Bank launched the bank-wide “Suying” (quick-win) project for strengthening operation of key industrial chain customers, to enhance specialized operation capability for industry customers in all respects and explore an expert management roadmap. With the clean energy industrial chain that is promising and is relatively long as the pilot, the Bank gradually expands coverage of the project from the Yangtze River Delta to the whole country to build a specialized operation system and strengthen specialized operation capability. Based on the quick-win project, the Bank worked to open up new tracks, new industries and new markets, enriched customer groups and product types, and promoted high-quality business development by drawing upon the experience gained on key points. Since its launch, the project has helped improve a number of performance indicators in relevant fields including loan, FPA and number of new customers, which, combined with the Bank’s

development objective of “No. 1 bank for innovative SMEs that use special and sophisticated technologies to produce novel and unique products”, helped increase customers’ operating income and profit contribution, laying a foundation for the Bank to improve its business in the Yangtze River Delta and even across the Bank in 2023. In the implementation process of the project, tools such as operation guides, marketing manuals, lists of targets, specific industry research reports, etc. for relevant industries were constantly upgraded and refined, helping improve the Bank’s specialized operation capability.

3.4.6 Building a comprehensive financial service model

During the reporting period, the Bank actively built the comprehensive financial service model of “GBIC²”(Government, Banking, Investment Banking, Company & Consumer), took effort to promote effective connection and efficient collaboration among government financial services, commercial banking financial services, investment banking financial services, corporate financial services and consumer financial services, and provided customers with full-lifecycle, full-ecosystem, integrated, one-stop and high-quality comprehensive financial service solutions.

Forming efficient “government - consumer” connection. During the reporting period, the Bank fully leveraged the advantages of institution business and upgraded intelligent government service scenes. While providing efficient services to government departments, the Bank brought more convenience to citizens, realizing close synergy between government financial services and consumer financial services. In terms of “intelligent social insurance”, the Bank won the bid to deposit the municipal social security fund of Beijing into the Bank, optimized the procedures of the business for elderly people’s and children’s insurances, and launched the contract signing function on mobile banking. In terms of “intelligent housing provident fund”, the Bank signed a comprehensive strategic cooperation agreement with Beijing Housing Fund Management Center, actively added branches that provide integrated services as an agent, and explored the “housing fund + finance” innovative service mode. In terms of “intelligent education”, the Bank promoted the building of “intelligent campus” scenes, launched the “*Jingguan Cloud*” advance fund supervision business in a number of non-academic tutoring institutions and the campus fee payment business in 72 universities, and cooperated with Hangzhou Xuejun High School to issue the co-branded “*Xiaojing Card*”. A total of more than 8,000 co-branded “*Xiaojing Cards*” are expected to be issued. In terms of “intelligent healthcare”, the Bank built the in-patient service platform that integrates intelligent doctor visit, intelligent health management and intelligent finance to provide patients with online services that cover the full process from hospital admission registration to discharge. Meanwhile, the Bank refined characteristic scenes on mobile banking including government services, urban transport, trade union services, medical care, utilities payment, lifestyle consumption, e-CNY, etc. to meet customers’ “financial + non-financial” service needs in all respects, and improved traffic management capability and customer experience, which helped boost customer activity and comprehensive contribution.

Building effective “company - consumer” synergy. During the reporting period, adhering to the objectives of “two-way facilitation, mutual empowerment, integrated development and win-win collaboration”, the Bank took the corporate - private cooperation as the starting point in building the comprehensive financial service system, refined the corporate - retail collaboration mechanism, established the marketing team for corporate - retail cooperation at the Head Office, regional branches and branches, and provided borderless financial services from corporate

banking business to retail banking business. For key corporate customers, the Bank created “account-specific” customer files, embedded children’s finance, talent finance, wealth finance and pension finance into comprehensive service solutions, and issued custom personal wealth management products. For basic accounts and credit accounts, the Bank conducted list-based marketing and actively promoted the “standard” salary service among small and medium corporate customers. The Bank launched the intelligent salary payments service platform “Aixintong” 3.0, which improved integrated service capability of salary payments business. During the reporting period, the Bank made salary payments of more than RMB 110.0 billion on behalf of 23.7 thousand corporate customers, an increase of 21.51%. To meet the financial needs of business owners and senior management, the Bank rolled out comprehensive talent financial service solutions which include five major services, namely, “Talent Card” “Talent Pass” “Talent Loan” “Talent Service” and “Talent Pool”, which can meet all-dimensional, multi-layered financial needs of talents in different development stages.

Building the “+ custody” ecosystem. During the reporting period, the Bank actively rebuilt the development mode of custody business, developed “wealth + custody” “private banking + custody” and “investment + custody” product combinations, and vigorously marketed key services including custody of insurance funds, custody of insurance asset management products, custody of other banks’ wealth management products, and custody of wealth management and investment asset management products. With the joint efforts of the agent wealth sales channel, the internet channel and the institution channel, the Bank provided custody service for the custom publicly offered funds initially offered via the internet channel for the first time. The Bank won the bid to become the custodian bank of Guomin Pension Insurance Co., Ltd. and developed in-depth cooperation in “agent sales + custody”. During the reporting period, the Bank’s income from asset custody business recorded RMB 680 million, ranking 1st among city commercial banks, of which the income from the custody service of publicly offered funds increased by 82% year on year, the fastest growth among listed companies. The volume of insurance funds under custody increased by 16% from the beginning of the year.

Promoting full-chain marketing service for publicly offered REITs across business lines. During the reporting period, the Bank established the cross-business line working group for publicly offered REITs led by the President and assisted by relevant departments of the Head Office. Among the 24 publicly offered REITs issued across the market, the Bank directly participated in 10 by providing pre-REITs loan service, custody service, supervision service, investment service, agent sales service, etc. During the reporting period, the Bank realized full coverage of regional publicly offered REITs bidding and investment businesses within areas of regional branches and participated in issuance of publicly offered REITs with a subscription amount of nearly RMB 3.0 billion. As an opening bank of the REITs operation account and a strategic placement investor, the Bank supported the successful issuance of the first publicly offered public rental housing REITs in China. The Bank also launched the first pre-REITs replacement loan across the Bank to secure subsequent business cooperation opportunities. The Bank rolled out “*Jinghua Yuanjian* Publicly Offered Infrastructure REITs *Jingpin* No. 1”, the first wealth management product that invests in publicly offered infrastructure REITs in the Bank, to enrich asset allocation options for high-end customers. In future, the Bank will continue to intensify full-chain marketing service for publicly offered REITs. While working to improve comprehensive income for customers in all respects, the Bank will strengthen cross-line,

cross-department joint marketing, build a good brand image in the publicly offered REITs business market, and strive to become the leading city commercial bank for the publicly offered REITs business.

3.4.7 Continuing to strengthen the customer base

During the reporting period, the Bank continued to increase the breadth and depth of customer acquisition and customer management empowered by digital transformation, i.e. acquiring customers based on full data mining, activating customers through marketing across the full product spectrum, improving customer loyalty through full-lifecycle management and strengthening the customer base through collaboration of all business lines. As at the end of the reporting period, the Bank had 27.5252 million retail customers, an increase of 1.8672 million or 7.28% from the beginning of the year. VIP customers recorded 864.9 thousand, an increase of 78.7 thousand or 10.01% from the beginning of the year. Private banking customers reached 12,915, an increase of 1,706 or 15.22% from the beginning of the year. The Bank had 216.0 thousand valid corporate customers, an increase of 38.5 thousand or 21.67% from the beginning of the year, and the Bank served 299.0 thousand inclusive micro and small businesses, an increase of 161.3 thousand or 117.20% from the beginning of the year.

Adopting a new customer acquisition model empowered by digital transformation. First, the Bank strengthened the “App + scene” customer acquisition and promoted conversion of traffic into customers. During the reporting period, the Bank launched Mobile Banking 7.0 with seven core scene clusters, namely, government services, urban transport, trade union services, medical care, utilities payment, lifestyle consumption and e-CNY, to promote effective conversion of users into customers. Based on “Jingcai Wallet”, the Bank established the “public domain + private domain” open payment service system. As at the end of the reporting period, “Jingcai Wallet” had 510 thousand users, of which 54% were registered card users of other banks. Second, the Bank developed digital customer acquisition tools to fully empower community marketing, social group marketing and social interaction marketing. It introduced tools like “retail customer dashboard” and NPS to guide customer operation, and promoted application of “100-score Enterprises” “Lai Mi” system data to empower the plan of “Doubling Corporate Customers”. The Bank upgraded the digital customer acquisition tool “Jingke Map”, and provided front-line business personnel with five key marketing tools, namely, customer expansion through existing customers, business opportunities, ranking lists, industrial parks and Jingke Map. The Bank carried out diverse online market campaigns via new media channels and built an online omni-channel matrix for customer acquisition, which significantly improved customer acquisition efficiency.

Coordinating services to improve effective customer activation. Upholding the customer-centric principle, the Bank accelerated the transformation from “self-centered product sales” to “customer-centric asset allocation”, kept upgrading the financial product and service system, and activated customers with improved customer experience. The Bank developed the comprehensive financial service system to meet new urban residents’ diversified financial needs centering around core scenes such as housing, healthcare, elderly care, employment and education. The Bank launched the “Little Giant” 2.0 with wholly new services, functions, products and experience, to fully optimize customer experience. The Bank also promoted the iteration of the digital credit product matrix. It optimized the rules of “Yinshui Loan” and the “Expedite Inclusive Finance Loan” product model, developed “Piaoyi Loan” and “Expedite Account Loan”,

rolled out “Keqi Loan” and “*Linghang* Loan” for sci-tech enterprises, strengthening customer service capability in multiple dimensions.

Implementing full-lifecycle management to build a new ecosystem with stronger customer loyalty. The Bank implemented the GBIC² comprehensive financial service philosophy, and carried out in-depth customer operation and strengthened the breadth and depth of cooperation with customers by building a one-stop financial service system. The Bank intensified development of “full-lifecycle” personal finance services and effectively linked children’s finance, growth finance, startup finance, wealth finance, family finance and pension finance. The Bank strengthened overall management of strategic customers, established a national relationship manager team, developed the “chief relationship manager” + “national relationship manager” routine marketing model targeting strategic customers, launched the “*Yangfan* Plan” (Sailing) targeting potential customers, and built a full-product, full-process and full-lifecycle financial service system through “*Qihang*” (Setting Sail) “*Linghang*” (Navigating) and “*Yuanhang*” (Voyaging), to improve customer loyalty with characteristic and professional companionship services.

3.4.8 Building a full-lifecycle and full-ecosystem financial service system

The Bank upheld a customer-first philosophy. By referring to shareholder ING’s customer lifetime value (CLTV) model, the Bank reached to retail customers at their key life milestones and to corporate customers when they are at their important growth stages, and improved “full-lifecycle” financial service solutions based on customer demand in different stages of life. The Bank followed the new trend in the era of digital economy that the industrial ecosystem and the financial ecosystem are integrated and interdependent, and actively built a full-ecosystem financial service system to realize mutual growth and win-win results with more customers.

Linking “key milestones of life” and “development stages of enterprises” to build a full-lifecycle financial service system. First, the Bank developed retail financial services covering the “full-lifecycle”. In June 2022, the Bank launched “*Jingying*” Program, a comprehensive children’s financial solution. With the goal of building a children-friendly bank, the Bank provides “children’s finance +” series products and services, forms a service model featuring “one platform” (“*Jingmiao* Club” platform) at the Head Office, “one circle” (local collaborative merchants) at regional branches and “one group” (children’s finance customer group) at branches, links resources of financial literacy, cultural inheritance and social welfare, connects families with society through children’s finance and build a bridge between children and parents, children and society, and children and wealth. Meanwhile, with children’s finance as the starting point, the Bank is committed to establishing a full-lifecycle comprehensive financial service system covering children’s finance, growth finance, startup finance, family finance, wealth management finance and pension finance, bringing people-centric financial services closer to customers at each stage of life, becoming the “rudimentary financial knowledge teacher” of children, a “sincere partner” to startups, a “trustworthy manager” of family wealth and a “caring companion” in twilight years, providing financial services that accompany a generation of customers for a lifetime, and building the Bank into a bank that accompanies customers throughout their lifetime. Second, the Bank developed “full-lifecycle” corporate financial services. In September 2022, the Bank officially launched the financial service solution “*Yangfan*”, which, with the three sub-programs of “*Qihang*” “*Linghang*” and “*Yuanhang*”, aims to build a full-lifecycle

corporate financial service system that covers all products, all procedures and multiple dimensions. The Bank developed the “*Qihang* Program” with a focus on innovation-oriented SMEs, high-tech enterprises and the startups that local governments give major support to, and improved availability of financial services with online products including “*Yinshui* Loan” “*Yinshui Sudai*” “*Piaoyi* Loan” and “*Keqi* Loan”. Based on the Little Giant Makers’ Center of Bank of Beijing, the Bank developed the “investment, loan and incubation” one-stop platform that has gathered various service providers to jointly provide a series of comprehensive financial services including stock-bond combined services to enterprises. The Bank developed the “*Linghang* Program” with a focus on innovative enterprises that use special and sophisticated technologies to produce novel and unique products and companies listed on ChiNext Board, STAR Board, Beijing Stock Exchange and NEEQ and rolled out the exclusive credit loan product “*Linghang* Loan”. The “*Yuanhang* Program” was created for listed companies in their mature stage with high ratings and new drivers. It provides characteristic service solutions centering on listed companies’ core needs such as refinancing, M&A and restructuring and ecosystem expansion. As at the end of the reporting period, the Bank served over 20% of listed companies in China.

Upgrading self-built ecosystems, linking trade ecosystems and improving industrial ecosystems to build an all-ecosystem financial service system. The Bank is intensely aware that aggregation of ecosystems will be a focus of future competition of the industry. During the reporting period, the Bank actively developed the three-in-one ecosystem financial service system that integrates Enterprises’ Home, the inter-customer market and the ecosystem partner platform, and worked to transform from a major participant in the closed financial system to a super partner of the open financial ecosystem. The Bank set up an “Enterprises’ Home” at Central Branch of Head Office and regional branches. The Enterprises’ Home holds the “entrepreneurs’ breakfast” sessions regularly and provides entrepreneurs a cozy environment to take a rest and communicate with the Bank. As at the end of the reporting period, the number of VIP enterprise members of the “Enterprises’ Home” reached 52. Leveraging its advantage in customer resources, the Bank established the inter-customer market to help enterprises match fund and business supply and demand, link upstream and downstream sections of production, and increase the value of industrial chains. The Bank developed the ecosystem partner platform to explore new “finance + industry + ecosystem” models with ecosystem partners. During the reporting period, the Bank successfully held the “Mutual Growth and Win-win Development through Ecological Collaboration - Bank of Beijing Industrial Finance Forum & Ecosystem Partners Conference”. The Bank strengthened “equity + debt” cross-over ecosystem collaboration and joined “Zhongguancun Technology Finance Service Center” as one of the first pilot banks to try M&A loans, IT talent loans and stock subscription rights loans. The Bank deepened strategic cooperation with the Beijing Stock Exchange and collaborated with the capital market to build an all-round service eco-chain for innovative enterprises that use special and sophisticated technologies to produce novel and unique products. The Bank also deepened cooperation with Beijing Equity Trading Center and successfully launched the first registration business of stock subscription rights in China. In cooperation with Galaxy Capital Management Co., Ltd., the Bank launched its first “PE Investment + *Jinghang* Loan” business to jointly meet enterprises’ diversified financing needs.

3.4.9 Continuing to optimize regional layout

During the reporting period, the Bank actively integrated into national coordinated development

strategies of regions including the Beijing-Tianjin-Hebei region, the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area. The Bank adjusted and optimized business layout and resource allocation based on the development characteristics of the regional economy. It continued to channel financial resources to key regions and key industries under national strategies, extended the strategic reach of transformation of the Bank, strengthened the growth drivers of sustainable development, and improved the quality and efficiency of its own development while serving the high-quality economic development of the regions. As at the end of the reporting period, the proportions of credit resources allocated in Beijing, the Yangtze River Delta and the Greater Bay Area increased by 12.82%, 10.59% and 5.17% from the beginning of the year, respectively.

Serving the high-quality economic and social development of the capital city. During the reporting period, based on Beijing's strategic position as "four centers", the development strategy of "Five Initiatives", and the vision of building itself into a global benchmark of digital economy, an international consumption center, etc., the Bank ensured adequate financial services, providing financial support to the development of the capital in a new era. The Bank approved more than RMB 36.5 billion credit for Beijing's municipal-level and district-level key projects, "Three 100" key projects, etc. Meanwhile, the Bank consolidated its retail banking business strengths in the Beijing market, with its retail loans rising to the top in Beijing. As at the end of the reporting period, the Bank's balance of RMB deposits and loans in Beijing recorded RMB 2.56 trillion, up RMB 306.1 billion or 13.6% year on year. The Bank ranked 1st in terms of scale of and increment in deposits and loans among the financial institutions under the management of Beijing municipality.

Opening a new chapter of coordinated development of the Beijing-Tianjin-Hebei region. At the Head Office level, the Bank established the inter-departmental joint meeting mechanism for the coordinated development of the Beijing-Tianjin-Hebei region, which strengthens overall planning and advancement of characteristic products, performance assessment & incentive, resource allocation, marketing and promotion, etc. The Bank continued to promote common progress through pairing. Beijing Regional Branch paired up with Shijiazhuang Regional Branch, Zhongguancun Regional Branch with Tianjin Regional Branch, and City Sub-center Regional Branch with Xiong'an Regional Branch. Centering on key strategic layout such as relief and transfer of Beijing's functions non-essential to its role as China's capital, "R&D in Beijing and conversion in Tianjin and Hebei" and the building of the "two new wings" of Beijing, the Bank strengthened effective provision of financial services. Meanwhile, the Bank refined supporting policies. During the reporting period, the Bank issued 12 supporting policies under the "five synergies", namely, credit synergy, talent synergy, performance assessment synergy, business synergy and Party building synergy. The Bank accelerated implementation of projects and increased input in key areas such as relief of Beijing of functions non-essential to its role as China's capital, the building of city sub-center of Beijing, the development of Xiongan New Area, the integrated development of transportation of the Beijing-Tianjin-Hebei region and the ecological building of the Beijing-Tianjin-Hebei region. During the reporting period, the Bank supported 45 key projects concerning the coordinated development of the Beijing-Tianjin-Hebei region, with a loan balance of RMB 37.429 billion. As at the end of the reporting period, the Bank's corporate loans in the Beijing-Tianjin-Hebei region recorded RMB 450.9 billion and the bond investment in the Beijing-Tianjin-Hebei region posted RMB 142.3 billion.

Breaking new ground in the integrated development of the Yangtze River Delta. At the Head Office level, the Bank established the inter-departmental joint meeting mechanism for the integrated development of the Yangtze River Delta and formulated the “Work Plan of Bank of Beijing for the Integrated Development of the Yangtze River Delta”, laying down the agenda, time table and roadmap for the integrated development of the Yangtze River Delta in the next three years. The Bank put forth efforts to develop the “3+1” integration model (Quick Win Projects + talent finance + sci-tech finance + innovative credit approval model), which provides multi-level policy support in digital transformation, performance assessment, business, talent and Party building to ensure effective overall synergy. During the reporting period, the Bank focused on “Quick Win Projects” in the Yangtze River Delta and cultivated specialized customer group management capability with the clean energy industry as the starting point. As at the end of the reporting period, the Bank’s balance of loans to the Yangtze River Delta accounted for 20.1%.

Integrating into the new pattern of development of the Guangdong-Hong Kong-Macao Greater Bay Area. In order to facilitate the development of the Guangdong-Hong Kong-Macao Greater Bay Area, the Bank actively provided services to key projects and key industries centering around the strategic positioning of Guangdong and Shenzhen of “accelerating the building of a modern industrial system that is based on the real economy and features the manufacturing industry” and key areas, providing targeted support to facilitate high-quality economic development in the Greater Bay Area. The Bank attended Shenzhen’s “Financial Service Matchmaking Meeting for ‘20+8’ Industrial Clusters and 20 Advanced Manufacturing Parks” as the only city commercial bank, at which the Bank rolled out “Financial Support for Enterprises” series measures. The Bank actively developed the efficient green finance service system to vigorously support the development of green industries in the Greater Bay Area, having served more than 60 green enterprises in the Greater Bay Area. During the reporting period, the Bank injected more than RMB 7 billion green loans in the Greater Bay Area, being one of the leading banks in the Greater Bay Area in terms of loan scale, and continued to provide financial support to green industries like clean energy, low-carbon transition and green transportation in the Greater Bay Area.

In future, the Bank will continue to serve the integrated development strategy of the Beijing-Tianjin-Hebei region, intensify list-based services, focus on quality customers, set marketing goals, strengthen design of financial service solutions, and increase comprehensive income. For the Yangtze River Delta and the Greater Bay Area, the Bank will focus on economic growth engines, competitive industries and key development areas of the regions, determine the key areas to inject loans into based on customer groups, industries, regions, products, etc., and realize high business income while keeping risks under control.

3.4.10 Polishing featured financial brands

During the reporting period, the Bank adhered to the differentiated development positioning. It fully leveraged the location advantage and resource endowment of the market in Beijing, put forth effort to build characteristic brands of sci-tech finance, cultural finance and green finance, and accelerated duplication and promotion of the brands to other regional branches to actively sharpen differentiated competitive edges.

Upgrading the sci-tech finance system. During the reporting period, the Bank dedicated itself to providing quality financial services to support small and medium-sized sci-tech enterprises and innovative enterprises that use special and sophisticated technologies to produce novel and unique products. For innovative enterprises that use special and sophisticated technologies to produce novel and unique products, the Bank developed the exclusive unsecured product “*Linghang* Loan”. During the reporting period, the Bank granted a total of RMB 13.2 billion such *Linghang* Loans, which benefited more than 1,200 enterprises, ranking the 1st in terms of loan disbursement among the financial institutions that cooperate with the Beijing Municipal Bureau of Economy and Information Technology. By giving full play to its location advantage, the Bank strengthened the strategic cooperation with the Beijing Stock Exchange in all respects to provide mixed financial services to innovative enterprises that use special and sophisticated technologies to produce novel and unique products. The Bank joined Zhongguancun Sci-Tech Innovation Financial Service Center as one of the first pilot banks to build an all-round eco-chain that serves innovative enterprises that use special and sophisticated technologies to produce novel and unique products. As at the end of the reporting period, the Bank’s balance of sci-tech finance loans recorded RMB 194.770 billion, an increase of RMB 36.867 billion or 23.35% from the beginning of the year. The Bank served nearly 2,600 innovative enterprises that use special and sophisticated technologies to produce novel and unique products in Beijing, 62% of national-level “little giants”, 77% of ChiNext Board-listed companies in Beijing, 71% of STAR Board-listed companies in Beijing, and 73% of the listed companies on the Beijing Stock Exchange in Beijing.

Consolidating the strength of cultural finance. During the reporting period, the Bank actively served the building of the national cultural center, expanded bank-government cooperation via various channels, and continued to deepen cooperation with cultural administrations including the Publicity Department of the CPC Beijing Municipal Committee, Beijing Municipal Bureau of Culture and Tourism, Beijing Municipal Film Administration, Beijing Municipal Cultural Heritage Bureau, Beijing Municipal Radio and Television Bureau, Beijing State-owned Cultural Assets Management Center and Beijing Cultural Industry Promotion Center. The Bank sponsored the 2022 Competition for the Transmission and Promotion of Beijing Central Axis organized by Beijing Municipal Cultural Heritage Bureau and the Beijing Central Axis Heritage Application and Protection Office. The Bank was deeply involved in the 12th Beijing International Film Festival as the only officially designated financial institution partner. The Bank optimized the layout of specialized branches and unveiled National Cultural Innovation Zone Branch. National Demonstration Zone of Culture and Finance Cooperation Yonghe Culture and Creativity Branch attended the launching ceremony of the “East of the Forbidden City” Joint Creation Program. Qianmen Culture and Creativity Branch signed a comprehensive strategic cooperation agreement with Xicheng District Cultural and Creative Industry Promotion Center. As at the end of the reporting period, the Bank’s balance of cultural finance loans posted RMB 72.822 billion, an increase of RMB 9.405 billion or 14.83% from the beginning of the year.

Developing the green finance market. During the reporting period, the Bank developed an all-round green finance product system and launched a number of innovative green finance products. The Bank granted the first CCER pledge loan in Beijing to support enterprises in the forestry carbon sink industry to reduce carbon emissions and increase carbon sink. The Bank issued its first carbon neutrality loan to assist high-tech enterprises reducing energy

consumption and carbon emissions. Seizing the opportunity that Tongzhou District and Miyun District of Beijing were listed among the first climate investment and financing pilot areas in China, the Bank formulated ten supportive measures to meet financing needs from climate investment and financing sector. The Bank underwrote the first sci-tech note in the new energy field in China, and invested in the first publicly-offered clean energy REITs in China to support the sustainable development of green power infrastructure investment and financing. As at the end of the reporting period, the Bank's balance of green loans stood at RMB 110.303 billion, an increase of RMB 62.559 billion or 131.03% from the beginning of the year.

3.4.11 Improving the Group collaboration ecosystem

During the reporting period, in line with the principles of “One Bank, One Data and One Platform”, the Bank strengthened effective control of subsidiaries and affiliates in all respects, actively promoted collaboration in Party building, planning, businesses, IT and risk control, and formed strong synergy to promote efficient and integrated development of the parent bank and subsidiaries and affiliates.

Promoting unified management. The Bank promoted unified management according to the “One Bank” principle. Through the joint communication activities of Party organizations, the Bank strengthened guidance of Party building work at subsidiaries and affiliates, urged subsidiaries and affiliates to follow the lead of the Party, and promoted integrated development of Party building and business. The Bank pushed for two-way business communication between subsidiaries and affiliates and the parent bank, and made overall planning for Group talent development to make sure that the talent teams at subsidiaries and affiliates are competent in terms of political capability and professional expertise. The Bank set up the Risk Management Office of Subsidiaries and Affiliates under the Risk Management Department of the Head Office, refined the unified risk view of the Group, and assisted subsidiaries and affiliates establishing and improving their comprehensive risk management systems.

Strengthening business collaboration. According to the concept of “collaborative marketing and full-product line services”, the Bank built the “Bank of Beijing+” comprehensive service system featuring “collaboration BOB-Cardif, BOBFLC, BOBSAM, BOBCFC, BOB Wealth Management and village banks”. By giving full play to the advantages of the non-banking institution licenses, the Bank expanded the service coverage and increased service penetration. In terms of coordinated development of business lines, the Bank strengthened business collaboration between Bank of Beijing Consumer Finance Company and BOB-Cardif Life Insurance Co., Ltd. with retail line of the Head Office, helping the two institutions better integrate into the Bank's retail transformation strategy. The Bank promoted coordinated business development of Bank of Beijing Financial Leasing Company and the corporate banking line of the Head Office to expand the breadth and depth of collaboration. During the reporting period, Bank of Beijing Financial Leasing Company actively aligned itself with the parent bank when selecting the regions and industries to invest in and increased injection into the manufacturing industry and the clean energy industry. The Bank deepened business collaboration between Bank of Beijing Scotiabank Asset Management Co., Ltd. and Bank of Beijing Wealth Management Co., Ltd. with the financial market line of the Head Office, which further improved the “wealth management – asset management – investment banking” value chain at the Group level.

Deepening coordinated development. Under the GBIC² comprehensive financial service framework, the Bank actively guided subsidiaries and affiliates to follow the strategic steps of the parent bank and focus on key regions such as the Beijing-Tianjin-Hebei region, the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area, thus deepening coordinated development in areas like publicly offered REITs, services for little giants, pension finance, children finance and wealth management, thus forming a strong force of “One Bank”.

3.4.12 Deepening comprehensive risk management system

In 2022, in the face of the complex and ever-changing international and domestic environments and economic and financial situations, the Bank ensured no systemic risks arise and continued to deepen the building of the comprehensive risk management system. As a result, asset quality was stable and sound and risk compensation capacity maintained at a good level. As at the end of the reporting period, the Bank's NPL ratio stood at 1.43%, down 0.01 percentage point from the beginning of the year and down 0.21 percentage point from the half-year-end. Provision coverage ratio was 210.04%, up 15.11% over the half-year-end, indicating a steady improvement in risk compensation capacity.

Gradually clearing risks of large-sum NPLs and realizing stable and sound asset quality.

The Bank continued to strengthen risk control of all assets throughout their lifecycles. On the basis of ensuring no systemic risks occur and adopting strict risk classification standards, the Bank vigorously promoted reduction of existing non-performing assets and control of new non-performing assets and achieved good results. Both NPLs and NPL ratio decreased significantly in the middle of 2022, and asset quality steadily improved. In terms of controlling new non-performing assets, with differentiated policies, dynamic management of key areas and forward-looking management measures, the non-performing assets disposed of increased by 110% year on year. New corporate NPLs steadily decreased, continuing to consolidate the asset quality foundation. In terms of reducing existing non-performing assets, in line with the principles of “recover, write off and dispose as much as possible”, the Bank intensified disposal of non-performing assets through a combination of measures and cleared large NPL risks step by step. The Bank surpassed the targets set for non-performing assets disposal for the third year straight and fully ensured stable asset quality.

Strengthening risk control in key areas and continuing to promote optimization and upgrading of the credit structure.

In terms of controlling large exposures, the Bank followed the general principle of “controlling large-sum credit, cumulative amount, proportion and limit”, strictly controlled increment in large-sum credit and achieved a decrease in per account credit balance. The one-vote veto of credit with an amount of RMB 2.5 billion or above is determined through consultation by Chairman, President and CRO. For the real estate industry, the Bank implemented strict credit business onboarding, improved the quality and efficiency for screening and eliminating real estate risks, intensified the efforts to dispose of existing NPLs, and accelerated disposal of large-sum NPLs concerning the real estate industry. Regarding the financing platform, the Bank adhered to the overall credit strategy of “total amount control, selected regions, compliant operation, classified management, periodical inspection and gradual reduction”. It conducted business in a steady and orderly manner, strictly implemented regional limits and customer limits, screened for risk of implicit debt periodically, evaluated the impact of

government debt, gradually reduced existing business that does not meet access criteria, and strictly controlled the growth of implicit debt business. In terms of online loans, the Bank implemented independent risk control and kept asset quality under control by building an independent risk control model, upgrading the independent anti-fraud system, establishing a risk communication mechanism with partners, refining the write-off mechanism, etc.

Optimizing full-process management mechanism and continuing to strengthen comprehensive risk management capability. The Bank formulated the “white list” of authorization and the “white list” of proactive credit extension for 2022 to guide business units’ optimization of business structures and customer acquisition. The Bank dispatched risk general managers to regional branches to strengthen inspection, supervision and dynamic evaluation of regional branches and see that risk control responsibilities at regional branches are properly fulfilled. The Bank intensified policy research. In the guidelines for annual credit extension, the Bank expanded industry access criteria to cover 135 segments under 22 areas. It organized research on industries like clean energy power generation, innovative enterprises that use special and sophisticated technologies to produce novel and unique products, etc. to improve risk control capability of relevant industries. The Bank formulated the “Management Regulations of Bank of Beijing on the Implementation of the Expected Credit Loss Approach”, reviewed and optimized ECL models and parameters, and improved the implementation quality of the ECL approach in all respects. As a result, the ECL evaluation results are more scientific and accurate. The Bank established the Special Assets Management Department and gradually realized the transformation from liquidating and managing non-performing assets to operating non-performing assets. Throughout the year, the amount of non-performing assets disposed increased by 32.46% compared to that in the previous year and the cash settlement was twice that in the previous year. Per capita disposal efficiency was at the advanced level in the industry.

Strengthening the development of the intelligent risk control system in all respects to improve digital risk control capability. The Bank optimized “E-Warning of Bank of Beijing”, launched “smoke index” and established the “rules + model + algorithm” risk monitoring and warning system, filling in gaps of model monitoring and warning management in the Bank. By collecting data, building models and optimizing algorithms, the Bank realized early warning of risks and layered and classified risk control, ushering in a new stage of digital risk control. The Bank implemented strict process management, improved customer and user experience of the credit risk management system in all respects, developed an intelligent tracking model of fund flows, and strengthened proactive monitoring and management capabilities. To empower business development, the Bank established a model “validation risk points” and “validation standards” list library, and objectively assessed model development quality, which effectively prevented model risk. Meanwhile, the Bank established comprehensive risk management graph, optimized stress testing and portfolio limit management tools, and continued to improve risk measurement and monitoring capabilities.

3.4.13 Accelerating the building of the “great operation” system

During the reporting period, to improve the operation quality and efficiency across the Bank, the Bank laid down the overall plan to build a “greater operation” pattern, actively promoted the lobby integration reform and the development of the new centralized operation platform, and steadily improved the enterprise-level business operation capability and digitalization.

Accelerating the lobby integration reform. According to the standards of “integrated lobby, standard services, fine display and intelligent technology”, the Bank broke the boundaries of business lines at the branches, built a customer-centric lobby service system by optimizing the mobility lines and business procedures of branches from customers’ perspectives and for the purpose of lobby management of branches. Meanwhile, the Bank further improved the processing efficiency and customer experience of retail banking business at branches through integrated scheduling and coordinated application of resources of branches such as intelligent teller machines, mobile banking, self-service equipments, lobby managers, relationship managers, tellers, etc. During the reporting period, the Bank accelerated the promotion and application of the new teller system across the Bank and updated corresponding transaction scenes. The Bank improved branches’ business processing capability by introducing technical means like electronic certificates, electronic seal, electronic signature, dual screen interaction, etc. Also, the Bank increased lobby service staff at branches and established the synergy mechanism between different posts in the lobby, realizing smooth flow of customer promotion and business information between posts. The Bank launched the new business process for confirmation letters, in which the system can automatically assign tasks and capture data, and tier-1 regional branches receive and reply to letters in a centralized manner. Moreover, the Bank completed connection to the China Banking Association’s bank confirmation blockchain service platform, pushing the confirmation letter business of the Bank into a new management phase featuring digital, intensive and standardized. Meanwhile, the Bank strengthened the customer identification capability of intelligent teller machines, refined the service mechanism for special customer groups, and improved the service experience of high-net-worth customers and special customer groups. Through the lobby integration reform, the Bank developed Intelligent Lobby, Lively Lobby and Charm Lobby and worked to build outlets into the Bank’s shining name cards of customer services.

Advancing the development of the new centralized operation platform. The Bank enhanced the functional positioning of its regional operating center in Beijing, established the intensive operation plant model, strengthened the risk prevention role of the operational risk control mechanism, improved the overall efficiency of branches, and pooled together complex and high-risk businesses of branches to the back office for centralized processing. Meanwhile, the Bank realized flexible allocation and real-time switch of relevant modules including centralized business accounting elements, business components, business scenes, centralized processing institutions, centralized operation personnel and posts, etc. and created an intensive operation model featuring more standardized operational risk control, more shared operation services and more streamlined operation manpower.

Completing the rebuilding of the corporate account opening process. During the reporting period, with a focus on the complex and time-consuming corporate account opening process that had long troubled customers and primary-level frontline workers, the Bank, with digital transformation as the means and the agile mechanism as the guarantee and according to the requirement of reducing procedures, links, materials and time, took the “three one-times and four steps” approach (“three one-times”: one-time form filling, one-time transaction and one-time activation; “four steps”: information filling by customers, due diligence, centralized account opening at the back office, and one-click activation at the counter), and completed the rebuilding

of the corporate account opening process after 18-day centralized closed-door R&D. After the optimization, 18 operating procedures, 15 seal using times at the counter and 8 sets of forms were reduced, customers only need to go to the counter once to open an account, and the time of the whole process was cut from 4 hours to 40 minutes at most, which significantly improved customer experience and user experience.

3.4.14 Building a dedicated, professional, expert-like and specialized talent team

During the reporting period, in its talent team building, the Bank fully implemented the general requirements on Party building for a new era and the organizational guidelines of the Party for a new era, carried out the decisions and plans of the CPC Central Committee and the CPC Beijing Municipal Committee on talent work, and practiced the strategy of “empowering the Bank with talents”. With the goal of cultivating dedicated, professional, expert-like and specialized talents, the Bank continued to build a talent team featuring strong professionalism, high growth potential, sufficient quantity, excellent quality, a reasonable structure, flexibility, agility, innovation and synergy.

During the reporting period, firmly adhering to its development orientation, the Bank built a professional high-quality talent team with distinctive characteristics. In the “talent selection” procedure, the Bank made overall planning for recruitment of fresh graduates and took well-targeted approaches to recruitment from market. The Bank intensified introduction of inter-disciplinary talent with a sci-tech and engineering background, urgently needed personnel in key business areas and high-end leaders of the industry. Throughout the year, the Bank recruited more than 1,000 fresh graduates, of which about one third have a sci-tech and engineering background. While ensuring steady growth in the number of personnel, the Bank continued to promote effective improvement in the quality of personnel. In the “talent cultivation” procedure, the Bank continued to build a “learning organization” and a “learning bank”, held tiered, multi-dimensional and regular talent training, fully applied digital technology to improve the training effect, and formed a sound learning atmosphere of “practice for knowledge acquisition”. The Bank implemented the “Three Eagles Program”, optimized the echelon building of cadres, selected cadres through competition, and continued to create a sound atmosphere in which everyone can become talents something through hard work. In the “talent use” procedure, the Bank actively promoted the diversified communication and training mechanism and facilitated positive circulation of cadre resources across business lines and areas. The Bank equipped IT deputy heads at regional branches, selected and cultivated excellent interdisciplinary personnel, and promoted excellent experience in providing sci-tech finance and cultural finance services to innovative enterprises that use special and sophisticated technologies to produce novel and unique products across the country. The Bank accelerated adjusting the layout of human resources, increased human resources needed for digital transformation, built an agile team across the Bank, refined the open competition mechanism and the “horse-racing” mechanism, continued to stimulate innovation drive across the Bank, and sped up conversion of scientific and technological achievements.

Facing the future, the Bank will continue to uphold the strategy of “empowering the Bank with talents”, strengthen the building of a “learning bank”, optimize human resources system and mechanism, actively cultivate dedicated, professional, expert-like and specialized personnel, and effectively stimulate the vitality of cadres and employees and their passion for work, to

provide strong organizational guarantee and talent support for the high-quality development of the Bank.

3.4.15 Optimizing the internal business environment

The Bank is intensely aware that improving the business environment is an essential requirement to realize high-quality development and improve the core competitiveness of a city, and improving the internal business environment is the only road for a bank to improve internal operation and management efficiency and build synergy for reform and development. During the reporting period, the Bank established the concept of “the Head Office serving regional branches, regional branches serving branches, and the entire Bank serving the frontline”, and actively studied and referred to the advanced experiences of the CPC Beijing Municipal Committee and the People’s Government of Beijing Municipality in improving the business environment and handling complaints. The Bank carried out “optimization of the internal business environment”. Starting with “critical little things” that were most complained about by customers and employees, the Bank promoted continuous improvement in service efficiency, management efficiency and collaboration efficiency across the Bank.

During the reporting period, according to the requirement of “handling a complaint upon receipt”, the Head Office actively responded to the requests of primary-level frontline workers and made sure that the problems submitted by primary-level frontline workers are immediately collected, distributed, solved and replied. The Party Committee of the Head Office established the leading group for coordination of pressing difficulties and problems, opened up channels for primary-level staff to report their problems, and responded to and solved the pressing problems that concerned primary-level staff most. Meanwhile, the Party Committee of the Head Office compiled the pressing problem index of the Bank every month, and through periodical scheduling, tracking and supervision, it saw the pressing difficulties and problems faced by frontline staff properly solved. The Bank systematically analyzed drop-out points, blockages and pain points in business and management procedures. On the basis of maintaining strict risk control, the Bank implemented the principles of “cutting procedures, materials, time limits and runs” and pushed for end-to-end optimization of business procedures, effectively alleviating the burdens of primary-level staff and empowering the frontline. The Bank vigorously promoted investigation and research practices across the Bank and Head Office senior managers and middle-level department managers regularly serve at lobbies. By taking part in lobby services, going through the procedures and handling businesses in person, the managers can directly learn about problems in products, services, customer experience, branches, process design, etc., thus forming an efficient closed loop of immediate discovery, research and resolution of problems. Adhering to the online mass line for a new era, the Bank established the enterprise-level internal BBS, “Firefly Community”, which received more than 1,600 reasonable comments and suggestions and had more than 2,200 replies from departments. It provided another channel for employees to offer advice and suggestions and turned the wisdom of employees into practical measures and concrete actions to build a better Bank of Beijing.

3.4.16 Practicing ESG investment philosophy

During the reporting period, the Bank actively practiced the ESG concept. The Bank officially signed the United Nations Principles for Responsible Banking, became a member of the United Nations Environment Programme Finance Initiative (UNEP FI), and prepared and disclosed its

ESG report for the first time which fully presented the Bank's environmental, social and governance (ESG) performance practices. And based on international and domestic advanced experiences, the Bank spared no effort to promote integration of the ESG concept into the Bank's governance system and business system.

In the environmental field, the Bank upheld the idea that lucid waters and lush mountains are invaluable assets, refined the “Lvrong+” green finance service system, and continued to facilitate the realization of the goals of carbon peak and carbon neutrality. During the reporting period, the Bank channeled more quality credit resources to green and low-carbon industries by innovating green finance products, stepping up efforts to build the green finance service platform, strengthening green finance research and cooperation, etc. As a result, green loans saw rapid growth. The Bank established and improved the rules, regulations and the management system for energy reduction and emission reduction, intensified the publicity of the idea of energy conservation and emission reduction, and built a green office environment. Shanghai Regional Branch and Tongzhou Green Branch realized carbon neutrality in operations. Subsidiaries and affiliates practiced the green development concept and actively carried out innovation in green finance. Bank of Beijing Scotiabank Asset Management Co., Ltd. joined the United Nations Principles for Responsible Investment and issued low-carbon economy themed equity products. Bank of Beijing Financial Leasing Company successfully obtained the funds for China National Investment and Guaranty Corporation's Green Financing Platform Project from the Asian Development Bank, and supported the implementation of air pollution control projects in the Beijing-Tianjin-Hebei region and neighboring areas and the Yangtze River Delta. The Project was included into demonstration cases of the United Nations Climate Action Summit. Bank of Beijing Wealth Management Co., Ltd. issued “carbon neutrality” themed wealth management products and launched “CBPC BOB Wealth Management Green Development Risk Parity Index”.

In the social field, the Bank kept in mind the top priorities of the nation, adhered to the “people first” principle, actively served the high-quality development of the real economy, and helped realize the people's aspiration for a better life. During the reporting period, the Bank continued to focus on the Beijing market, spared no effort to serve the development of the Beijing-Tianjin-Hebei region, the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area, supported the growth of innovative enterprises that use special and sophisticated technologies to produce novel and unique products, improved the capability of inclusive finance, increased injection of agriculture-related loans to support revitalization of rural industries, and built the brand “*Jingcai Xipin*” of relieving poverty by consumption. The Bank made RMB 60 million charity donations and played a positive role as a caring and responsible enterprise.

In the governance field, the Bank followed the lead of Party building and promoted in-depth integration of Party building and corporate governance. The Bank adhered to integrated implementation of full and rigorous Party self-governance, full and rigorous Bank governance and comprehensive risk control and held the “Study the guiding principles of the 20th CPC National Congress, Forge Ahead on a New Journey and Make Achievements in a New Era” themed Party building activity across the Bank, causing the guiding principles from the 20th CPC National Congress to take root and bear fruits in the Bank and convert into vivid practices of

high-quality development. The Bank promoted dynamic integration of the leadership of the Party and corporate governance, gave full play to the leading role of the Party organization in pointing out the direction, managing the overall situation and promoting implementation, formed a good atmosphere in which governance bodies fully fulfill their responsibilities and work with each other efficiently, and took solid steps to convert the political advantages and organizational advantages of the Party organization into high-quality development advantages.

In future, the Bank will formulate the Three-year ESG Action Plan (2023-2025), implement the “Principles for Responsible Banking”, intensify innovation in green finance products and services, strengthen climate and environmental risk management, and further improve corporate governance. Meanwhile, the Bank will highlight green development and the achievements in sustainable governance, and accelerate the building of an “ecological bank” that builds a service ecosystem through comprehensive cooperation and promotes ESG development through green finance.

3.5 Income Statement Analysis

3.5.1 Key items in the income statement

During the reporting period, the Company realized total operating income of RMB 66.276 billion, maintaining basically the same with that of last year. Net profit attributable to shareholders of the parent company was RMB 24.760 billion, up 11.4% year on year.

(Unit: RMB million)

| Item | 2022 | 2021 | Year-on-year changes (%) |
|---|--------|--------|--------------------------|
| I. Operating income | 66,276 | 66,275 | 0.00 |
| Inc: Net interest income | 51,458 | 51,397 | 0.12 |
| Net fee & commission income | 7,066 | 5,990 | 17.96 |
| II. Operating expenditure | 39,332 | 40,978 | (4.02) |
| Inc: Operating and administrative expense | 17,599 | 16,543 | 6.38 |
| III. Operating profit | 26,944 | 25,297 | 6.51 |
| IV. Total profit | 27,019 | 25,178 | 7.31 |
| V. Net profit | 24,930 | 22,392 | 11.33 |
| Inc: Net profit attributable to shareholders of the parent company | 24,760 | 22,226 | 11.40 |

3.5.2 Items in the income statement that changed by more than 30% and reasons for the change

During the reporting period, some indicators in the Company's income statement changed by more than 30%. Specifically, fee and commission expenses increased by 31.41%, mainly due to the increase in transaction fee expenses of online business. Gains and losses from changes in fair value decreased by 192.53%, mainly due to the decrease in the fair value of financial assets measured at fair value. Exchange gains decreased by 55.94%, mainly due to an increase in exchange loss from foreign exchange settlement and sale. Non-operating income increased by 32.81%, mainly due to the increase in other non-operating income, and non-operating expenses decreased by 61.54%, mainly due to the decrease in loss from disposal of non-current assets

and other non-operating expenses.

3.5.3 Operating income

1. Income structure during the reporting period

During the reporting period, net interest income in the operating income of the Company accounted for 77.64%, and net non-interest income accounted for 22.36%, down 0.09 percentage points year on year due to market fluctuations and decrease of P/L from fair value changes and exchange. Details are as follows:

(Unit: RMB million)

| Item | Balance | Percentage (%) | Year-on-year changes (%) |
|-------------------------------|---------|----------------|--------------------------|
| Net interest income | 51,458 | 77.64 | 0.12 |
| Net fee and commission income | 7,066 | 10.66 | 17.96 |
| Other net income | 7,752 | 11.70 | (12.78) |
| Total | 66,276 | 100.00 | - |

2. Income structure by geographic area during the reporting period

Following national strategies, the Company actively focuses on serving the economy of key regions, including Beijing-Tianjin-Hebei and Yangtze River Delta Region. During the reporting period, the operating income realized in Beijing-Tianjin-Hebei and Bohai Rim Region accounted for 73.79%, representing the core source of operating income; total assets in these two regions accounted for 74.87%, up 1.52 percentage points from 2021. The operating income contribution from Yangtze River Delta increased by 1.29 percentage points from that of 2021, accounting for 12.42%; total assets took up 12.03%, up 0.02 percentage points from 2021.

(Unit: RMB million)

| Region | Operating income | Total profit | Total assets |
|--|------------------|---------------|------------------|
| Beijing-Tianjin-Hebei and Bohai Rim Region | 48,908 | 23,622 | 2,536,576 |
| Yangtze River Delta Region | 8,232 | 1,662 | 407,587 |
| Others | 9,136 | 1,735 | 443,789 |
| Total | 66,276 | 27,019 | 3,387,952 |

Note: 1. Beijing-Tianjin-Hebei and Bohai Rim Region: Beijing, Tianjin, Hebei, and Shandong

2. Yangtze River Delta Region: Shanghai, Zhejiang, and Jiangsu

3. Others: Shenzhen, Jiangxi, Hunan, Shaanxi, and Xinjiang

3.5.4 Net interest income

1. Net interest income

In 2022, the Company's net interest income accounted for 77.64% of operating income, representing the main source of operating income. During the reporting period, the Company's net interest income amounted to RMB 51.458 billion, up 0.12% year on year. Mainly because the

Company's interest-generating assets grew and NIM decreased. The Company's interest income totaled RMB 112.449 billion, down by 1.50% year on year. The interest income from loans and advances amounted to RMB 75.125 billion, up by 1.77% year on year, contributing the most to the total interest income of the Group. The interest expense totaled RMB 60.991 billion, down by 2.83% year on year.

The structure and growth of the net interest income of the Company during the reporting period is as follows:

(Unit: RMB million)

| Item | 2022 | | 2021 | | Year-on-year changes (%) |
|--|---------|----------------|---------|----------------|--------------------------|
| | Balance | Percentage (%) | Balance | Percentage (%) | |
| Interest income | | | | | |
| Due from the Central Bank | 2,266 | 2.02 | 2,574 | 2.25 | (11.97) |
| Due from banks | 215 | 0.19 | 165 | 0.14 | 30.30 |
| Inter-bank lending | 4,394 | 3.91 | 4,762 | 4.17 | (7.73) |
| Loans and advances | 75,125 | 66.81 | 73,821 | 64.66 | 1.77 |
| Inc: retail loans and advances | 32,825 | 29.19 | 27,862 | 24.41 | 17.81 |
| Corporate loans and advances | 38,972 | 34.66 | 43,416 | 38.03 | (10.24) |
| Discounting | 3,328 | 2.96 | 2,543 | 2.23 | 30.87 |
| Financial assets purchased under re-sale agreement | 1,605 | 1.43 | 1,674 | 1.47 | (4.12) |
| Bonds and other investments | 28,844 | 25.65 | 31,168 | 27.30 | (7.46) |
| Income sum | 112,449 | 100.00 | 114,164 | 100.00 | (1.50) |
| Interest expense | | | | | |
| Borrowing from the Central Bank | 3,317 | 5.44 | 3,465 | 5.52 | (4.27) |
| Due to banks and other financial institutions | 9,189 | 15.07 | 11,511 | 18.34 | (20.17) |
| Inter-bank borrowing | 1,340 | 2.20 | 2,303 | 3.67 | (41.82) |
| Deposits | 36,619 | 60.04 | 32,723 | 52.13 | 11.91 |
| Financial assets sold under re-purchase agreement | 911 | 1.49 | 1,146 | 1.83 | (20.51) |
| Bonds payable | 9,615 | 15.76 | 11,619 | 18.51 | (17.25) |
| Expense sum | 60,991 | 100.00 | 62,767 | 100.00 | (2.83) |
| Net interest income | 51,458 | - | 51,397 | - | 0.12 |

2. Categories, average size and average interest rate of major interest-earning assets and interest-bearing liabilities

During the reporting period, the average yield of interest-earning assets of the Company was 3.85%, a year-on-year decrease of 0.22%. The average cost rate of interest-bearing liabilities was 2.14%, a year-on-year decrease of 0.13%. NIS was 1.71%, a year-on-year decrease of 0.09%, and net interest margin was 1.76%, a year-on-year decrease of 0.07%.

During the reporting period, the Company actively assumed the political responsibility for stabilizing the overall economy and implemented the financial relief policies to benefit the real economy. In 2022, the one-year LPR dropped by 15 bps, the five-year LPR was cut by 35 bps, and the income from new loans declined. Market yields stayed at a low level, and inter-bank assets and investment yields declined. The Company continuously strengthened the control over the costs of liabilities, enhanced the management of deposit interest rate pricing, and reduced the nominal deposit rates in accordance with the macro trends and policy changes. The Company consolidated the customer base, strengthened the product support, and promoted the growth of low-cost deposits. Also, it strengthened the control over high-cost liabilities such as medium-term and long-term deposits and structured deposits, and achieved a gradual decrease in the cost of liabilities.

Looking forward to 2023, with the implementation of measures to stabilize growth and the recovery of financing demand, net interest margin will still be under downward pressure in light of factors such as loan re-pricing, the rigid deposit costs and the rising cost of market-oriented liabilities. The Company will take multiple measures to strengthen the net interest margin management to ensure that the net interest margin is at a reasonable level. On the asset side, the Company will increase the investment in high-quality assets in key areas such as sci-tech innovation enterprises, green finance, inclusive finance and little giant enterprises. It will continuously strengthen the retail transformation, actively expand the consumer finance system and channels, and increase the retail loan granting, while optimizing and adjusting the investment portfolios, with a focus on stabilizing the asset income. On the liability side, the Company will actively expand the low-cost deposits, strengthen the control over high-cost deposits, and enhance the management of market-oriented liabilities, keeping the cost of liabilities in a reasonable range.

The average scale and average interest rate of the main interest-generating assets and interest-bearing liabilities of the Company during the reporting period is as follows:

(Unit: RMB million)

| Item | 2022 | | | 2021 | | |
|-------------------------|---------------|-------------------------|-----------------------|---------------|-------------------------|-----------------------|
| | Average scale | Interest income/expense | Average interest rate | Average scale | Interest income/expense | Average interest rate |
| Assets | | | | | | |
| Loans & advances | 1,723,967 | 75,125 | 4.36% | 1,623,284 | 73,821 | 4.55% |
| Inc: Corporate loans | 1,124,946 | 42,300 | 3.76% | 1,081,290 | 45,959 | 4.25% |
| Retail loans | 599,022 | 32,825 | 5.48% | 541,994 | 27,862 | 5.14% |
| Due from the Central | 151,312 | 2,266 | 1.50% | 168,899 | 2,574 | 1.52% |

| | | | | | | |
|---|------------------|----------------|--------------|------------------|----------------|--------------|
| Bank | | | | | | |
| Inter-bank lending | 264,783 | 6,214 | 2.35% | 242,643 | 6,601 | 2.72% |
| Bonds and other investment | 778,929 | 28,844 | 3.70% | 772,039 | 31,168 | 4.04% |
| Total interest-generating assets | 2,918,991 | 112,449 | 3.85% | 2,806,865 | 114,164 | 4.07% |
| Liabilities | | | | | | |
| Customer deposits | 1,814,125 | 36,619 | 2.02% | 1,661,485 | 32,723 | 1.97% |
| Inc: | | | | | | |
| Corporate deposits | 1,335,614 | 25,690 | 1.92% | 1,244,741 | 22,618 | 1.82% |
| Retail deposits | 478,512 | 10,929 | 2.28% | 416,745 | 10,105 | 2.42% |
| Inter-bank borrowing | 544,879 | 11,440 | 2.10% | 583,979 | 14,960 | 2.56% |
| Bonds payable | 365,395 | 9,615 | 2.63% | 396,205 | 11,619 | 2.93% |
| Borrowing from the Central Bank | 123,681 | 3,317 | 2.68% | 122,236 | 3,465 | 2.83% |
| Total interest-bearing liabilities | 2,848,081 | 60,991 | 2.14% | 2,763,905 | 62,767 | 2.27% |
| Interest spread | — | — | 2.34% | — | — | 2.58% |
| Net interest spread | — | — | 1.71% | — | — | 1.80% |
| Net interest margin | — | — | 1.76% | — | — | 1.83% |

3.5.5 Net non-interest income

During the reporting period, the Company achieved net non-interest income of RMB 14.818 billion, down 0.40% year on year, of which the net fee and commission income was RMB 7.066 billion, up 17.96% year on year. During the reporting period, the Company achieved initial results in the "five major transformations" empowered by digital transformation. The income structure of fee business was continuously optimized, and the foundation of retail transformation was continuously consolidated. The Company achieved an income of RMB 5.615 billion in agency and entrusted business, up 33.85% year on year; an income of RMB 1.016 billion in settlement and clearing business, up 26.68% year on year; and an income of RMB 326 million in underwriting and consulting business, up 365.71% year on year.

Looking forward to 2023, the Company will deepen its transformation and development, and increase the proportion of non-interest income by taking capital-light business such as wealth management, bank cards, custody, and investment banking as important growth points. A full-process business service system for publicly-offered REITs will be built. In addition to transforming the custody business, the Company will strengthen the product development, system construction and personnel capacity building, improve the custody "ecosystem" of the Bank, and build the product portfolios of "wealth management + custody", "private banking + custody" and "investment banking + custody".

The structure and growth of the Company's net non-interest income during the reporting period is as follows:

(Unit: RMB million)

| Item | 2022 | 2021 | Year-on-year changes (%) |
|--|---------------|---------------|--------------------------|
| Total net non-interest income | 14,818 | 14,878 | (0.40) |
| Fee & commission income | | | |
| -Agency & entrusted business | 5,615 | 4,195 | 33.85 |
| -Settlement & clearing business | 1,016 | 802 | 26.68 |
| - L/G & commitment business | 451 | 742 | (39.22) |
| - Underwriting & consultation business | 326 | 70 | 365.71 |
| -Bank card business | 242 | 244 | (0.82) |
| -Others | 98 | 456 | (78.51) |
| Sub-total | 7,748 | 6,509 | 19.04 |
| Fee & commission expense | 682 | 519 | 31.41 |
| Net fee & commission income | 7,066 | 5,990 | 17.96 |
| Other net income | | | |
| -Investment return | 8,456 | 7,585 | 11.48 |
| -Gain or loss from changes in fair value | (917) | 991 | (192.53) |
| -Net income from foreign exchange rates | 63 | 143 | (55.94) |
| -Other business income | 150 | 169 | (11.24) |
| Sub-total | 7,752 | 8,888 | (12.78) |

3.5.6 Operating and administrative expense

During the reporting period, the Company's operating and administrative expenses were RMB 17.599 billion, a year-on-year increase of 6.38%. The cost-to-income ratio was 26.55%, placing the Company among the best-performing listed banks. During the reporting period, the Company continued to increase its investment in digital transformation. It invested RMB2.38 billion in technology research and development, equipment procurement and infrastructure construction. On the other hand, the increased number of the Bank's employees led to an increase in remuneration expenses. In 2023, the Company will adhere to the transformation objectives, optimize the expense structure, and enhance the cost efficiency. First, it will continue to increase investment in technology research and development, explore new digital business models, and improve the integrated service capabilities. Second, it will steadily increase employee salaries and invest more in building a professional talent team. Third, it will continue to optimize the branch deployment, reasonably control the growth of fixed costs and operating expenses, and guide the Bank to continuously improve production efficiency.

The structure of the Company's operating and administrative expense is as follows:

(Unit: RMB million)

| Item | 2022 | 2021 |
|---------------------------------------|---------------|---------------|
| Employee remuneration | 8,382 | 7,629 |
| Office expense | 3,640 | 2,971 |
| Business promotion & development cost | 1,313 | 1,574 |
| Fixed asset depreciation | 2,419 | 2,082 |
| Others | 1,845 | 2,287 |
| Total | 17,599 | 16,543 |

3.5.7 Investment in IT

1. Structure of R&D personnel

As of the end of 2022, the number of regular IT employees of the Bank totaled 783 persons (591 persons in IT line of the Head Office and 192 persons in regional branches), accounting for roughly 4.74% of total regular employees of the Bank. IT personnel with a bachelor's degree or above accounted for 99%. Specific details are as follows:

| Degree | Percentage |
|--------------------------------|------------|
| Master's degree or above | 55% |
| Bachelor's degree | 44% |
| Junior college degree or below | 1% |

2. R&D expenses

In 2022, guided by the digital transformation strategy, the Bank actively built an independent IT development and delivery system with an overarching architecture, empowered by platform and driven by innovation, continuously optimized the IT operation, maintenance and infrastructure, and vigorously implemented key projects. In 2022, the Bank's IT input accounted for 3.7% of the operating income, a year-on-year increase of 0.2 percentage points, including R&D investment of RMB 840 million, a year-on-year increase of 56%. Focusing on the task of thorough digital transformation, the Bank continuously strengthened IT empowerment, including promoting the construction of a unified financial operating system and a unified data base, and enhancing independence, controllability and continuous delivery capacity. It built the "*Jingzhi Brain*" artificial intelligence platform and developed three application systems of "intelligent services, intelligent decision-making and digital employees". In addition, it strengthened the endogenous core competitiveness of digital technology, created the ultimate service experience of "One Bank", and continuously strengthened the GBIC² financial service model, so as to facilitate customer acquisition, reduce risk control costs, strengthen IT empowerment, and promote the high-quality development of the Bank.

3. R&D results

In 2022, in order to implement the digital transformation strategy, the Bank steadily improved the ability to develop clear-cut IT planning and design, and actively built an independent and controllable IT development and delivery system with an overarching architecture, empowered by platform and driven by innovation. It continuously optimized the IT operation, maintenance and infrastructure system, vigorously implemented key projects, and further promoted digital transformation.

First, IT capabilities were enhanced. According to the idea of "ensuring delivery and strengthening management", the Bank launched the IT capability rebuilding and value enhancement project, and implemented the enhancement strategy and major project identification mechanisms. Driven by major project identification, the Bank developed a major project coordination mechanism from an enterprise perspective, achieving more effective strategic implementation, clearer project inventory, and more detailed IT budgeting. Business and IT was further promoted in an agile manner, ensuring the efficient advancement of key projects in digital transformation.

Second, IT strength was consolidated. Adhering to the idea of "independent control, independent innovation, vertical extension, and horizontal adaptation" of core technologies, the Bank promoted the development of a unified financial operating system and a unified data base, and enhanced independence, controllability and continuous delivery capability. A unified financial operating system was developed. The system was connected to a large number of technical infrastructure components, equipment and massive data, and supported the rapid development, iteration and deployment of digital transformation. It provided the capabilities of one-stop business and technology development and support, and completed the development of more than ten subsystems in six major systems, and the adjustment, optimization and preparation of more than 20 specifications, as well as the release of more than 50 technical components. With such efforts, it realized flexible assembly of business components and technical components, enhanced independence and controllability, promoted business agility with technical agility, and facilitated digital transformation of the Bank. A unified data base was constructed. The Bank built a big data cloud cluster with more than 300 nodes and 14PB storage, completed the physical centralization of more than 4,200 operational data tables, and supported the building of an integrated data governance system covering the entire data life cycle. It built the "*Jingzhi* Brain" artificial intelligence platform, developed three application systems of "intelligent services, intelligent decision-making and digital employees", and deployed 342 models of various types. The Bank applied intelligent middle-office services in 108 business scenes, accurately empowering different users, scenes and products. A multi-modal digital human platform was launched. The Bank built RPA (robotic process automation) factories in the Head Office and regional branches, and provided 9 departments of the Head Office and 16 regional branches with access to RPA, with 558 procedures released accumulatively.

Third, business development was empowered. The Bank strengthened the endogenous core competitiveness of digital technology, created the ultimate service experience of "One Bank", and continuously strengthened the GBIC² financial service model. It empowered customer acquisition, cost reduction and risk control, and promoted the overall coordination of digital transformation. The transformation of retail banking was facilitated. The Bank built a new private pension project, launched the mobile banking version 7.0, and built an intelligent salary platform. It reconstructed the fund system and the personal online banking system, completed the connection of eight wealth management subsidiaries, and facilitated Bank of Beijing Wealth Management open smoothly. It launched the Quick Win project of air banking, and facilitated the trial operation of remote banking. The performance of corporate banking business was promoted. The Bank rolled out the Corporate Online Banking 9.0, reconstructed the supply chain finance platform and the corporate fee business platform, built a technical capability support system for inclusive finance

services, and reconstructed the investment banking system as well as the inter-bank business management system. The operation service was improved. The Bank deepened the development of the distributed core banking system, built the enterprise customer information facility (ECIF), and reconstructed the procedures of corporate account opening. It developed a unified e-CNY business system, and advanced the development of a new generation of acquiring business system. The *Jingzhi* intelligent counter business system was promoted across the Bank, and a centralized operation platform was put into production. The internal management efficiency was improved. The Bank developed a new credit management system, a unified limit control platform, a human resources system, and a financial management system, and promoted the building of a new "blockchain +" supply chain ecology.

Fourth, efficient collaborative office was achieved. The Bank established a full-scene intelligent collaborative office platform and a unified certification service platform, which is a coordinated office system that integrates online management of business and organization, online communication and online ecology. It opened the enterprise-level internal BBS *Yinghuo* (Firefly) Community, as a digital and intelligent opinion and suggestion collection and conversion platform that features full coverage, free voice, online supervision, timely conversion, and achievement sharing", creating an agile cultural atmosphere that is compatible with digital transformation.

Fifth, digital infrastructure was built. The Bank attached great importance to safe and stable system operation, and built a multi-cloud ecosystem to provide a secure, stable and flexible infrastructure. It built an integrated operation system for cloud data centers and promoted the green transformation of data centers. It built an agile, independent and controllable full-stack cloud resource base with an advanced architecture, and a cloud-based financial ecosystem centered on private cloud, container cloud, and information technology innovation cloud. The "Digital Bank of Beijing" multi-cloud ecosystem won the "Outstanding Contribution Award for Financial Digital Transformation" of *Financial Computerizing*, and won the third prize in the "Information Technology Innovation Competition: Financial Business Application Support Technology " hosted by the China Financial Certification Authority (CFCA). Meanwhile, it won the special award of the "Financial Security Innovation Award", which was the only award-winning work of IaaS information technology innovation cloud platform solution in this competition. Based on the characteristics of distributed database, the Bank designed the "multi-center high availability" architecture, realizing the distributed database backup and the connection to the distributed storage, ensuring the security and stability of data and reducing operational complexity. Various tasks were performed in terms of integrated digital operation platform, IPv6system, intelligent operation and maintenance system, automation capacity and business continuity, to ensure safe and stable system operation of the Bank. In addition, Bank of Beijing was the first bank among city commercial banks to obtain the "robustness" certification of GB/T 33136 (Information technology service—service capability maturity model of data center). It aimed to use the ITSS maturity model to continuously consolidate the operation and maintenance infrastructure of data centers, ensure the safe and stable system operation, enhance the regulatory compliance capabilities and the overall operation and management capabilities, and support the strategic objectives of digital transformation of financial technology in a comprehensive manner.

Sixth, security defense line was consolidated. The Bank vigorously built a safe and stable financial operating system. Leading-edge information security assurance technology was used to provide a safe, stable and reliable operating environment for business systems, covering the three stages of R&D, operation and API, and realizing 15 security capability domains and 87 security capability items. In addition, the Bank established a security access control mechanism, and conducted closed-loop management of security detection, analysis, alarm and emergency response. The real-time detection rate of business systems reached 100%. Meanwhile, attention was paid to routine security operations and data security risk prevention and control. With ensuring business security as the primary task, the Bank built a security operation center, and comprehensively upgraded the security intelligent decision-making, analysis, and defense system. The entire security operation center, covering eight modular components, enhanced the security operation and management capabilities in terms of four dimensions, including technology platform, policy system, and talent training and performance assessment. With security data as the core, the Bank responded to security threats in a rapid, accurate and efficient manner. Security risks were visible, manageable and controllable. The safety of customers' assets was effectively ensured.

3.6 Analysis of the Balance Sheet

3.6.1 Key items in the balance sheet

As of the end of 2022, the Company achieved a steady and balanced growth in scale. Total assets was RMB 3387.952 billion, increased by 10.76% compared with year-beginning. Loans and net principal of advances totaled RMB 1744.465 billion, increased by 7.46% compared with year-beginning, accounting for 51.49% of total assets. Total liabilities was RMB 3077.335 billion, increased by 11.42% compared with year-beginning. Principal of deposits totaled RMB 1913.358 billion, increased by 12.59% compared with year-beginning, accounting for 62.18% of total liabilities. Shareholder's equity was RMB 310.617 billion, increased by 4.56% compared with year-beginning.

(Unit: RMB million)

| Item | 31-12-2022 | 31-12-2021 | Year-on-Year changes (%) |
|------------------------------------|------------------|------------------|--------------------------|
| Cash and due from the Central Bank | 163,645 | 162,810 | 0.51 |
| Inter-bank lending | 257,993 | 207,195 | 24.52 |
| Loans & net principal of advances | 1,744,465 | 1,623,329 | 7.46 |
| Finance investment | 1,127,241 | 987,904 | 14.10 |
| Total assets | 3,387,952 | 3,058,959 | 10.76 |
| Borrowing from the Central Bank | 125,429 | 127,579 | (1.69) |
| Inter-bank borrowing | 541,742 | 467,018 | 16.00 |
| Deposits principal | 1,913,358 | 1,699,337 | 12.59 |
| -Corporate deposits | 1,215,963 | 1,148,942 | 5.83 |
| -Savings deposits | 539,297 | 445,452 | 21.07 |
| -Margin deposits | 158,098 | 104,943 | 50.65 |
| Bonds payable | 404,053 | 384,003 | 5.22 |

| | | | |
|---|------------------|------------------|-------|
| Total liabilities | 3,077,335 | 2,761,881 | 11.42 |
| Total shareholders' equity | 310,617 | 297,078 | 4.56 |
| Total liabilities & shareholders' equity | 3,387,952 | 3,058,959 | 10.76 |

3.6.2 Items in the balance sheet that changed by more than 30% and reasons for the change

During the reporting period, financial derivative assets increased by 237.91% compared with year-beginning due to changes in the fair value of currency forwards, currency swaps and interest rate swaps; due from banks and other financial institutions increased by 191.08% compared with year-beginning and financial assets purchased under re-sale agreement increased by 74.68% compared with year-beginning due to liquidity management needs; trading financial assets increased by 51.33% compared with year-beginning to improve investment return; precious metal assets decreased by 67.68% compared with year-beginning due to the decrease in the precious metal scale; other assets increased by 68.52% compared with year-beginning due to the increase in pending settlement and liquidation; financial derivative liabilities increased by 73.36% compared with year-beginning due to the change in fair value of currency forwards, currency swaps and interest rate swaps; due to the steady scale growth supported by absorbed liabilities, placements from banks and non-bank financial institutions increased by 36.30% compared with year-beginning and the financial assets sold under re-purchase agreement increased by 90.55% compared with year-beginning; and other comprehensive income decreased by 86.23% compared with year-beginning due to rising bond yields and the decrease the fair value of FVOCI.

3.6.3 Major asset items

1. Loans

In 2022, the Company continued to focus on its main responsibilities and businesses, and increased credit granting to retail, inclusive finance, green finance, manufacturing, people's livelihood consumption and other areas, actively implemented policies of supporting companies in difficulties, and provided financial support to weak links of the economy and hard-hit sectors. As of the end of the reporting period, the total loan principal of the Company amounted to RMB 1,797.319 billion, an increase of 7.42% over year-beginning. The Company continuously optimized the credit structure and promoted retail transformation. At the end of the reporting period, total retail loans amounted to RMB 639.873 billion, an increase of 8.69% over year-beginning, far exceeding the overall growth rate of loans. At the end of the reporting period, retail loans accounted for 35.60% of total loans, up 0.42 percentage point from year-beginning. The Company continuously optimized the regional deployment and increased credit granting to Beijing, the Yangtze River Delta region and the Pearl River Delta region, for which the credit scale increased by 12.82%, 10.59%, and 5.17%, respectively, compared with year-beginning. In addition, the Company continuously optimized the sectoral structure by granting credit to key sectors supported by the State. The top three sectors included leasing & commercial service, manufacturing, and water conservation, environment and public facilities management.

(1) Principal of loans by products at the end of the reporting period

(Unit: RMB million)

| Products | 31-12-2022 | 31-12-2021 |
|----------|------------|------------|
|----------|------------|------------|

| | Book balance | Percentage (%) | Book balance | Percentage (%) |
|------------------------|-------------------------|---------------------------|-------------------------|---------------------------|
| Corporate loans | 1,157,446 | 64.40 | 1,084,523 | 64.82 |
| Loans and advances | 960,835 | 53.46 | 921,935 | 55.10 |
| Discounting | 154,774 | 8.61 | 142,735 | 8.53 |
| Forfeiting | 41,837 | 2.33 | 19,853 | 1.19 |
| Retail loans | 639,873 | 35.60 | 588,715 | 35.18 |
| Mortgages | 339,075 | 18.87 | 349,631 | 20.90 |
| Business loans | 156,654 | 8.72 | 133,386 | 7.97 |
| Consumer loans | 134,301 | 7.47 | 94,076 | 5.62 |
| Credit card | 9,843 | 0.55 | 11,622 | 0.69 |
| Total | 1,797,319 | 100.00 | 1,673,238 | 100.00 |

(2) Principal of loans by sectors at the end of the reporting period

(Unit: RMB million)

| Sector | 31-12-2022 | | 31-12-2021 | |
|--|-------------------------|---------------------------|-------------------------|---------------------------|
| | Book balance | Percentage (%) | Book balance | Percentage (%) |
| Leasing & commercial service | 180,072 | 10.02 | 185,105 | 11.06 |
| Manufacturing | 133,486 | 7.43 | 109,696 | 6.56 |
| Water conservation, environment and public facilities management | 123,956 | 6.90 | 115,940 | 6.93 |
| Real estate | 109,606 | 6.10 | 121,861 | 7.28 |
| Wholesale & retail | 96,469 | 5.37 | 88,411 | 5.28 |
| Transportation, storage and postal | 83,948 | 4.67 | 68,566 | 4.10 |
| Production & supply of power, heat, gas and water | 71,292 | 3.97 | 63,681 | 3.81 |
| Construction | 57,798 | 3.22 | 54,095 | 3.23 |
| Information transfer, software and information technology | 33,471 | 1.86 | 40,418 | 2.42 |
| Others | 907,221 | 50.46 | 825,465 | 49.33 |
| Total | 1,797,319 | 100.00 | 1,673,238 | 100.00 |

(3) Principal of loans by regions at the end of the reporting period

(Unit: RMB million)

| Region | 31-12-2022 | | 31-12-2021 | |
|---------------|-------------------------|---------------------------|-------------------------|---------------------------|
| | Book balance | Percentage (%) | Book balance | Percentage (%) |
| Beijing | 803,214 | 44.70 | 711,974 | 42.55 |
| Shenzhen | 162,542 | 9.04 | 154,553 | 9.24 |
| Shandong | 146,629 | 8.16 | 140,269 | 8.38 |
| Zhejiang | 132,724 | 7.38 | 120,763 | 7.22 |

| | | | | |
|--------------|------------------|---------------|------------------|---------------|
| Jiangsu | 129,485 | 7.20 | 109,685 | 6.56 |
| Shanghai | 90,849 | 5.05 | 88,799 | 5.31 |
| Shaanxi | 84,591 | 4.71 | 90,888 | 5.43 |
| Hunan | 81,044 | 4.51 | 80,687 | 4.82 |
| Jiangxi | 69,237 | 3.85 | 71,648 | 4.28 |
| Others | 97,004 | 5.40 | 103,972 | 6.21 |
| Total | 1,797,319 | 100.00 | 1,673,238 | 100.00 |

(4) Principal of loans by the methods of guarantee at the end of the reporting period

(Unit: RMB million)

| Guarantee method | 31-12-2022 | | 31-12-2021 | |
|-----------------------------------|------------------|----------------|------------------|----------------|
| | Book balance | Percentage (%) | Book balance | Percentage (%) |
| Unsecured loans | 580,465 | 32.30 | 435,820 | 26.05 |
| Guaranteed loans | 389,476 | 21.67 | 385,276 | 23.03 |
| Loans with collaterals or pledges | | | | |
| - Collateralized loans | 601,375 | 33.46 | 626,163 | 37.42 |
| - Pledged loans | 226,003 | 12.57 | 225,979 | 13.51 |
| Total | 1,797,319 | 100.00 | 1,673,238 | 100.00 |

(5) Top-10 loan customers of the Bank

(Unit: RMB million)

| Name | Balance at term-end | Proportion in the net capital (%) | Proportion in total loans (%) |
|-------------------------------|--|-----------------------------------|-------------------------------|
| Customer A | 24,976.92 | 7.56 | 1.39 |
| Customer B | 8,900.00 | 2.69 | 0.50 |
| Customer C | 8,606.68 | 2.61 | 0.48 |
| Customer D | 8,500.00 | 2.57 | 0.47 |
| Customer E | 6,535.29 | 1.98 | 0.36 |
| Customer F | 6,500.00 | 1.97 | 0.36 |
| Customer G | 5,807.27 | 1.76 | 0.32 |
| Customer H | 5,000.00 | 1.51 | 0.28 |
| Customer I | 5,000.00 | 1.51 | 0.28 |
| Customer J | 4,700.00 | 1.42 | 0.26 |
| Relation with the Bank | Customer B and J are related parties of the Bank, and other customers are not related to the Bank. | | |

2. Financial investment

As of the end of the reporting period, financial investment of the Company totaled RMB 1127.241 billion, up by 14.10% compared with year-beginning.

(Unit: RMB million)

| Item | 31-12-2022 | 31-12-2021 |
|--------------------------|------------|------------|
| Trading financial assets | 287,704 | 190,111 |

| | | |
|------------------------------------|------------------|----------------|
| Debt investment | 675,148 | 654,774 |
| Other debt investment | 163,539 | 142,173 |
| Other equity instrument investment | 850 | 846 |
| Total | 1,127,241 | 987,904 |

3. Financial assets purchased under re-sale agreement

As of the end of reporting period, balance of the Company's financial assets purchased under re-sale agreement was RMB 74.572 billion, up by 74.68% over year-beginning. Specific information is as follows:

(Unit: RMB million)

| Item | 31-12-2022 | 31-12-2021 |
|-------------------------------|---------------|---------------|
| Bond (by issuer) | | |
| - Government bonds | 5,879 | 6,631 |
| - Policy bank bonds | 64,396 | 34,592 |
| - Financial institution bonds | - | 1,539 |
| Sub-total | 70,275 | 42,762 |
| Bills | 4,373 | - |
| Minus: impairment provision | (76) | (71) |
| Net value | 74,572 | 42,691 |

3.6.4 Major liability items

1. Deposits (principal)

During the reporting period, the Company enjoyed fast growth of deposits by promoting business coordination, improving products, and enhancing service capabilities. As of the end of the reporting period, the Company's deposit balance was RMB 1913.358 billion, up by 12.59% over year-beginning. Current corporate deposits grew by 5.60% over year-beginning, and current savings deposits grew by 12.64% over the year-beginning. The Company will continue to promote growth of low-cost deposits by refined customer management, product innovation and cross-disciplinary coordination. Specific information of deposits is as follows:

(Unit: RMB million)

| Item | 31-12-2022 | 31-12-2021 |
|-------------------------------|------------------|------------------|
| Current corporate deposits | 631,144 | 597,669 |
| Current savings deposits | 165,046 | 146,522 |
| Fixed-term corporate deposits | 584,819 | 551,273 |
| Fixed-term savings deposits | 374,251 | 298,930 |
| Margin deposits | 158,098 | 104,943 |
| Total | 1,913,358 | 1,699,337 |

2. Due to banks and other financial institutions (principal)

As of reporting term-end, the Company's total balance of due to banks and other financial institutions was RMB 383.273 billion, up 4.89% compared with year-beginning.

(Unit: RMB million)

| Item | 31-12-2022 | 31-12-2021 |
|--|----------------|----------------|
| Due to domestic banks | 73,703 | 68,019 |
| Due to domestic non-banking financial institutions | 309,570 | 297,386 |
| Total | 383,273 | 365,405 |

3. Bonds payable

As of reporting period-end, the Company's total balance of bonds payable was RMB 401.939 billion, up 5.09% compared with year-beginning.

(Unit: RMB million)

| Item | 31-12-2022 | 31-12-2021 |
|--------------------------------|----------------|----------------|
| General financial bond payable | 100,200 | 64,200 |
| NCD payable | 301,739 | 318,256 |
| Total | 401,939 | 382,456 |

3.6.5 Financial instruments measured by fair value

As of the end of 2022, the Bank's fair value calculation method and items measured by fair value could be found in "5. Fair value of financial assets and financial liabilities under (X) Financial Risk Management" of "Financial Statements".

3.7 Asset Quality Analysis

3.7.1 Five-tier classification of loans

During the reporting period, the Company implemented stricter asset classification standards. Corporate loans overdue for over 60 days have all been classified as NPL, and loans overdue for over 90 days have been classified as NPL. Asset quality was further consolidated.

(Unit: RMB million)

| Type | 31-12-2022 | | 31-12-2021 | | Changes in the current term |
|-----------------|------------------|----------------|------------------|----------------|-----------------------------|
| | Balance | Percentage (%) | Balance | Percentage (%) | |
| Pass | 1,742,637 | 96.96 | 1,624,393 | 97.08 | 118,244 |
| Special mention | 28,970 | 1.61 | 24,724 | 1.48 | 4,246 |
| Sub-standard | 12,691 | 0.71 | 14,764 | 0.88 | (2,073) |
| Doubtful | 9,358 | 0.52 | 5,889 | 0.35 | 3,469 |
| Loss | 3,663 | 0.20 | 3,468 | 0.21 | 195 |
| Total | 1,797,319 | 100 | 1,673,238 | 100.00 | 124,081 |

| Loan deviation | 31-12-2022 | 31-12-2021 | Changes in the current term |
|--|---------------|---------------|-----------------------------|
| Deviation of loans overdue for more than 90 days (%) | 78.96 | 64.03 | 14.93 |
| Provision coverage ratio of loans overdue for more than 90 | 266.01 | 328.29 | (62.28) |

| | | | |
|----------|--|--|--|
| days (%) | | | |
|----------|--|--|--|

Note: 1. Deviation of loans overdue for more than 90 days=balance of loans overdue for more than 90 days/ NPL balance

2. Provision coverage ratio of loans overdue for more than 90 days=loan impairment provision balance/ balance of loans overdue for more than 90 days

3.7.2 Restructured loans and overdue loans

1. Restructured loans

As of the end of reporting period, the Bank's restructured loans accounted for 0.63%, down 0.09 percentage points over 2021-end.

(Unit: RMB million)

| Item | 31-12-2022 | | 31-12-2021 | |
|---|------------|-------------------------------|------------|-------------------------------|
| | Balance | Percentage in total loans (%) | Balance | Percentage in total loans (%) |
| Restructured loans | 11,068.16 | 0.63 | 11,663.51 | 0.72 |
| Inc: restructured loans overdue for more than 90 days | 1,576.96 | 0.09 | 3,209.95 | 0.20 |

Note: Restructured loan refers to adjustment of original lending clauses, which includes extending loan term, re-finance and conversion, due to deterioration of the borrower's financial condition or failure in repayment on time. The data of the restructured loans is based on the standards of the Bank.

2. Overdue loans

(Unit: RMB million)

| Item | 31-12-2022 | | 31-12-2021 | |
|---------------------------------|---------------|-------------------------------|---------------|-------------------------------|
| | Book balance | Percentage in total loans (%) | Book balance | Percentage in total loans (%) |
| Overdue within 3 months | 20,323 | 1.13 | 13,803 | 0.82 |
| Overdue from 3 months to 1 year | 8,740 | 0.49 | 7,307 | 0.44 |
| Overdue from 1 year to 3 years | 9,769 | 0.54 | 7,572 | 0.45 |
| Overdue over 3 years | 1,793 | 0.10 | 567 | 0.03 |
| Total overdue loans | 40,625 | 2.26 | 29,249 | 1.75 |

Note: Overdue loan refers to the principal amount of a loan of which the principle or interest becomes delinquent. For loans with installment repayment, as long as the loan becomes overdue, the non-overdue principal part is also included in the overdue loan.

3.7.3 Accrual and write-off of loan impairment provision

1. Basis and method for accruing loan impairment provision

Impairment provision for the Bank's credit asset is measured according to the expected credit loss model. Loans are classified into three risk stages according to whether credit risk has

increased significantly since initial recognition and whether credit impairment has occurred. For loans and advances to companies in the first and second stages, the calculation is performed using model calculations, in which the first stage business is provisioned for losses that may occur in the next twelve months, the second stage business is provisioned for all losses that may occur during the life cycle of the business. In the third stage, the expected credit losses for loans and advances to companies that have incurred credit impairment are assessed using the discounted future cash flow method; for retail loans, the provision for impairment is calculated using model calculations and accruals.

2. Changes of loan impairment provision during the reporting period

During the reporting period, the Bank adhered to a prudent and steady provisioning policy. In accordance with the requirements of the latest “Administrative Measures for the Implementation of the Expected Credit Loss Method by Commercial Banks” (CBIRC [2022] No. 10), it completed the optimization and parameter update of the expected credit loss model in a timely and regular manner, and performed impairment calculation and provisioning. At the end of the reporting period, the balance of loan impairment provision increased compared with year-beginning.

(Unit: RMB million)

| | |
|--|---------------|
| Balance at the beginning of the term | 50,707 |
| Accrual / reversal during the term | 13,373 |
| Recovery of written-off loans during the term | 1,231 |
| Write-off and transfers during the term | (10,906) |
| Discounted interest for impairment allowances released during the term | (529) |
| Exchange rate and other adjustments | 129 |
| Balance at the end of the term | 54,005 |

3.7.4 Measures against non-performing loans

First, optimizing the structure of credit business. The Bank strictly fulfilled credit management responsibilities, strengthened credit authenticity management, and insisted on controlling risks from the source. The Bank formulated annual credit policies and enhanced comprehensive financial services for strategic customers and key customers; highlighted the characteristics of inclusive finance, scientific innovation finance, and green finance; and expanded credit granting coverage of key areas such as central SOEs, Beijing municipal SOEs, listed companies, pre-IPO companies, “single champion” enterprises in the manufacturing industry, little giant enterprises, and “unicorn” enterprises.

Second, enhancing the credit approval mechanism. The Bank strictly controlled customer onboarding, set strict business onboarding standards for key areas, paid close attention to changes in the internal and external operating environments, and effectively achieved “risk control before business development” through methods such as regularly verifying regional limits and single-account limits for government credit business and implementing list-based access for real estate customers. To strengthen credit approval system, the Bank issued the “Key Points of Credit Business Review of Bank of Beijing” and the “Opinions on the Review of Credit Business Authenticity of Bank of Beijing”, which specified the credit business approval system and

procedure management requirements, and urged the credit approval line to form relatively unified risk appetites and improve risk control capabilities.

Third, improving the quality and efficiency of post-loan management. The Bank consolidated the “matrix” post-credit management mechanism covering all levels, all personnel, and all procedures by planning from a high-level perspective, giving high attention, and securing efficient implementation. The Bank strengthened the integrated management of risk inspection and early warning, and ensured the overall control of key areas, businesses, and products as well as systemic risk management. It conducted dynamic ledger-based management and proactive escalated control of customers in key areas with large exposure or potential risks. It also consolidated the closed-loop control of the whole process from the first inspection after credit disbursement to recovery, strictly prevented exposures of non-performing loans beyond expectations, carried out dynamic stress tests, and ensured stable and controllable asset quality.

Fourth, strengthening non-performing assets disposal. Keeping up with the changes in regulatory policies, the Bank set annual disposal targets from a forward-looking perspective, adopted new disposal ideas, broadened disposal channels, enriched disposal methods, and improved disposal procedures, thereby further improved disposal efficiency. During the reporting period, the amount of disposed non-performing assets increased by 32.46% compared with the previous year. The Bank successfully implemented its first structured transaction and counter-entrusted collection business and maximized the income from the disposal of non-performing assets.

Fifth, deepening financial technology empowerment. The Bank launched a financial early warning system, effectively using intelligent tools to comprehensively analyze financial statements; and leveraged tools such as RPA and OCR to realize automated operations and improve approval quality and efficiency. The Bank put every effort to step up the digital and intelligent development of “smoke index” and “E-Warning of Bank of Beijing” and made every effort to provide more forward-looking and accurate warnings through the full-process early warning management system; and built a risk monitoring and early warning system with “rules + models + algorithms” and continuously optimized the full-process online management of early risk warning. In addition, the Bank accelerated the development of a special asset management system and created accurate profiles of non-performing asset customers, helping improve the efficiency of non-performing asset disposal.

3.7.5 Debt-offsetting assets

As of the end of the reporting period, the balance of debt-offsetting assets reached RMB 692 million and the provision for impairment was RMB 495 million. At present, the Bank has set up a special team for the disposal of debt-offsetting assets and formulated a feasible disposal plan. The Bank will dispose the debt-offsetting assets in accordance with market-oriented principles and lawful disposal procedures, so as to lay a solid foundation for improving the quality of future development.

3.8 Liabilities Quality Analysis

During the reporting period, the Bank carried out liability management in accordance with the liability quality management system that is commensurate with the scale and complexity of

liabilities. The Board of Directors assumes the ultimate responsibility for liability management and supervision, while the senior management is responsible for organizing and leading the asset and liability business. The Board of Supervisors supervises and evaluates the performance of the Board of Directors and the senior management in asset and liability management. Each department carries out asset and liability management work under the leadership of the senior management and the Asset and Liability Committee.

The Bank formulated annual asset and liability arrangement plans in accordance with the annual business objectives set by the Board of Directors, controlled the level of business risks within the framework of the Bank's comprehensive risk management system, regularly followed up and evaluated the business situation, and issued relevant adjustment instructions in a timely manner.

In 2022, the Company fully met the regulatory requirements related to the quality of liabilities. The stability of liability sources was maintained at a reasonable level and while the scale of liabilities increased by 11.42% compared with year-beginning, the proportion of deposits rose by 0.65 percentage points. The Bank continuously improved the diversity of liability structure, acquired liabilities more proactively, utilized multiple liability instruments to enhance financing capacity, and completed the issuance of RMB 39 billion SME bonds and green bonds by taking advantage of the loose market conditions. The Bank adhered to a balanced development strategy for assets and liabilities, and coordinated the total amount and structure adjustment, with no material liquidity risk events such as default or insolvency. Effort was made to reasonably reduce the cost of liabilities, with the cost ratio of liabilities standing at 2.14%, a decrease of 13 bps year on year. At the same time, the Bank complied with laws, regulations, and supervisory requirements to ensure the authenticity of liability items.

3.9 Major Shareholding and Controlling Companies

As of December-end 2022, the Company's accumulated investment exceeded RMB 6.9 billion, the total asset scale of 17 subsidiaries and affiliates exceeded RMB 116.235 billion, the asset under management exceeded RMB 500 billion, and the profit exceeded RMB 850 million, forming a comprehensive operation layout with multiple profit models in parallel.

3.9.1 Investment

(Unit: RMB million)

| | |
|---|-------|
| Investment during the reporting period | 2,477 |
| Investment of the same period last year | 20 |
| Changes in investments | 2,457 |

3.9.2 Main subsidiaries

1. Bank of Beijing Financial Leasing Company

On 21 January, 2014, the Bank established the Bank of Beijing Financial Leasing Company (hereinafter referred to as "BOB Financial Leasing"). As of 31 December, 2022, the registered capital of BOB Financial Leasing was RMB 3.1 billion, and the Bank held 64.52% of the shares. As the first domestic financial leasing company initiated and established by a city commercial bank, BOB Financial Leasing provides financial leasing-related services to its customers. As of the end of the reporting period, BOB Financial Leasing had total assets of RMB 41.8399721

billion and net profit of RMB 428.307 million with good operation and development conditions.

2. Beijing Yanqing Village Bank Co., Ltd.

On 25 November, 2008, the Bank and other sponsors jointly established the Beijing Yanqing Village Bank Co., Ltd. As of 31 December, 2022, Yanqing Village Bank had a registered capital of RMB 30 million, with Bank of Beijing holding 33.33% of the shares. Its total assets were RMB 1.2772698 billion and net profit of RMB 2.7459 million. As of the end of the reporting period, its operation and development were in good condition.

3. Zhejiang Wencheng BOB Rural Bank Co., Ltd.

On 21 April, 2011, the Bank and other sponsors jointly established the Zhejiang Wencheng BOB Rural Bank Co., Ltd. As of 31 December, 2022, the registered capital of Zhejiang Wencheng BOB Rural Bank was RMB 52.25 million, with Bank of Beijing holding 40% of the shares. Its total assets were RMB 1.6789145 billion and net profit of RMB 10.4902 million. As of the end of the reporting period, its operation and development were in good condition.

4. Chongqing Xiushan BOB Rural Bank Co., Ltd.

On 13 October, 2016, the Bank and other sponsors jointly established the Chongqing Xiushan BOB Rural Bank Co., Ltd. As of 31 December, 2022, the rural bank had a registered capital of RMB 60 million, with Bank of Beijing holding 51% of the shares. The rural bank had total assets of RMB 470.587 million and net profit of RMB 3.2935 million. As of the end of the reporting period, its operation and development were in good condition.

5. Chongqing Yongchuan BOB Rural Bank Co., Ltd.

On 27 October, 2016, the Bank and other sponsors jointly established the Chongqing Yongchuan BOB Rural Bank Co., Ltd. As of 31 December, 2022, the rural bank had a registered capital of RMB 80 million, with Bank of Beijing holding 51% of the shares. The rural bank had total assets of RMB 1.0696804 billion and net profit of RMB 6.5255 million. As of the end of the reporting period, its operation and development were in good condition.

6. Yunnan Malong BOB Rural Bank Co., Ltd.

On 12 June, 2017, the Bank and other sponsors jointly established the Yunnan Malong BOB Rural Bank Co., Ltd. As of 31 December, 2022, the rural bank had a registered capital of RMB 40 million, with Bank of Beijing holding 51% of the shares. The rural bank had total assets of RMB 330.936 million and net profit of RMB 5.3039 million. As of the end of the reporting period, its operation and development were in good condition.

7. Yunnan Xishan BOB Rural Bank Co., Ltd.

On 20 June, 2017, the Bank and other sponsors jointly established the Yunnan Xishan BOB Rural Bank Co., Ltd. As of 31 December, 2022, the rural bank had a registered capital of RMB 80 million, with Bank of Beijing holding 61% of the shares. The rural bank had total assets of RMB 711.3848 million and net profit of RMB 2.1476 million. As of the end of the reporting period, its operation and development were in good condition.

8. Yunnan Yuanjiang BOB Rural Bank Co., Ltd.

On 12 October, 2017, the Bank and other sponsors jointly established the Yunnan Yuanjiang BOB

Rural Bank Co., Ltd. As of 31 December, 2022, the rural bank had a registered capital of RMB 40 million, with Bank of Beijing holding 51% of the shares. The rural bank had total assets of RMB 272.8443 million and net profit of RMB 1.8213 million. As of the end of the reporting period, its operation and development were in good condition.

9. Yunnan Xinping BOB Rural Bank Co., Ltd.

On 25 October, 2017, the Bank and other sponsors jointly established the Yunnan Xinping BOB Rural Bank Co., Ltd. As of 31 December, 2022, the rural bank had a registered capital of RMB 40 million, with Bank of Beijing holding 51% of the shares. The rural bank had total assets of RMB 279.9973 million and net profit of RMB 889.7 thousand. As of the end of the reporting period, its operation and development were in good condition.

10. Yunnan Shiping BOB Rural Bank Co., Ltd.

On 31 October, 2017, the Bank and other sponsors jointly established the Yunnan Shiping BOB Rural Bank Co., Ltd. As of 31 December, 2022, the rural bank had a registered capital of RMB 45 million, with Bank of Beijing holding 67.34% of the shares. The rural bank had total assets of RMB 228.1198 million and net profit of RMB -7.7713 million. As of the end of the reporting period, its operation and development were in normal condition.

11. Beijing Changping Development Village Bank Co., Ltd.

On May 30, 2022, the Bank became a shareholder of Beijing Changping Development Village Bank Co., Ltd. through equity acquisition. As of December 31, 2022, Beijing Changping Development Village Bank had a registered capital of RMB 172 million, with Bank of Beijing holding 88.95% of the shares. The village bank had total assets of RMB 648,968,700 and net profit of RMB 4,681,900. As of the end of the reporting period, its operation and development were in good condition.

12. Bank of Beijing Wealth Management Co., Ltd.

On November 25, 2022, the Bank established Bank of Beijing Wealth Management Co., Ltd. ("Bank of Beijing Wealth Management") As of December 31, 2022, Bank of Beijing Wealth Management had a registered capital of RMB 2 billion, with Bank of Beijing holding 100.00% of the shares. Bank of Beijing Wealth Management had total assets of RMB 2,114.43 million and net profit of RMB 7.783 million, and its operation and development were in good conditions.

3.9.9 Main joint venture

1. BOB-Cardif Life Insurance Co., Ltd.

On 1 July, 2010, the Bank established the BOB-Cardif Life Insurance Co., Ltd. (hereinafter referred to as "BOB-Cardif") as a joint venture with other shareholders. As of 31 December, 2022, the registered capital of BOB-Cardif was RMB 3.57 billion, with the Bank contributing 50% of the capital. BOB-Cardif is committed to providing diversified life insurance products for individuals, families, enterprises, organizations, and other customers to meet their security and financial needs. As of the end of the reporting period, BOB-Cardif had total assets of RMB 42.5332296 billion and net profit of RMB 9.8568 and its operation and development were in good condition.

3.9.4 Main associates

1. Bank of Beijing Consumer Finance Company

On 25 February, 2010, the Bank initiated the establishment of Bank of Beijing Consumer Finance Company (BOBCFC). As of 31 December, 2022, its registered capital was RMB 850 million, and the Bank's capital contribution was 35.29%. As the first non-bank financial institution in China to provide loans for consumption purposes to domestic residents, BOBCFC relies on Internet technology innovation and comprehensive risk management mechanisms to continuously optimize its products, services, and processes, and is committed to providing customers with personal consumer loans for various purposes. As of the end of the reporting period, BOBCFC had total assets of RMB 10.4754541 billion and net profit of RMB 87.3469 and its operation and development were in good condition.

2. Bank of Beijing Scotiabank Asset Management Co., Ltd.

On 27 March, 2013, the Bank established the Bank of Beijing Scotiabank Asset Management Co., Ltd. (hereinafter referred to as BOBSAM) with other sponsors. As of 31 December, 2022, the registered capital of BOBSAM was RMB 465 million, and the Bank contributed 44% of the capital. BOBSAM is engaged in fund raising, fund sales, asset management and other business. As of the end of the reporting period, it had consolidated total assets of RMB 2.7452601 billion and net profit of RMB 236.3536 million and its operation and development were in good condition.

3. Nongan BOB Rural Bank Co., Ltd.

On 6 January, 2012, the Bank and other sponsors jointly established the Nongan BOB Rural Bank Co., Ltd. As of 31 December, 2022, the rural bank had a registered capital of RMB 121,693 thousand, with the Bank of Beijing holding 19.02% of the shares. The rural bank had total assets of RMB 3.9500802 billion and net profit of RMB 34.4951 million. As of the end of the reporting period, its operation and development were in good condition.

4. Hebei Lizhou BOB Rural Commercial Bank Co., Ltd.

On 1 September, 2015, the Bank and other sponsors jointly established the Hebei Lizhou BOB Rural Commercial Bank Co., Ltd. As of 31 December, 2022, the rural bank had a registered capital of RMB 300 million, with the Bank of Beijing holding 30% of the shares. The rural bank had total assets of RMB 5.6002388 billion and net profit of RMB 12.0353 million. As of the end of the reporting period, its operation and development were in good condition.

3.9.5 Major equity investment

During the reporting period, the Bank established Bank of Beijing Wealth Management Co., Ltd. Bank of Beijing Wealth Management had a registered capital of RMB 2 billion, with Bank of Beijing holding 100% of the shares. The business scope of Bank of Beijing Wealth Management is as follows: publicly offering wealth management products to unspecified members of the public, and investing and managing entrusted investor's property; privately offering wealth management products to qualified investors, and investing and managing entrusted investor's property; providing wealth management advisory and consulting services; and conducting other business approved by the banking regulator under the State Council.

3.10 Other Information Required by the Regulators

3.10.1 Financial bonds held at term-end

1. Structure of bonds held by the Bank at the end of the reporting period

(Unit: RMB million)

| Types of bonds | Book value |
|-------------------------------------|----------------|
| Policy-based financial bonds | 130,240 |
| Financial bonds of commercial banks | 35,443 |
| Others | 4,503 |
| Total | 170,186 |

2. Top 10 financial bonds held by the Bank at the end of the reporting period

(Unit: RMB million)

| Name | Par value | Annual interest rate (%) | Maturity date | Impairment provision |
|-------------------|-----------|--------------------------|---------------|----------------------|
| Financial bond 1 | 6,140 | 3.07 | 2030-03-10 | 1.33 |
| Financial bond 2 | 5,710 | 4.04 | 2028-07-06 | 1.19 |
| Financial bond 3 | 5,520 | 2.96 | 2032-07-18 | 0.16 |
| Financial bond 4 | 5,430 | 3.45 | 2029-09-20 | 1.11 |
| Financial bond 5 | 4,210 | 2.91 | 2029-02-21 | 0.91 |
| Financial bond 6 | 3,510 | 2.69 | 2027-06-16 | 0.65 |
| Financial bond 7 | 3,450 | 3.48 | 2029-01-08 | 0.75 |
| Financial bond 8 | 3,420 | 2.82 | 2027-06-17 | 0.74 |
| Financial bond 9 | 3,290 | 2.74 | 2027-02-23 | 0.71 |
| Financial bond 10 | 2,970 | 4.80 | 2029-11-04 | 0.64 |

3.10.2 Interest receivables and bad debt provision for other receivables**1. Interest receivables**

At the end of the reporting period, the Company's interest receivables could be found in "VII Major Item 14 Other Assets" of the "Financial Statements".

2. Other receivables

(Unit: RMB million)

| Item | Term-beginning balance | Term-end balance | Changes |
|--------------------|------------------------|------------------|---------|
| Other receivables | 4,108 | 13,332 | 9,224 |
| Bad debt provision | (1,607) | (1,816) | (209) |

3.10.3 Development and profit or loss in asset securitization, asset management, custody business, agent services and other business

1. Development and profit or loss in asset securitization

During the reporting period, the Bank did not issue asset-backed securities. As of the end of the reporting period, balance of existing asset securitization business totaled RMB 4.286 billion.

2. Development and profit or loss in wealth management business

During the reporting period, the Bank stuck to digital transformation as the guiding principle, continuously consolidated the new retail and greater wealth management system based on customer experience and value creation, enhanced wealth management business development, and deepened the customer segmentation management and VIP value-added services and customer activity system under the wealth management brand.

As of the end of the reporting period, the Bank had 864,900 VIP customers, up by 10.01% compared with the beginning of the year, and over 12,900 private banking customers, up by 15.22% compared with the beginning of the year, with the foundation of middle-to-high end customers consolidated. During the reporting period, the Bank continuously enriched product supply and investment strategies and built an open-ended, all-weather, and full-life-cycle greater wealth management platform. In its efforts to strengthen talent team building, the Bank launched the “Bank of Beijing Wealth Management Training System Construction” online training program through the “E-Banker” APP, formed a talent cultivation value chain integrating “learning, testing, and evaluation”, and focused on improving the professional competencies of wealth management and private banking managers; and held the “Seventh Retail Star Relationship Manager (Team) Competition” to award role models and outstanding personnel, and facilitate retail transformation with digitalization as the core engine. The Bank upgraded systems such as the “E-Banker” APP, the wealth management section of mobile banking APP, and the VIP customer service platform, and launched a customer marketing tool - Relationship Manager Cloud Studio 1.0, creating an environment with standardized and unified data, agile applications, online and offline coordination, and diversified scenes for retail business. The Bank comprehensively upgraded the private banking service system, continuously enriched exclusive products and services for private banking customers, optimized service procedures, and strove to build characteristic private banking centers and a professional investment advisor team. It expanded and innovated financial advisory business, and constructed an all-round and long-term family wealth management system, so as to realize the long-term development and governance goals of customers from individuals to families.

3. Development and profit or loss in asset custody business

During the reporting period, assets under the Bank’s custody were RMB 1048.977 billion and fee income from custody business totaled RMB 680 million.

4. Development and profit or loss in agent businesses

As of the end of reporting period, the Bank’s new gold leasing volume reached 14.58 tons. The sales volume of proxy purchase of physical precious metal products was RMB 92 million.

3.10.4 Information on outstanding balance of off-balance sheet items with potential major impact on financial condition and business performance

(Unit: RMB million)

| Off-balance sheet items | 31-12-2022 | 31-12-2021 |
|-----------------------------------|------------|------------|
| Credit commitment | 455,374 | 356,102 |
| L/C issued | 61,924 | 55,175 |
| L/G issued | 48,510 | 62,140 |
| Bank acceptance | 290,447 | 188,092 |
| Loans and other credit commitment | 54,493 | 50,695 |
| Assets pledged | 262,414 | 210,650 |
| Equity-based commitment | 1,385 | 1,748 |
| Agreement signed but not paid | 1,129 | 1,474 |
| Approved but not signed | 256 | 274 |

3.10.5 Cash flow analysis

During the reporting period, the net cash flow generated by the Company's operating activities was RMB 126.042 billion, a year-on-year decrease of RMB 165.603 billion, which was mainly due to the increase in absorbed deposits and due from banks and other financial institutions. The net cash flow from investment activities was RMB -14.565 billion, a decrease of RMB 50.938 billion year-on-year, mainly due to the increase of cash paid for investment. The net cash flow from fund-raising activities was RMB -877 million, a decrease of RMB 41.107 billion year-on-year, mainly due to the increase in cash for debt repayment.

3.10.6 Assets that were sealed up, distrained, frozen, offset or pledged

☐ Applicable ☒ Not applicable

3.10.7 Overdue outstanding debts

☐ Applicable ☒ Not applicable

3.10.8 Derivative financial instruments

Derivative financial assets and liabilities could be found in "4. Derivative assets and liabilities in VIII Major Items" of the "Financial Statements".

3.10.9 Structured entity controlled by the Company

Structured entity controlled by the Company could be found in "47. Structured entity in VII Major Items" of the "Financial Statements".

3.10.10 Major assets and equity sold

☐ Applicable ☒ Not applicable

3.10.11 G-SIBs assessment indicators

According to the quantitative calculation requirements for global systemically important banks (G-SIBs) by the end of 2022 announced on the website of the Basel Committee, the G-SIB assessment indicators of the Company by the end of 2022 could be found in the table below.

(Unit: RMB million)

| No. | Indicator | Indicator value |
|-----|--|-----------------|
| 1 | Balance of on- and off-balance sheet assets after adjustment | 4,017,432 |
| 2 | Intra-financial system assets | 363,123 |
| 3 | Intra-financial system liabilities | 474,423 |
| 4 | Securities and other financing instruments issued | 569,697 |
| 5 | Payments settled via payment systems or correspondent banks | 63,223,057 |
| 6 | Assets under custody | 1,048,977 |
| 7 | Underwritten transactions in debt and equity markets | 127,274 |
| 8 | Trading volume of fixed income securities | 663,306 |
| 9 | Trading volume of equity and other securities | 0 |
| 10 | Notional amount of over-the-counter (OTC) derivatives | 274,942 |
| 11 | Trading and available-for-sale securities | 92,714 |
| 12 | Level 3 assets | 7,825 |
| 13 | Cross-jurisdictional claims | 7,980 |
| 14 | Cross-jurisdictional liabilities | 51,443 |

3.11 Future Development Outlook

3.11.1 Industry outlook and trend

In 2023, the international environment is still complicated, while the fundamentals sustaining China's long-term economic growth remain strong. According to the Central Economic Work Conference, China will make economic stability its top priority and pursue progress while ensuring stability, continue implementing proactive fiscal policies and prudent monetary policies, intensify macro-economy policy control, and strengthen the coordination of various policies to form a joint force to promote high-quality development.

From the perspective of the banking industry, on one hand, under the current macroeconomic situation, the real economy has a resurgent financing demand, the credit granting pace of banks is expected to increase, and the overall development trend of the banking industry is improving. From the perspective of the credit structure, in terms of corporate credit, key areas such as infrastructure construction, micro and small enterprises, technological innovation, manufacturing, and green and low carbon are still the main directions; in terms of retail credit, the growth of consumer loan is optimistic under the guidance of expanding domestic demand and promoting consumption policies. On the other hand, with severe peer competition, commercial banks are facing more challenges and opportunities, and are thus required to actively adapt to market changes, accelerate the transformation process, optimize business structure, and constantly improve market competitiveness.

3.11.2 Development visions

The Bank will strive to start a new chapter of high-quality development with the spirit of "embarking on a new journey". The Bank will firmly advance the concept of "One Bank, One Data and One Platform" and maintain the mindset of "the Head Office serving regional branches, regional branches serving branch, and the whole bank serving the front-line". Besides, the Bank will adhere to the corporate mission of "creating value for customers, profit for shareholders,

future for employees, and wealth for the society" and uphold the market positioning of "serving the local economy, small and medium-sized enterprises, and the public". The Bank will fully improve and implement its policies, liberate productivity through digital transformation, improve operation and management efficiency, significantly enhance technological innovation, market competitiveness and product service capabilities, and modernize the governance capabilities and mechanisms, so as to build itself into a high-quality listed bank with excellent customer experience, distinctive service features, high-quality business structure and efficient operation and management, increasing influence in the international arena and significant competitiveness in the country. The Bank will follow the path of leapfrog development in the new era.

3.11.3 Development strategies and outlook

Facing the future, Bank of Beijing will hold high the great banner of socialism with Chinese characteristics, and follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. Bearing in mind the original aspiration of "putting people first" and adhering to the Bank's orientation as a bank of the capital city, the Bank will make stability its top priority and pursue progress while ensuring stability, firmly implement the new development philosophies of innovation, coordination, green, openness and sharing, serve the overall situation, focus on its main business and characteristics, firmly embrace the concept of steady operation and value creation, target at digital transformation and development of the financial industry, insist on digital transformation to lead the five major transformations of "development mode, business structure, customer structure, operation capacity and management style", and strive to build a high-quality, sustainable and green development pattern with distinctive characteristics, high-quality structure, fine management, leading technology, sound risk control and sustainable growth. With all these efforts, the Bank will start a new journey from one of the "Top 100 Banks" to a "century-old bank".

In terms of the transformation of the development mode, the Bank will focus on the implementation of new development philosophies, adhere to the fundamental purpose of finance of serving the real economy, constantly strengthen intensive management, establish an endogenous mechanism to generate profit, enhance internal capital development capacity, and accelerate the transformation of the development mode from extensive to intensive by means of digital transformation, thereby achieving prudent, lightweight and high-quality development.

In terms of the transformation of the business structure, the Bank will focus on improving customer experience, create the "second growth curve" of retail growth through technology and data, continuously promote the proportion of retail profits, and accelerate the transformation of the business structure from corporate-oriented one to a structure with equal importance to corporate and retail by means of digital transformation, thereby achieving a balanced development of the corporate and retail businesses.

In terms of the transformation of the customer structure, the Bank will deepen cooperation with professional trading platforms and improve the financial service ecosystem for listed enterprises, pre-IPO enterprises, unicorn enterprises, "specialized, refined, featured and innovative" enterprises and innovative small and medium-sized enterprises. Besides, targeted at the transformation of retail customers, the Bank will optimize the customer segmentation to improve the number and quality of customers.

In terms of the transformation of the operation capacity, the Bank will seize the opportunities of digital transformation, increase the input of resources, enhance the processing capacity of the core banking system, promote business function upgrading and process reengineering, and accelerate the operational transformation from informationization to digitalization by means of digital transformation, thereby achieving all-round improvement in management effectiveness, business efficiency and customer experience.

In terms of the transformation of the management style, the Bank will give full play to the initiative of business units and professions, strengthen the unified management of digital transformation, achieve intelligent management and control with the aid of digital technology, exert the joint efforts of the front, middle, back offices and business units, and accelerate the transformation of the management style toward service marketing by means of digital transformation.

3.11.4 Operation plan for the new year

2023 is the first year to fully implement the guiding principles of the 20th CPC National Congress of the Communist Party of China, a year for continuing to implement the "14th Five-Year Plan", as well as a year for Bank of Beijing to make concerted efforts, uphold fundamental principles and break new ground. From an international perspective, global inflationary pressure still exists, the world economy will face great downward pressure, and the external environment remains complicated and severe. From a domestic perspective, expanding domestic demand is placed in a prominent position, policies for stabilizing growth continue to be issued, and the overall economy registered stable performance with good momentum for growth. In 2023, the Bank will follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully implement the guiding principles of the 20th CPC National Congress of the Communist Party of China and the Central Economic Work Conference, and thoroughly implement the decisions, arrangements and work requirements of the Beijing Municipal Party Committee and Municipal Government. In addition, the Bank will adhere to the general principle of pursuing progress while ensuring stability, apply the new development philosophy in full, in the right way, and in all fields of endeavor, proactively serve the major development strategies of the state and the capital, and actively implement regulatory policies. Under the leadership of the Board of Directors, the Bank will make efforts to strengthen forward-looking strategies, forward-looking business layout, comprehensive risk monitoring and early warning and talent pools to continuously promote the high-quality business development of the Bank.

3.11.5 Risk management strategy analysis

1. Credit risk and management measures

The Bank's credit risks mainly come from its loan portfolio, investment portfolio, guarantees and other payment commitments. The Board of Directors has the ultimate responsibility for risk management, with the Risk Management Committee, Related-party Transaction Committee and Audit Committee under the Board of Directors. The Credit Approval Committee, Credit Risk Policy Committee, Non-Performing Assets Disposal Committee, and other specialized committees are under the senior management. The risk management line of the Headquarter, responsible for risk management, consists of the Risk Management Department, Credit Approval Department, Legal Compliance and Internal Control Department, Post-Loan and Post-Investment Management

Department, and Special Asset Management Department. The three lines of defense are constructed by business departments, risk departments and audit departments to jointly promote healthy business development.

Under the leadership of the Party Committee of the Bank, the Bank will resolutely implement the work requirements of "exercising full and rigorous governance of the Party and the Bank, and maintaining comprehensive risk control", focus on digital transformation, accelerate the development of the comprehensive risk management system, intensify credit structure adjustment, strengthen risk control in key areas, promote problem rectification, and actively promote the high-quality transformation and development of the Bank. Moreover, the Bank will promote the development of the smart risk control system and implement the digital transformation strategy in risk management field. The comprehensive risk management mechanism will be continuously improved to ensure coordinated development of the Bank as a whole and cover and penetrate all businesses and areas. Efforts will be made to optimize credit structure, perform forward-looking risk management and provide a refined management mechanism.

The Bank will formulate and issue the guidelines and supplementary guidelines for the credit business, actively implement the State Council's package of policy measures for stabilizing the economy, and coordinate financial services to support stable economic growth. The Bank will proactively serve national strategies, increase credit granting to key areas and weak links in the real economy, and improve financial services for industries, enterprises and individual groups in areas like inclusive finance, SME, retail finance, and "agriculture, rural areas and farmers". The Bank will persist in digital transformation to drive characteristic development, increase input to the capital-light business, strengthen credit research of the green industry, and reinforce differentiated credit management.

All possible efforts will be made to steadily improve asset quality, strengthen risk inspection and monitoring, and adopt a variety of methods to strengthen asset disposal and accelerate the disposal of risk assets.

2. Liquidity risk and management measures

The Bank's Board of Directors assumes the ultimate responsibility for liquidity risk management and has established a liquidity risk governance structure consisting of the Board of Directors and its Risk Management Committee, senior management and its Asset and Liability Committee, which are responsible for formulating and supervising the implementation of liquidity risk management strategies. The Board of Supervisors monitors and evaluates the performance of the Board of Directors and senior management in liquidity risk management. At the executive level, the Asset and Liability Department takes the lead in the day-to-day liquidity risk management of the Bank and forms a management team with the Risk Management, Financial Market, Corporate Banking, Retail Banking, and Operations Departments to build an effective management system covering the Headquarter and regional branches, on-balance sheet and off-balance sheet business, and the Bank's subsidiaries and affiliates.

The Bank identifies, measures, monitors and controls liquidity risk through effective tools and methods to maintain reasonable liquidity across the Bank, meet business development needs,

and withstand liquidity shocks under stress scenarios to achieve synergistic development of safety, liquidity, and profitability. The Bank adopts an approach of liquidity limit indicator monitoring and liquidity gap analysis for measuring its liquidity risk status. The Bank sets multi-level liquidity risk management indicators to quantify and reflect liquidity risk appetite, including regulatory limits, monitoring limits and internal management limits. Liquidity gap analysis is divided into normal and crisis situations. The Bank analyzes the ability to respond to liquidity risks or shocks by using conventional stress tests and temporary and specialized stress tests. For liquidity risk contingency, the Bank has formulated graded contingency plans based on different stress scenarios and crisis situations, sets and monitors internal and external liquidity warning indicators and contingency plan trigger indicators, and establishes a trigger mechanism for liquidity risk contingency plans to be activated by the warning indicators. The Bank has established a liquidity risk reporting mechanism, which requires that the liquidity risk management departments report regularly to the Board of Directors, the Risk Management Committee, the senior management and the Asset and Liability Committee on the liquidity risk status, liquidity risk stress tests, contingency plans and other related matters.

In 2022, the Bank adhered to its prudent liquidity risk appetite and achieved the dual-pillar liquidity risk management objective of maintaining actual liquidity safety and meeting liquidity targets, strictly implemented the requirements of regulatory institutions, improved the liquidity risk governance structure, optimized the asset and liability structure, consolidated all basic work and improved the systematic and refined level of liquidity risk management. The main measures included:

First, the liquidity risk management system was revised and improved. The Bank continued updating the policy framework for liquidity risk management, set liquidity risk appetites, management strategies, operation procedures, limits and management measures for important business lines, improved the position management procedures and risk control, defined the responsibilities of all departments, and effectively prevented and controlled intraday liquidity risk.

Second, the Bank adhered to balanced development of assets and liabilities, optimized the layout of assets, actively responded to regulatory policies, increased the disbursement of credit assets, and served for the real economy; optimized the liability structure, and promoted the growth of customer deposits through performance assessment, product innovation, business coordination and other measures.

Third, the Bank maintained diversification of proactive liabilities. The Bank replenished liabilities of various maturities through diversified channels such as financial bonds, CDs, PBOC's inclusive SME loan supporting tools, central bank open market operations, medium-term lending facilities, re-lending and re-discounting.

Fourth, the Bank strengthened the management of high-quality liquid assets, invested in treasury bonds, local government bonds and policy financial bonds, and increased the ratio of high-quality liquid bonds to total assets.

Fifth, the cluster of liquidity risk management systems was continuously upgraded and digital transformation was pushed forward. The Bank continued to upgrade the asset-liability system

and position management system, achieved the systematic and accurate statistical reporting of liquidity risk regulatory and monitoring indicators, as well as systematic management of CNY and FCY position, which supported the refined management of positions, accurately captured intraday liquidity risk, and reasonably balanced profitability and security.

Sixth, the Bank carried out stress tests on the Group's consolidated liquidity risk. Based on the test results, the Bank proposed suggestions on asset and liability structure adjustments to ensure that sufficient high-quality liquid assets were available to withstand liquidity shocks.

Seventh, the Bank conducted liquidity contingency drills to test parts of the recovery plan in conjunction with the regulatory requirements for systemically important banks, and strengthened crisis awareness and crisis response capabilities.

The indicators reflecting liquidity condition are as follows:

(Unit: %)

| Item | Regulatory requirement | 31-12-2022 | 31-12-2021 | 31-12-2020 |
|-----------------|------------------------|------------|------------|------------|
| Liquidity ratio | ≥25 | 76.93 | 71.82 | 60.33 |

Note: the regulatory indicator in the above table was calculated based on current applicable regulatory requirement, definition and accounting standards; while the data in comparative years will not be adjusted correspondingly.

Liquidity exposure of the Company at the end of the reporting period (excluding derivative financial instruments) is as follows:

(Unit: RMB million)

| Item | Immediate repayment | <1m | 1-3m | 3m-1y | 1-5y | >5y | Overdue/ open-ended | Total |
|--------------------|---------------------|----------|----------|--------|---------|-----------|------------------------|---------|
| Liquidity exposure | (934,250) | (69,408) | (12,644) | 41,503 | 576,471 | 1,031,025 | 222,327 | 855,024 |

3. Market risk and management measures

(1) Interest rate risk in the banking book

The Bank has established a governance structure for interest rate risk management in the banking book and clarified the roles, responsibilities and reporting lines of the Board of Directors, senior management, special committees and relevant departments to ensure the effectiveness of interest rate risk management in the banking book. The Bank measured and analyzed the interest rate risk of the banking book mainly from two dimensions: net interest income and economic value, regularly evaluated the impact of interest rate changes on net interest income and economic value under different interest rate scenarios, with specific measurement methods including but not limited to repricing gap analysis, net interest income analysis, economic value analysis and stress testing. The Bank analyzed the causes of interest rate risk in the banking

book and offered management recommendations through the regular meetings of the Asset and Liability Committee under senior management and the regular reporting system, and reasonably adjusted the repricing term structure of interest-earning assets and interest-paying liabilities to reduce the potential negative impact of interest rate changes on profitability.

In 2022, the Bank paid close attention to the economic, financial and market interest rate trends, actively implemented various policies, and strengthened monitoring and management of interest rate risk to ensure that interest rate risk was within an acceptable range. The following measures are adopted: First, the Bank improved the management policies of interest rate risk in the banking book and defined important matters such as risk appetites, risk limits and management strategies. Second, the Bank dynamically adjusted the scale, term and interest rate structure of assets and liabilities to enable the interest rate risk exposure to develop in the expected direction. Specifically, FTP instruments were used to guide the adjustment of the scale, term and interest rate structure of assets and liabilities, the dual objectives of interest rate risk and stable net interest margin were properly balanced, and proactive liability and bond investment strategies were optimized. Third, the functions of the asset-liability system were improved. The Bank continuously promoted data quality governance to enhance the measurement accuracy of systems, improved the stress test framework to diversify the stress testing scenarios, and pushed forward the dynamic measurement of interest rate risk indicators to further support their management and application. Fourth, the consolidated management at the group level was strengthened. Subsidiaries and affiliates were instructed to establish their policy system for the management of banking book interest rate risk and regularly report the management of banking book interest rate risk to the Bank. In this way, the Bank can be informed of and assess relevant risks in a timely manner.

(2) Bank account exchange rate risk

Affected by multiple factors such as "high inflation" and "tightening monetary policy" in major economies in 2022, the international financial market suffered severe fluctuations. Amid the complex and severe international situation, the RMB exchange rates floated in both directions, became more flexible and remained stable at a reasonable and balanced level. The RMB foreign exchange rates became more resilient and better adapted to changes in the external environment. The Bank adhered to the concept of "exchange rate risk neutrality", paid attention to external market changes and exchange rate movements, further improved policies of exchange rate risk management, achieved the systematic and dynamic monitoring of exchange rate risk exposure, and minimized the foreign exchange exposure. Meanwhile, based on policy orientation, market trends and the Bank's asset and liability structure, the Bank offered reasonable pricing, controlled the term and currency of foreign exchange deposits, optimized the asset and liability structure, and strove to achieve the matching between the source and use of FCY funds to control risk.

4. Operational risk and management measures

During the reporting period, the Bank carried out operational risk management empowered by digital tools, adhered to process management, strengthened risk monitoring, and enhanced effective risk management to improve operational risk management.

Improving the work mechanism of the Committee to enhance quality and efficiency of management. First, the Bank revised the "Work Procedures of the Internal Control and Operational Risk Management Committee of the Bank of Beijing", in order to further improve the

work mechanism for internal control and operational risk management, promote the efficient and standardized work of the Committee and improve management effectiveness. Second, the Bank held meetings of the Internal Control and Operational Risk Management Committee on a regular basis. Throughout the year, the Bank held two meetings of the Internal Control and Operational Risk Management Committee of the Head Office, and supervised the implementation of opinions and suggestions in the meeting minutes to be in line with operational risk prevention and control measures put forward by the senior management.

Improving the risk management tool and enhancing risk control. **First**, the Bank built a self-assessment system which integrated operational risks and internal control management requirements, streamlined and improved the self-assessment process for internal control, and enhanced the Bank's risk identification and assessment through assessing the severity of business process risk points and the effectiveness of control measures. **Second**, the Bank conducted re-inspection on key risk indicators in accordance with the monitoring results of indicators throughout the year and the actual business development. **Third**, the Bank carried out special investigation on key areas of internal control, compliance and operational risk, aiming at timely detection of potential risks in key areas and crucial links, and effectively enhancing the capacity of operational risk prevention and control.

Empowering risk control with technology and improving digital management. The Bank optimized the existing data collection and management mechanism for operational risk incidents in light of the regulatory requirements for operational risk capital measurement. Also, the Bank built an operational risk loss database in accordance with regulatory requirements through setting data criteria, sorting out data sources, formulating data collection rules, specifying database management requirements, etc.

Issuing operational risk alerts and boosting consciousness of risk prevention. **First**, the Bank released operational risk alerts, sorted out the areas requiring key attention based on the operational risk incidents reported by each business unit and made suggestions for policy improvement and system optimization. **Second**, the Bank organized special training on operational risks, specified the legal basis and methods for collecting operational risk loss data under the new standardized approach, and provided the required data for operational risk capital measurement.

5. Compliance risk and management measures

During the reporting period, the Bank focused on the transformation in the five major areas empowered by digital transformation, continuously strengthened the foundation of compliance management, adhered to the concept of compliance management in business operations, and improved compliance management to assist the high-quality business development of the Bank.

Improving the compliance system and laying a stronger foundation for compliance management. **First**, the Bank reviewed relevant policies. Based on the results of the first round of reexamination of compliance documents by the end of 2021, the Bank made a policy revision or abolishment plan and established a ledger by department, and regularly tracked the progress of revision and improvement in strict accordance with the "One Worksheet for Each Department". **Second**, the Bank strengthened the auditing of policy documents, adhered to the audit

philosophy of “strict compliance and sticking to bottom line”, followed five audit principles, namely compliance, applicability, effectiveness, coordination and operability, and strictly controlled compliance risks from the source.

Implementing regulatory requirements and promoting business compliance. **First**, the Bank supervised the implementation of regulatory documents, streamlined the documents issued by the CBIRC, the Operations Office of the People's Bank of China, the State Administration of Foreign Exchange and other regulatory authorities, and regularly followed up on the implementation of regulatory opinions and requirements. **Second**, the Bank tracked new regulations, paid attention to and timely collected the latest legal and regulatory policies, and released key regulatory requirements and management points in the “New Regulations Manual” to the whole bank. **Third**, the Bank issued real-time compliance reminders, urged business departments to improve policies and business processes in accordance with new regulatory requirements, and kept track of the revision of policies, in order to ensure that the Bank's internal policies were compatible with external regulatory requirements.

Enhancing compliance education and boosting awareness of compliance. In 2022, the Bank promoted the “Year of Compliance Culture Building” campaign, and carried out compliance education based on “a manual, a monthly magazine, a series of publicity videos, a compliance education platform and a publicity group”. **First**, the Bank compiled and released the “Compliance Manual (2022 Edition)” (《合规手册(2022年版)》) which covered compliance culture, laws and regulations, code of conduct, business management and inspection key points, and facilitated business units to study regulations and carry out self-examination and self-correction, and eventually create a compliance atmosphere in which employees “can not, dare not and will not break the rules”. **Second**, the Bank released the “Monthly Compliance Management Magazine” (《合规管理月刊》) which covered management updates, compliance regulatory focuses, risk early-warning and operational risk cases, to further define compliance and operational risk management requirements and help reshape the compliance culture. **Third**, the Bank produced the publicity videos to guide all cadres and staff to raise the awareness of integrity and carry out business in line with laws and regulations. **Fourth**, the Bank advocated latest regulatory requirements across the bank through “Q&A Session for Must-Know Compliance Knowledge” tests. **Fifth**, the Bank carried out multiple special training sessions to raise staff's awareness of case-based risk prevention and compliance management and establish the compliance culture of “compliance for all and compliance in all matters”.

6. Information technology risk and management measures

During the reporting period, the Bank followed the risk strategy set out by the Board of Directors, closely followed the policy guidance of regulatory authorities, strengthened IT capabilities, improved operation ability and enhanced risk control based on the IT risk management policies formulated by the Bank and the “customer-centered” service philosophy.

First, the Bank's IT governance system was continuously consolidated. The Bank strengthened top-level design, and constantly created new driving force and advantages for its development. It advanced its IT risk system, and relied on itself in high-level IT capability. The Bank promoted reform of its IT mechanism and system to effectively boost its normalized management capabilities. Besides, the Bank improved its architecture, and strengthened coordinated project

management, optimized its IT management capabilities in such aspects as demand and budget, and further improved its management mechanism.

Second, the Bank intensified the assessment and monitoring of IT risk. The Bank improved the assessment of IT risk to reflect new regulatory requirements and new trend of IT risk change. By regularly monitoring and tracking key IT risk indicators, the Bank ensured that its IT risk was reasonably controlled. From the perspective of the whole group, the Bank promoted the development of IT management system in the Head Office and regional branches, and improved the off-site IT monitoring system. Besides, the Bank worked to ensure that all regulatory requirements were implemented to the letter.

Third, the Bank improved its defense for information security and compliance construction. The Bank promoted the development of data security, and reinforced the defense capabilities for data security. The Bank standardized new technology applications to boost the capability of technology to safeguard information security. By inspecting and handling regulatory loopholes and risks, the Bank improved loophole management of IT systems. The Bank intensified the implementation of job accountability system for cyber security, so as to prevent material risks in cyber security. The Bank analyzed and studied key laws and regulations of information security and industry standards, so as to comprehensively understand regulatory requirements. In addition, the Bank boosted the awareness of information security bank-wide and its capabilities of policy implementation in this field, and standardized the information security mechanism.

Fourth, the Bank prevented risks in developing and testing IT systems. The Bank established its management mechanism of security demand, and achieved “managing risks from the source” in research and development. The Bank learned from regulatory guidance and industrial practice to build its library of security demand indicators, and carried out precise risk management in accordance with business demand at different security levels. The Bank strengthened its quality management in development process, strictly implemented data desensitization to prevent sensitive information from being disclosed, and ensured sound security management. Besides, the Bank migrated its testing process online and promoted automatic testing and other online procedure re-engineering. By strengthening its testing standard, the Bank boosted its capabilities of analyzing and assessing key testing points.

Fifth, the Bank strengthened IT operation and maintenance. It built an intelligent operation and maintenance system to ensure the secure and smooth operation of IT systems, and strengthened its monitoring capabilities to increase the monitoring efficiency of the data center. Through closed-loop management of problems, the Bank promoted refined production and operation. The quality of the IPv6 deployment was regularly tested, hence promoting the development of the IPv6 information system. The Bank built its financial cloud ecosystem, and formed a multi-cloud ecosystem that is agile in full stack, advanced in architecture, diverse in services, and continuously scalable.

Sixth, the Bank made business continuity planning and contingency response. The Bank constantly developed resources for business continuity to meet the objective of business resumption and the requirement for the continuous operation of important business. To constantly boost its contingency management, the Bank continuously updated and improved the special

contingency plans and contingency management policies for IT systems. Besides, the Bank carried out system switching drills in accordance with plans, so that the availability of backup resources for disaster recovery can be sufficiently verified. With the aid of digital management, the Bank achieved intelligent contingency response, visualized switching, and normalized drills.

Seventh, the Bank fully implemented the regulatory measures for risks in IT outsourcing. The Bank optimized its division of work and coordination, and assessed and revised the management policies for IT outsourcing. By identifying the scope of IT outsourcing services, the Bank highlighted the whole-process, closed-loop management of important outsourcing items. The Bank also summarized and implemented the regulatory requirements for cyber and IT security, data security, supply chain security, personal information and security in IT outsourcing services. Besides, the Bank strengthened its management of outsourced development personnel, enhanced the personnel's risk and compliance awareness and the constraint on their behaviors, so as to ensure the procedure for entry and exit was reasonable and effective.

With the sound IT risk management system, the Bank constantly promoted risk prevention and control of IT systems, and firmly consolidated the risk control bottom-line. The Bank implemented the 14th Five-Year Plan, reformed the production and governance modes through digital transformation, and strove for building a high-quality and sustainable development pattern.

7. Reputational risk and management measures

The Bank attached great importance to its reputational risk management, comprehensively consolidated its foundation of reputational risk management, and continued to improve its capabilities of reputational risk management. During the reporting period, the Bank achieved concrete results in reputational risk management and no major reputational risk events occurred.

Improving the policy system. The Bank implemented the "Measures for Reputational Risk Management of Banking and Insurance Institutions (for Trial Implementation)" (《银行保险机构声誉风险管理办法（试行）》) issued by the China Banking and Insurance Regulatory Commission (CBIRC) in 2021, comprehensively promoted the updating of the policies related to reputational risk management. Additionally, the Bank revised the "Regulations on Reputational Risk Management of Bank of Beijing" (《北京银行声誉风险管理规定》), and formulated the "Regulations of Bank of Beijing on Management of Contingency Plans for Reputational Emergencies" (《北京银行突发声誉事件应急预案管理规定》).

Optimizing the management and control mechanism. The Bank formulated the "Plan of Bank of Beijing for Building 'Matrix' Management and Control Mechanism of Reputational Risk (for Trial Implementation)" (《北京银行构建声誉风险“矩阵式”管控机制方案（试行）》), so as to further refine procedures, specify division of work, establish a "Matrix" management and control mechanism for reputational risks that covers all risk areas, thus consolidating the foundation of full-process management.

Improving the organizational structure. In accordance with internal and external policies, the Bank established the Reputational Risk Committee of Bank of Beijing, which studies and reviews key tasks of reputational risk management. The Bank further consolidated its reputational risk management responsibilities, effectively advanced "three lines of defense" for reputational risk

management, and clarified that the head of each business unit was the first responsible person. Besides, the Bank established posts responsible for reputational risk management, strengthened communication and cooperation, and continuously enhanced the awareness and capability of reputational risk prevention and control bank-wide.

Strengthening day-to-day management. The Bank strengthened forward-looking management of reputational risk, and enhanced the public opinion monitoring mechanism and reputational risk screening mechanism. Additionally, the Bank implemented the bank-wide tiered reporting mechanism and response mechanism, and conducted corresponding reporting and handling measures according to different levels of reputational events. The Bank also effectively responded to sensitive information by communicating with relevant parties in advance, actively reporting, closely tracking and continuously monitoring such information, and thus eliminating negative impacts.

Chapter IV Corporate Governance

4.1 Corporate Governance of the Bank

Based on the “Company Law” (《公司法》), the “Commercial Bank Law” (《商业银行法》) and other relevant laws, regulations, as well as rules from regulators, the Bank established a modern corporate governance structure of “the Shareholders’ General Meeting, the Board of Directors, the Board of Supervisors and Senior Management,” in which the Shareholder’s General Meeting is the supreme organ of the authority, the Board of Directors is the decision-making body, the Board of Supervisors is the supervisory body and the Senior Management is the executive body.

During the reporting period, the Bank strictly complied with relevant laws and regulations as well as rules of the regulators, and continued to improve corporate governance structure and enhance corporate governance of the Bank in light of the Bank’s actual circumstances.

4.2 Shareholders and the General Meeting of Shareholders

4.2.1 Duties of the General Meeting of Shareholders

The General Meeting of Shareholders is the authority organ of the Bank, responsible for deciding the Bank’s business policy and investment plan, electing and adjusting directors and supervisors who are not employees’ representatives, deciding the remuneration of directors and supervisors, deliberating and approving reports of the Board of Directors and reports of the Board of Supervisors, as well as the Bank’s annual financial budget plan, final accounting plan, profit distribution plan and loss offsetting plan, making resolutions on the Bank’s merger, division, dissolution, liquidation or change of corporate form, increase or decrease of registered capital, issuance of corporate bonds or other securities and listing, and revising Articles of Association.

4.2.2 Meetings of the General Meeting of Shareholders

During the reporting period, the Bank held the Y2022 First Extraordinary General Meeting of Shareholders, Y2022 Second Extraordinary General Meeting of Shareholders, Y2021 Annual General Meeting of Shareholders and Y2022 Third Extraordinary General Meeting of Shareholders. The notification, convening, holding and voting procedures of those meetings were in accordance with the “Company Law” (《公司法》) and “Articles of Association of Bank of Beijing” (《公司章程》).

On 12 January, 2022, the Bank held the Y2022 First Extraordinary General Meeting of Shareholders in Beijing in the form of on-site meeting to review the proposal on electing some directors and supervisors and revise 7 important proposals such as “Articles of Association of Bank of Beijing Co., Ltd.” (《北京银行股份有限公司章程》).

On 16 March, 2022, the Bank held the Y2022 Second Extraordinary General Meeting of Shareholders to review the proposal on electing Mr. Huo Xuwen as Director of the Bank and listen to the report on Y2021 assessment of major shareholders and principal shareholders of Bank of Beijing.

On 20 May, 2022, the Bank held the Y2021 Annual General Meeting of Shareholders in Beijing in the form of on-site meeting to review and approve 14 proposals including the Work Report of the Board of Directors, Work Report of the Board of Supervisors, Y2021 Financial Report and Y2022 Financial Budget Report, and listen to work report of independent directors and the report on Y2021 annual performance assessment results of directors, supervisors and senior management.

On 20 July, 2022, the Bank held the Y2022 Third Extraordinary General Meeting of Shareholders in Beijing in the form of on-site meeting to review and approve proposals on electing Mr. Lin Hua as Independent Director, and electing Mr. Xu Lin as External Supervisor.

Beijing East & Concord Partners witnessed the Annual General Meeting of Shareholders and the Extraordinary General Meetings and issued legal opinions for them. The convening of the General Meetings of Shareholders of the Bank fully ensured all shareholders’ right to know, right to participate in and right to vote on the Bank’s significant matters. The announcements on the resolutions of those meetings were published on *China Securities* (《中国证券报》), *Shanghai Securities News* (《上海证券报》), *Securities Times* (《证券时报》), *Securities Daily* (《证券日报》) and the website of Shanghai Stock Exchange (www.sse.com.cn).

4.3 Directors and the Board of Directors

4.3.1 The Board of Directors

During the reporting period, all directors of the Bank performed their duties according to laws, formulated the Bank’s major guidelines and policies, decided on the Bank’s business plan, and formulated the annual financial budget and profit distribution plans, which guaranteed the Bank’s management level. In 2022, the Board of Directors of the Company held 10 meetings. The notification, convening and voting procedures of the meetings are all in compliance with the provisions of the “Company Law” (《公司法》) and the “Articles of Association” (《公司章程》).

On January 26, 2022, the 1st meeting of the Board of Directors of Bank of Beijing in 2022 reviewed and approved the report on the NPA disposal plan in 2022 and adjustment plan of members of special committees of the Board of Directors, and listened to the report on adjustment of related parties in Q4 2021.

On February 28, 2022, the second meeting of the Board of Directors of Bank of Beijing in 2022 reviewed and approved the proposals on nominating director candidates, investment plan in 2022, NPA disposal report in 2021, and applying for convening the second extraordinary general meeting of shareholders of Bank of Beijing in 2022, and listened to the proposals including report on implementation of resolutions of the Board of Directors in the second half of 2021.

On March 16, 2022, the 3rd meeting of the Board of Directors of Bank of Beijing in 2022 reviewed and approved the proposals on electing the Bank's Chairman, adjustment plan of members of special committees of the Board of Directors and annual work summary and work plan of Audit Department.

On April 28, 2022, the 4th meeting of the Board of Directors of Bank of Beijing in 2022 reviewed and approved the proposals on Y2021 annual report, 2022 Q1 report, 2021 financial report, 2022 risk management strategy and 2021 anti-money laundering work report, and listened to the proposals on comprehensive risk assessment report and 2021 regulatory opinions of CBIRC, Beijing Office.

On July 4, 2022, the 5th meeting of the Board of Directors of Bank of Beijing in 2022 reviewed and approved the proposals on adjusting the department setting of the Head Office, work report of internal control in 2021 and nominating director candidates.

On July 20, 2022, the 6th meeting of the Board of Directors of Bank of Beijing in 2022 reviewed and approved the Report on Semi-annual Update of ECL Model Parameters in 2022, proposal on adjusting the department setting of the Head Office and proposal on hiring the Bank's Board Secretary, and listened to report on adjusting related parties of Bank of Beijing in Q2 2022.

On August 29, 2022, the 7th meeting of the Board of Directors of Bank of Beijing in 2022 reviewed and approved the proposals on the Y2022 semi-annual report and abstract of Bank of Beijing, Y2021 ESG Report of Bank of Beijing, comprehensive risk management report in H1 2022, and AML work report of H1 2022, and listened to proposals on business performance in H1 2022 and work plan in H2 2022, comprehensive risk assessment report in H1 2022 and implementation of resolutions of general meeting of shareholders and the Board of Directors in H1 2022.

On September 21, 2022, the 8th meeting of the Board of Directors of Bank of Beijing in 2022 reviewed and approved the "Proposal on Authorizing BOB Wealth Management Co., Ltd. to use the Brand of Bank of Beijing" (《关于北京银行母品牌授权北银理财使用的议案》).

On October 27, 2022, the 9th meeting of the Board of Directors of Bank of Beijing in 2022 reviewed and approved proposals on Q3 report of Bank of Beijing in 2022, dividend payment of

preferred share *Beiyinyou* 1, issuance of financial bonds of RMB 100 billion and NPA disposal in Q3 2022, and listened to report of related parties in Q3 2022.

On December 22, 2022, the 10th meeting of the Board of Directors of Bank of Beijing in 2022 reviewed and approved proposals on the authorization document of the Board of Directors to President in 2023, the NPA disposal plan in 2023 of Bank of Beijing, granting related-party credit to Bank of Beijing Consumer Finance Company and nominating director candidates, and listened to reports of audit in Q3 2022 and work plans of the Board of Directors, Board of Supervisors and the General Meeting of Shareholders and their special committees in 2023.

| | |
|--|----|
| Number of the Board of Directors meetings held in 2022 | 10 |
| Including: onsite meetings | 9 |
| Meetings held through written circulation | 1 |

4.3.2 Performance of directors during the reporting period

1. Directors' presence at the Board Meetings and the General Meeting of Shareholders

| Name | Required presence for Board Meetings | Presence in person | Presence by proxy | Absence | Presence in General Meeting of Shareholders |
|--------------------------|--------------------------------------|--------------------|-------------------|---------|---|
| Huo Xuwen | 7 | 7 | 0 | 0 | 2 |
| Zhang Dongning | 3 | 2 | 1 | 0 | 2 |
| Yang Shujian | 10 | 10 | 0 | 0 | 4 |
| Qian Huajie | 10 | 10 | 0 | 0 | 4 |
| Johannes Hermanus De Wit | 10 | 10 | 0 | 0 | 4 |
| Praveen Khurana | 10 | 9 | 1 | 0 | 3 |
| Zhao Bing | 10 | 10 | 0 | 0 | 3 |
| Liu Xipu | 10 | 10 | 0 | 0 | 4 |
| Zhang Guanghua | 10 | 10 | 0 | 0 | 4 |
| Zhao Lifen | 10 | 10 | 0 | 0 | 4 |
| Wang Ruihua | 10 | 10 | 0 | 0 | 4 |
| Yang Yunjie | 10 | 10 | 0 | 0 | 4 |
| Qu Qiang | 10 | 10 | 0 | 0 | 4 |
| Lin Hua | 2 | 2 | 0 | 0 | 0 |
| Liu Hongyu | 5 | 5 | 0 | 0 | 3 |

Note:

1. During the reporting period, the General Meetings of Shareholders of the Bank were held for 4 times and the Board Meetings were held for 10 times.
2. In March 2022, the office-holding qualification of Mr. Huo Xuwen as Director and Chairman was approved by the regulator.
3. On July 2022, the office-holding qualification of Mr. Lin Hua as Independent Director was approved by the regulator.

4. On March 2022, Mr. Zhang Dongning no longer served as the Bank's Chairman.
5. On July 2022, Ms. Liu Hongyu no longer served as the Bank's Independent Director.

2. Objections from directors on relevant matters

☐ Applicable ☒ Not applicable

4.3.3 Special committees under the Board of Directors

1. Strategy Committee

In 2022, the Strategy Committee under the Board of Directors held 5 meetings.

On 28 February, 2022, the 1st Strategy Committee Meeting was convened to approve the "Report on Investment Plan in 2022 of Bank of Beijing Co., Ltd." (《北京银行股份有限公司 2022 年投资计划报告》).

On 16 March, 2022, the 2nd Strategy Committee Meeting was convened to approve the "Proposal on Constructing the Office Building of Ningbo Regional Branch" (《关于宁波分行拟建办公楼的方案》).

On 26 April, 2022, the 3rd Strategy Committee Meeting was convened to approve the "Proposal on Business Performance in 2021 and Work Plan in 2022" (《2021 年度经营情况和 2022 年度工作计划》), and financial budget report in 2022.

On 1 July, 2022, the 4th Strategy Committee Meeting was convened to approve the "Proposal on Acquiring Equity of Bank of Beijing Financial Leasing Company held by Beijing United Crescent Co., Ltd." (《关于收购北京新月联合汽车有限公司持有北银金融租赁有限公司股权的议案》), "Proposal on Acquiring Equity of Chongqing Yongchuan BOB Village Bank and Chongqing Xiushan BOB Village Bank" (《关于收购重庆永川和重庆秀山北银村镇银行股权的议案》), and "Report on the Development of Green Finance Business of Bank of Beijing" (《关于北京银行绿色金融业务发展情况汇报》).

On 22 August, 2022, the 5th Strategy Committee Meeting was convened to approve the "Proposal on Assessment Report of Development Strategies during the '14th Five-Year Plan' Period of Bank of Beijing (2021)" (《北京银行“十四五”时期发展规划战略评估报告(2021 年度)》).

2. Related-party Transaction Committee

In 2022, the Related-party Transaction Committee held 7 meetings.

On 19 January, 2022, the 1st Related-party Transaction Committee Meeting was convened to approve "2021Q4 Related-party Name List Adjustment Report" (《2021 年 4 季度关联方名单调整报告》).

On 23 February, 2022, the 2nd Related-party Transaction Committee Meeting was convened to approve the "Related-party Name List Adjustment Report of Bank of Beijing" (《北京银行关联方名单调整报告》).

On 15 April, 2022, the 3rd Related-party Transaction Committee Meeting was convened to

approve 8 proposals on “Special Report on Related-party Transaction of Bank of Beijing in 2021” (《北京银行 2021 年度关联交易专项报告》), “2022Q1 Related-party Name List Adjustment Report” (《北京银行 2022 年 1 季度关联方名单调整报告》) and related-party credit granting, and listen to the “Report on Rectification of Problems regarding Related-party Transactions Found by the CBIRC’s onsite inspection” (《关于银保监会现场检查发现关联交易相关问题整改情况的报告》).

On 21 June, 2022, the 4th Related-party Transaction Committee Meeting was convened to approve the “Proposal on Revising ‘Provisions on Related-party Transaction Management of Bank of Beijing’”(《关于修订<北京银行关联交易管理规定>的议案》) and “Proposal on Scope of Important Regional Branches and Related Parties in Related-party Transaction Management” (《关于关联交易管理中重要分行和关系人范围的议案》).

On 18 July, 2022, the 5th Related-party Transaction Committee Meeting was convened to approve the “Proposal on Granting Related-party Credit to Beijing Liando Investment (Group) Co., Ltd.” (《关于对北京联东投资（集团）有限公司关联授信的议案》) and “Report on Adjustment of Related-party Name List of Bank of Beijing in Q2 2022” (《北京银行 2022 年 2 季度关联方名单调整报告》).

On 18 October, 2022, the 6th Related-party Transaction Committee Meeting was convened to approve the “Proposal on Granting Related-party Credit to ING BANK N.V.” (《关于对 ING BANK N.V.关联授信的议案》) and “2022 Q3 Report on Related-party Name List Adjustment” (《2022 年 3 季度关联方名单调整报告》).

On 14 December, 2022, the 7th Related-party Transaction Committee Meeting was convened to approved the “Proposal on Granting Related-party Credit to Bank of Beijing Consumer Finance Company” (《关于对北银消费金融有限公司关联授信的议案》) and “Proposal on Revising the ‘Provisions on Related-party Transaction Management of Bank of Beijing’”(《关于修订<北京银行关联交易管理规定>的议案》).

3. Risk Management Committee

In 2022, the Risk Management Committee held in total 4 meetings.

On 6 April, 2022, the 1st Risk Management Committee Meeting was convened to listen to 16 proposals, including “Y2021 Comprehensive Risk Management Report”, “Y2021 Asset Quality Report”, “Y2022 Guidelines on Credit Business” and “Y2022 Risk Management Strategy Report”.

On 27 May, 2022, the 2nd Risk Management Committee Meeting was convened to listen to 6 proposals, including “Y2022Q1 Comprehensive Risk Management Report” and “Y2022Q1 Asset Quality Report”.

On 17 August, 2022, the 3rd Risk Management Committee Meeting was convened to listen to 11 proposals, including “Y2022H1 Comprehensive Risk Management Report”, “Y2022H1 Asset Quality Report”, and “Y2022 Supplementary Guidelines on Credit Business”.

On 21 November, 2022, the 4th Risk Management Committee Meeting was convened to listen to 6 proposals, including “Y2022Q3 Comprehensive Risk Management Report”, “Y2022Q3 Asset Quality Report” and “Report on Liquidity Risk Indicators in Q3 2022”.

4. Remuneration Committee

In 2022, the Remuneration Committee held 3 meetings.

On 21 April, 2022, the 1st Remuneration Committee Meeting was convened to approve the 4 proposals on “Y2021 Report on Performance Assessment of the Board of Directors and Directors” (《2021 年度董事会及董事履职评价报告》) and “Y2021 Report on Performance Assessment of the Senior Management and Senior Managers” (《2021 年度高级管理层及其成员履职评价报告》), and to listen to “Y2021 Work Report of Executive Directors and Senior Management” (《北京银行执行董事及高级管理层 2021 年度述职报告》).

On 21 October, 2022, the 2nd Remuneration Committee Meeting was convened to approve the “Proposal on Revising the ‘Measures of Bank of Beijing on Deferred Payment and Recourse and Deduction of Performance-based Salary’” (《关于修订<北京银行绩效薪酬延期支付与追索扣回管理办法>的议案》).

On 15 December, 2022, the 3rd Remuneration Committee Meeting was convened to approve the “Report on Bonus Results of Business Performance Assessment in 2021” (《2021 年度经营业绩考评奖励结果的报告》).

5. Nomination Committee

In 2022, the Nomination Committee held 4 meetings.

On 28 February, 2022, the 1st Nomination Committee Meeting was convened to approve the “Proposal on Preliminary Review on Qualification of Mr. Huo Xuewen as a Chairman Candidate” (《关于初步审核霍学文先生董事候选人任职资格的议案》) and listen to the “Y2021 Work Report of Executive Directors and Senior Management” (《北京银行执行董事及高级管理层 2021 年述职报告》).

On 24 June, 2022, the 2nd Nomination Committee Meeting was convened to approve the “Proposal on Preliminary Review on Qualification of Mr. Lin Hua as an Independent Director Candidate” (《关于初步审核林华先生独立董事候选人任职资格的议案》).

On 18 July, 2022, the 3rd Nomination Committee Meeting was convened to approve the “Proposal on Preliminary Review on Qualification of Mr. Cao Zhuo as Board Secretary” (《关于初步审核曹卓先生董事会秘书任职资格的议案》).

On 21 December, 2022, the 4th Nomination Committee Meeting was convened to approve the “Proposal on Preliminary Review on Qualification of Director Candidates” (《关于初步审核董事候选人任职资格的议案》).

6. Audit Committee

In 2022, the Audit Committee held 5 meetings.

On 22 February, 2022, the 1st Audit Committee Meeting was convened to approve the “Y2021 Work Review and Y2022 Work Plan of Audit Department” (《审计部 2021 年工作总结及 2021 年工作计划》), “Y2021 Economic Responsibility Audit Progress and Y2022 Plan” (《2021 年经济责任审计工作开展情况及 2022 年工作计划》), and to listen to the “Report on Rectification based on Internal Control Management Suggestions” (《内部控制管理建议书整改情况报告》).

On 25 April, 2022, the 2nd Audit Committee Meeting was convened to approve or listen to 12 proposals, including “Y2021 Internal Control Assessment Report” (《2021 年度内部控制评价报告》), “Y2022 Internal Control Assessment Plan” (《北京银行 2022 年度内部控制评价方案》), and “Report on Rectification of Internal Control Management Suggestions” (《内部控制管理建议书整改情况报告》).

On 30 May, 2022, the 3rd Audit Committee Meeting was convened to approve 3 proposals such as the proposal on the “Work Plan of Internal Control Evaluation Covering All Subsidiaries of Bank of Beijing within Three Years” (关于<北京银行子企业内控评价“三年全覆盖”工作方案>的议案) and to listen to “Y2022Q1 Report on Regulatory Indicators” (《2022 年一季度监管指标体系报告》).

On 23 August, 2022, the 4th Audit Committee Meeting was convened to approve or listen to 5 proposals, including “Y2022H1 Work Report of Audit Department” (《审计部 2022 年上半年工作情况报告》) and “Y2022 Special Audit Report on Business Continuity” (《2022 年业务连续性管理专项审计报告》).

On 19 December, 2022, the 5th Audit Committee Meeting was convened to approve 5 proposals, including “Y2022 Audit Plan and Schedule of Annual Report” (《2022 年年报审计计划及时间安排》) and to listen to “Y2022Q3 Work Report of Audit Department” (《审计部 2022 年三季度工作情况报告》), and “Report on Rectification based on Internal Control Management Suggestions” (《内部控制管理建议书整改情况报告》).

4.4 Supervisors and the Board of Supervisors

4.4.1 Board of Supervisors

During the reporting period, all supervisors diligently performed their duties in overseeing the performance of the Board of Directors and Senior Management and the Bank’s financial activities, internal control and risk management and actively protected the legal rights and interests of the Bank, shareholders, employees, creditors as well as other stakeholders. In 2022, the Board of Supervisors held 10 meetings to deliberate and listen to 135 proposals such as the Bank’s regular reports, work reports of the Board of Supervisors, business performance reports and financial reports of the Bank. Special committees are set under the Board of Supervisors, including Nomination Committee, which convened 6 meetings, and Supervision Committee, which convened 5 meetings. A total of 46 proposals such as internal control assessment reports, regulatory indicator system reports and audit reports of financial statement were approved or listened to in these meetings. During the reporting period, the Board of Supervisors of the Bank continued to improve policies, carried out field research, and arranged supervisors to observe 4 general meetings of the shareholders, 9 onsite meetings of Board of Directors, and 8 special

committee meetings of Board of Directors, which fully leveraged the supervision function of the Board of Supervisors.

4.4.2 Objections from the Board of Supervisors on relevant matters

☐ Applicable ☒ Not applicable

4.4.3 Performance of external supervisors within the reporting period

During the reporting period, external supervisors of the Bank actively attended all meetings of the Board of Supervisors and special committees under the Board of Supervisors, observed general meetings of the shareholders and onsite meetings of the Board of Directors to deliberate proposals and provide comments and suggestions on key business decisions, risk management, internal control and other areas of the Bank. They actively participated in training sessions and diligently performed their duties as external supervisors.

External supervisors' presence at meetings

| Name | Meeting of Board of Supervisors | Nomination Committee Meeting of the Board of Supervisors | Supervision Committee Meeting of the Board of Supervisors | General Meeting of Shareholders | Onsite Meeting of the Board of Directors |
|--|---------------------------------|--|---|---------------------------------|--|
| Actual presence/required presence | | | | | |
| Li Jian | 10/10 | 6/6 | 5/5 | 4/4 | 9/9 |
| Li Xiaohui | 10/10 | 6/6 | 5/5 | 4/4 | 9/9 |
| Xu Lin | 3/4 | -- | 2/2 | -- | 3/3 |
| Gao Jinbo | 5/5 | -- | 3/3 | 3/3 | 5/5 |

Note: 1. During the reporting period, the Bank had 4 general meetings of the shareholders, 9 onsite meetings of the Board of Directors, 10 meetings of the Board of Supervisors, 5 Supervision Committee Meetings of the Board of Supervisors, and 6 Nomination Committee Meetings of the Board of Supervisors.
 2. Mr. Gao Jinbo ceased to serve as the Bank's external supervisor in July 2022.
 3. The 3rd extraordinary general meeting of shareholders in 2022 elected Mr. Xu Lin to be the Bank's external supervisor in July 2022.

4.5 Information on Directors, Supervisors and Senior Managers at the End of the Reporting Period

4.5.1 Basic information

| Name | Gender | Position | Year of Birth | Tenure | Total remuneration received before tax from Bank of Beijing during the reporting period (RMB 10 | Whether or not received remuneration from related parties | Amount of shares held at term-beginning | Amount of shares held at term-end |
|------|--------|----------|---------------|--------|---|---|---|-----------------------------------|
|------|--------|----------|---------------|--------|---|---|---|-----------------------------------|

| | | | | | thousands) | | | |
|--------------------------|--------|--------------------------|------|--|------------|-----|---------|---------|
| Huo Xuewen | Male | Chairman | 1965 | March, 2022 to the end of his tenure | 54.99 | No | 0 | 0 |
| Zhang Dongning | Male | Former Chairman | 1960 | Feb. 2017 to March. 2022 | 45.65 | No | 583,969 | 583,969 |
| Yang Shujian | Male | Director, President | 1969 | Director: May 2014 to the end of his tenure President: Dec. 2017 to the end of his tenure | 65.77 | No | 437,946 | 500,046 |
| Qian Huajie | Male | Director | 1968 | March 2021 to the end of his tenure | 57.72 | No | 0 | 0 |
| Johannes Hermanus De Wit | Male | Director, Vice President | 1962 | Director: Dec. 2013 to the end of his tenure Vice President: Dec. 2013 to the end of his tenure | 222.48 | Yes | 0 | 0 |
| Praveen Khurana | Male | Director | 1972 | Dec. 2019 to the end of his tenure | — | Yes | 0 | 0 |
| Zhao Bing | Male | Director | 1977 | Nov. 2020 to the end of his tenure | — | Yes | 0 | 0 |
| Liu Xipu | Male | Director | 1971 | Sept. 2021 to the end of his tenure | — | Yes | 0 | 0 |
| Zhang Guanghua | Male | Independent Director | 1957 | Dec. 2018 to the end of his tenure | 56.20 | Yes | 0 | 0 |
| Zhao Lifan | Female | Independent Director | 1959 | Dec. 2018 to the end of her tenure | 57.40 | Yes | 0 | 100,000 |
| Wang Ruihua | Male | Independent Director | 1962 | Dec. 2019 to the end of his tenure | 58.60 | Yes | 0 | 30,000 |
| Yang Yunjie | Male | Independent Director | 1966 | Dec. 2018 to the end of his tenure | 59.80 | Yes | 0 | 20,000 |
| Qu Qiang | Male | Independent | 1966 | July 2021 to the | 59.80 | Yes | 0 | 100,000 |

| | | | | | | | | |
|----------------|--------|--|------|---------------------------------------|--------|-----|-----------|-----------|
| | | ent Director | | end of his tenure | | | | |
| Lin Hua | Male | Independ ent Director | 1975 | July 2022 to the end of his tenure | — | Yes | 0 | 0 |
| Zeng Ying | Female | Chief Superviso r | 1964 | Dec. 2016 to the end of her tenure | 60.94 | No | 0 | 22,000 |
| Zhou Yichen | Male | Superviso r | 1971 | June 2004 to the end of his tenure | 29.40 | Yes | 1,347,771 | 1,447,171 |
| Li Jian | Female | External Superviso r | 1953 | Dec. 2018 to the end of her tenure | 55.20 | Yes | 0 | 0 |
| Li Xiaohui | Female | External Superviso r | 1967 | July 2021 to the end of her tenure | 59.40 | Yes | 0 | 0 |
| Xu Lin | Male | External Superviso r | 1962 | July 2022 to the end of his tenure | — | Yes | 0 | 0 |
| Li Jianying | Male | Superviso r | 1971 | June 2021 to the end of his tenure | 303.25 | No | 413,063 | 680,063 |
| Wu Wenjie | Female | Superviso r | 1971 | Dec. 2018 to the end of her tenure | 175.59 | No | 51,660 | 51,660 |
| Wang Jian | Male | Vice President | 1964 | July 2017 to the end of his tenure | 60.94 | No | 583,969 | 633,969 |
| Liang Yan | Female | Assistant President, Chief Financial Officer | 1975 | Dec. 2019 to the end of her tenure | 210.04 | No | 360,000 | 460,000 |
| Cao Zhuo | Male | Secretary of the Board of Directors | 1981 | Aug. 2022 to the end of his tenure | 41.30 | No | 0 | 160,000 |
| Liu Hongyu | Female | Former Independ ent Director | 1963 | July 2016 to July 2022 | 50.47 | Yes | 0 | 200,000 |
| Gao Jinbo | Male | Former External Superviso r | 1960 | July 2016 to July 2022 | 46.80 | Yes | 0 | 2,027,661 |
| Feng Lihua | Female | Former Vice President | 1962 | Dec. 2016 to March 2022 | 24.95 | No | 535,487 | 535,487 |

| | | | | | | | | |
|------------|------|--|------|------------------------|--------|----|---------|---------|
| Liu Yanlei | Male | Former Secretary of the Board of Directors | 1977 | Nov. 2018 to Aug. 2022 | 203.54 | No | 125,146 | 225,146 |
|------------|------|--|------|------------------------|--------|----|---------|---------|

Note: Total remuneration of the above Directors, Supervisors and Senior Managers of the Company before tax is RMB 20.6023 million.

Deferred payment

According to the review of relevant management department, the rest remunerations of the Company's executives in 2021 are:

| Name | Rest pre-tax remunerations in 2021 (RMB 10 thousands) |
|----------------|---|
| Zhang Dongning | 38.00 |
| Yang Shujian | 38.00 |
| Qian Huajie | 29.04 |
| Zeng Ying | 32.37 |
| Wang Jian | 27.97 |
| Du Zhihong | 13.97 |
| Feng Lihua | 29.81 |

The rest remunerations of the rest executives in 2021 are:

| Name | Remuneration in 2021 (RMB 10 thousand) |
|--------------------------|--|
| Johannes Hermanus de Wit | 133.06 |
| Li Jianying | 219.85 |
| Wu Wenjie | 84.49 |
| An Wenmei | 23.19 |
| Liang Yan | 199.67 |
| Liu Yanlei | 196.94 |

4.5.2 Positions held by incumbent Directors, Supervisors and Senior Managers in shareholders and other entities

1. Positions held in shareholders

| Name | Name of the shareholder | Position | Starting time of tenure |
|-----------------|------------------------------------|---|-------------------------|
| Praveen Khurana | ING BANK N.V. | Chief Risk Officer of ING Australia | March 2022 |
| Zhao Bing | Beijing Energy Holding Co., Ltd. | Head of Financial Management Department | July 2020 |
| Zhou Yichen | Taifude Investment Group Co., Ltd. | Chairman | July 1999 |

2. Positions held in entities other than shareholders

| Name | Name of the entity | Position |
|----------------|--|--|
| Zhao Bing | Beijing Jingneng International Energy Holdings Co., Ltd. | Chairman, General Manager |
| Liu Xipu | Three Gorges Finance (Hong Kong) Co., Ltd. | Chairman |
| Zhao Lifen | Central University of Finance and Economics | Professor, School of Economics |
| Wang Ruihua | Central University of Finance and Economics | Executive Dean, Professor, Greater Bay Area Research Institute |
| Yang Yunjie | Central University of Finance and Economics | Professor, School of Economics |
| Zhang Guanghua | China Alliance of Social Value Investment | Chairman |
| Qu Qiang | Renmin University of China | Professor, School of Finance |
| Lin Hua | Beijing Huacheng Functional Technology Co., Ltd. | Chairman |
| Li Jian | Central University of Finance and Economics | Professor, School of Finance |
| Li Xiaohui | Central University of Finance and Economics | Professor, School of Accounting |
| Xu Lin | China-U.S. Green Fund Co., Ltd. | Chairman |
| Wang Jian | BOB-Cardif Life Insurance Co., Ltd. | Chairman |
| Cao Zhuo | BOB-Cardif Life Insurance Co., Ltd. | Director |

Note: In Feb. 2023, Mr. Cao Zhuo no longer served as Director of BOB-Cardif Life Insurance Co., Ltd.

4.5.3 Performance assessment and incentive mechanism and remuneration for directors, supervisors and senior management

The Bank clearly regulated the remuneration policy for directors, supervisors and senior management, and has been continuously improving the performance assessment system and incentive and restraint mechanisms. The remuneration of the Bank's directors, supervisors and senior management personnel who are included in the remuneration management of the heads of Beijing municipal state-owned enterprises is managed in accordance with the remuneration management system of Beijing municipal state-owned enterprises; the remuneration of personnel who are not included in the aforementioned category is managed in accordance with the "Rules on Remuneration Management of Bank of Beijing" (《北京银行薪酬管理规定》). Performance assessment adheres to strategic orientation, taking into account efficiency, risks, and sustainable development goals. Payment of 40% of performance-based salary is deferred, with a deferral period of no less than three years. The rate of deferred payment of performance-based salary for key senior managers is 50%.

4.5.4 Punishments for Directors, Supervisors, and Senior Managers by securities regulators in recent three years:

☐Applicable ☒ Not applicable

4.5.5 Changes of Directors, Supervisors, and Senior Managers within the reporting period

√Applicable □Not applicable

| Name | Position at the end of reporting period | Tenure | Changes | Reason for changes |
|----------------|---|-------------------------------------|---|---|
| Huo Xuewen | Chairman | March 2022 to the end of his tenure | Serving as Chairman of the Bank | Election of the General Meeting of Shareholders |
| Zhang Dongning | None | Feb. 2017 to March 2022 | No longer serving as Chairman of the Bank | No longer holding the position |
| Liu Hongyu | None | July 2016 to July 2022 | No longer serving as Independent Director of the Bank | End of tenure |
| Lin Hua | Independent Director | July 2022 to the end of his tenure | Serving as the Bank's Independent Director | Election of the General Meeting of Shareholders |
| Xu Lin | External Supervisor | July 2022 to the end of his tenure | Serving as the Bank's External Supervisor | Election of the General Meeting of Shareholders |
| Cao Zhuo | Secretary of the Board of Director | Aug. 2022 to the end of his tenure | Serving as the Bank's Secretary of the Board of Directors | Hiring by the Board of Directors |
| Gao Jinbo | None | July 2016 to July 2022 | No longer serving as the Bank's External Supervisor | End of tenure |
| Feng Lihua | None | Dec. 2016 to March 2022 | No longer serving as the Bank's Vice President | Retired |
| Liu Yanlei | Business Executive | Nov. 2018 to Aug. 2022 | No longer serving as the Bank's Secretary of the Board of Directors | Position adjustment |

4.5.6 Biographies of incumbent Directors, Supervisors and Senior Managers

Mr. Huo Xuewen is Secretary of Bank of Beijing Committee of the CPC, Chairman of the Bank, and Chair of Strategy Committee of the Board of Directors of the Bank. He obtained a doctor's degree in economics from Nankai University, and a doctor's degree in law from Renmin University of China. He is a researcher, senior political engineer, and associate professor.

Mr. Huo joined the Bank in 2022, and joined the Board of Directors of the Bank in March 2022. He has been serving as a deputy to the 16th Beijing Municipal People's Congress and member of Financial and Economic Committee since January 2023. He has been serving as Party Secretary of the Bank since February 2022, and Chairman of the Bank since March 2022. From November 2018 to February 2022, he served as Secretary of the Leading Party Members' Group and the Director General of the Beijing Local Financial Supervision and Administration (Beijing Municipal Bureau of Financial Work). From February 2009 to November 2018, he served as Secretary of the Leading Party Members' Group, Deputy Director General, and Director General of the Beijing

Municipal Bureau of Financial Work. During this period, he was assigned to join the training program at the Bank of Montreal, Canada from July 2010 to October 2010. From July 2007 to February 2009, he served as a member of the Leading Party Members' Group and Deputy Director General of the Beijing Municipal Commission of Development and Reform, and served (concurrently) as Director of the Office of Beijing Municipal Working Leading Group for Financial Services. From January 2005 to July 2007, he served as a member of the CPC Committee and Deputy Director General of the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality. From November 2001 to January 2005, he served as Deputy Secretary of the Financial Work Committee of the Beijing Municipal Committee of the CPC. From December 1998 to November 2001, he served as Deputy Director and Director of the International Research Division of the Policy Research Department and Director of the International Cooperation Division of the International Cooperation Department of the China Securities Regulatory Commission. From May 1997 to December 1998, he served as an officer and assistant researcher of General Office of the Securities Commission of the State Council. From June 1989 to May 1997, he worked as a teacher and associate professor at the Department of Finance, School of Economics, Nankai University.

Mr. Yang Shujian is Deputy Secretary of Bank of Beijing Committee of the CPC, Director and President of the Bank, Chair of the Risk Management Committee and Member of the Remuneration Committee under the Board of Directors of the Bank. He obtained his bachelor degree in economics from Jilin University in 1991, a master's degree in economics from Jilin University in 1994 and a doctor's degree in economics from Central University of Finance and Economics in 1997. Mr. Yang is a senior economist. He is Deputy to Xicheng District People's Congress of Beijing and a member of the Advisory Committee of Business School of Central University of Finance and Economics.

Mr. Yang Shujian joined the Bank in 1997, and joined the Board of Directors of Bank of Beijing in May 2014, and has been serving as Deputy Party Secretary and President of Bank of Beijing since December 2017. He served as Vice President of the Bank from August 2014 to December 2017. He served as Secretary of the Board of Directors of Bank of Beijing from August 2007 to August 2018. He was General Manager of Bank of Beijing Scotiabank Asset Management Company from March 2013 to March 2014, and served as General Manager of Shijiazhuang Regional Branch from July 2014 to February 2017. He was honored as the "2019-2020 National Outstanding Worker in Cultural Construction of Financial System" and "2021 Top 10 Figure of Chinese Enterprises (state-owned enterprises)".

Mr. Qian Huajie is Deputy Secretary of Bank of Beijing Committee of the CPC, Director, and Member of Nomination Committee of the Board of Directors of the Bank. He joined the Bank in 2019, and joined the Board of Directors in March 2021. He has been serving as Deputy Secretary of Bank of Beijing Committee of the CPC since December 2020. He served as Member of Bank of Beijing Committee of the CPC and Head of Discipline Inspection and Supervision Working Group Accredited to Bank of Beijing from Beijing Municipal Disciplinary Inspection Committee and Supervisory Committee from November 2019 to December 2020, member of the standing committee and Secretary General of Beijing Municipal Discipline Inspection Committee and member of Beijing Municipal Supervisory Committee from July 2017 to November 2019, member of the standing committee of Beijing Municipal Discipline Inspection Committee and member of

Beijing Municipal Supervisory Committee from January 2017 to July 2017, member of the standing committee of Beijing Municipal Discipline Inspection Committee from July 2012 to January 2017, Deputy Director General of Beijing Supervision Bureau from December 2011 to July 2012, and held a number of positions of deputy director level in Beijing Municipal Disciplinary Inspection Committee, General Manager of the General Office of Beijing Municipal Disciplinary Inspection Committee, and Deputy Director of Supervision Bureau from June 2008 to December 2011. Before that, Mr. Qian was engaged in relevant work in Beijing Municipal Discipline Inspection Committee. Mr. Qian was graduated from ideological and political education major of the Management Department of Beijing Normal College with a bachelor's degree.

Mr. Johannes Hermanus de Wit, Dutch Nationality, is Director and Vice President of the Bank, and Member of the Strategy Committee and the Related-party Transaction Committee of the Board of Directors of the Bank. Mr. Johan de Wit graduated from University of Utrecht, Netherlands, with a master's degree in Geography in 1987, and from Rochester University, USA, and Erasmus University Rotterdam with a master's degree in business administration in 1995.

Mr. de Wit joined the Board of Directors of the Bank in December 2013, and has been serving as Vice President in charge of retail banking since December 2013. Mr. Johan de Wit was Head of Retail of ING Bank Turkey from October 2010 to August 2013; Head of ING Direct UK from January 2008 to October 2010; President & CEO of ING Life Japan and Chairman of ING Mutual Fund Japan from July 2002 to January 2008; project manager at ING Group Headquarters, Netherlands, from August 2001 to June 2002; Strategy and Commercial Director at ING Life Chile from September 1998 to August 2001; CFO and Board Member of ING Afore Bital Pension Fund Mexico from June 1997 to September 1998; and Team Manager of Group Pensions and Director of Group Pensions of West-Netherlands at ING NN Life, Netherlands from April 1989 to May 1997. He was Lieutenant of Royal Dutch Navy from November 1987 to March 1989 and Consultant at Buck Consultants International, Netherlands from August 1986 to November 1987.

Mr. Praveen Khurana, Indian Nationality, is Director and Member of the Risk Management Committee of the Bank. He graduated from S. D College Chandigarh, with a bachelor degree of Commerce in 1993, and from Institute of Management Technology, Ghaziabad with a major in Finance and MBA degree in 1996. He was certificated as Cost Accountant by the Institute of Cost & Works Accountants in India.

Mr. Praveen Khurana joined the Board of Directors of Bank of Beijing in December 2019. He is now serving as CRO for ING Australia. Previously, he served as ING Head of Risk for Retail/Rest of the World (all retail markets other than Belgium, Netherlands, Luxembourg, and Germany) and reporting to the CRO of ING Group from May 2022 to February 2023. Before that, he served as Global Head of Retail Credit Risk in ING from August 2017 to May 2022; Head of Risk of Commercial Banking, Business Banking and Rural Banking in IDFC Bank from March 2015 to August 2017; Head of Credit Risk Retail in ING Vysya Bank Ltd. from March 2010 to February 2015; Head of Integrated Risk in Fullerton Financial from November 2008 to March 2010 and Head of SME Risk and Senior Vice President in Centurion Bank of Punjab/HDFC Bank from October 2005 to October 2008. He worked in Citigroup India from March 1998 to July 2005 and

served as Assistant Vice President and Risk Manager of Channel Finance etc. He worked as Assistant Manager of Operation in Eicher Motors Limited from June 1996 to February 1998.

Mr. Zhao Bing is Director and Member of Audit Committee of the Board of Directors of the Bank. He graduated from Queen's University Canada with a master's degree in finance.

Mr. Zhao joined the Board of Directors of the Bank in November 2020. He has been serving as Director and General Manager of Beijing Energy Investment Group (Hong Kong) since January 2022; has been serving as the Head of Financial Management Department at Beijing Energy Holding Co., Ltd., and the Chairman and General Manager of Beijing Jingneng International Energy Co., Ltd. since July 2020. Mr. Zhao was Deputy General Manager and Chief Accountant of Beijing Jingneng Power Co., Ltd. from March 2018 to July 2020, Chief Financial Officer of Haohua Clean Coal from March 2017 to March 2018, Head of Strategic Investment Department of Beijing Coal Group from June 2016 to March 2017, Head of Securities Department of Haohua Energy Resource Co., Ltd. from June 2013 to June 2016, Deputy General Manager and Chief Financial Officer of Haohua Clean Coal from June 2009 to June 2013, and Deputy Head of Financial Management Department at Haohua Energy Resource Co., Ltd. from November 2007 to June 2009. He served as Deputy Chief and Chief of Financial Section, Deputy Secretary and Secretary of CPC Branch of Operation and Management Department of Muchengjian Coal Mine from July 2002 to November 2007.

Mr. Liu Xipu is Director and Member of Related-party Transaction Committee of the Board of Directors of the Bank. Ph.D. in Technical Economics and Management, Tongji University.

He joined the Board of Directors of the Bank in September 2021. He has been serving as Chairman of Three Gorges Finance (Hong Kong) Co., Ltd. since March 2023. From April 2022 to March 2023, he served as the chief accountant of Shanghai Survey, Design and Research Institute of China Three Gorges Group. From April 2021 to April 2022, he served as Deputy Director of the Fund and Financial Management Center, China Three Gorges Corporation. From February 2021 to March 2021, he served as Chief of the Financing Management Department, the Fund and Financial Management Center, China Three Gorges Corporation. From June 2015 to February 2021, he served as Chief of the Fund Division, the Asset Finance Department, China Three Gorges Corporation. From May 2015 to June 2015, he served as Chief of Capital Market Division, Capital Operation Department, China Three Gorges Corporation. From August 2011 to May 2015, he served as Deputy Chief of Capital Market Division, Capital Operation Department, China Three Gorges Corporation. From July 2004 to August 2011, he served as a trainee, securities financing assistant, business manager, and senior business manager of Capital Operation Department of China Yangtze Power Co., Ltd.

Mr. Zhang Guanghua is Independent Director, Chair of the Remuneration Committee of the Board of Directors, and Member of the Strategy Committee of the Board of Directors of the Bank. He obtained doctoral degree in Economics and serves as Chairman of China Alliance of Social Value Investment, Independent Director of Focus Media, Independent Director of Hexa Asset Management Company, and Independent Director of China International Marine Containers (Group) Co., Ltd.

Mr. Zhang joined the Bank's Board of Directors in December 2018. He used to serve as Director of Planning Division and Vice Director of Policy Research Office of State Administration of Foreign Exchange; Vice President of Hainan Branch of the People's Bank of China; Vice President, Deputy Party Secretary of Guangzhou Branch of the People's Bank of China; Deputy Party Secretary, President of China Guangfa Bank; Deputy Party Secretary, Executive Director, Vice President, Vice Chairman of China Merchants Bank; Vice Chairman of Wing Lung Bank; Chairman of CIGNA & CMC Life Insurance Co. Ltd.; Chairman of China Merchants Fund Management Co., Ltd.; Chairman of CMB International Capital Corporation Limited; Chairman of CMB Financial Leasing Co., Ltd., and Chairman and Party Secretary of Bosera Asset Management Co., Limited.

Mr. Yang Yunjie is Independent Director, Member of the Strategy Committee and the Risk Management Committee of the Board of Directors of the Bank. He graduated from Renmin University of China with doctoral degree in Economics in 2000.

Mr. Yang joined the Board of Directors of the Bank in December 2018. He is a Professor and Doctoral Advisor at the School of Economics, Central University of Finance and Economics. He is also Vice Chairman of the Teaching Committee of Economics of the Ministry of Education. He is Independent Director of Bohai Life Insurance Co., Ltd.

Ms. Zhao Lifen is Independent Director, Member of the Audit Committee of the Board of Directors, Member of Risk Management Committee and Member of the Nomination Committee of the Board of Directors of the Bank. She graduated from Central University of Finance and Economics with doctoral degree in Economics in 1997.

Ms. Zhao joined the Board of Directors of the Bank in December 2018. She has been working with Central University of Finance and Economics since July 1985. She is the former Vice President, Professor, and Doctoral Advisor of the University, and she enjoys special government allowance from the State Council. From December 1991 to June 1993, supported by Ministry of Education, she was a visiting scholar at the University of Tsukuba in Japan. She is now also the Vice President of China Association of Macroeconomic Management Education, Vice-Chairwoman of Beijing Economics Association, Director of the Capital Women Professors' Association, and Independent Director of China Lianhe Credit Rating Co., Ltd.

Mr. Wang Ruihua is Independent Director, Chair of the Audit Committee, Member of the Related-party Transaction Committee and Member of the Remuneration Committee of the Board of Directors of the Bank. He holds a doctor's degree of management and is a certified public accountant of China (non-practicing).

Mr. Wang Ruihua joined the Board of Directors of Bank of Beijing in December 2019. He has been working in Central University of Finance and Economics since July 1983, currently is the executive dean, professor and PhD supervisor in Greater Bay Area Research Institute of Central University of Finance and Economics. He is also Member of National MBA Education Committee, Member of Independent Director Committee of China Association for Public Companies, Independent Director of Anhui Gujing Distillery Co., Ltd., Independent Director of Harvest Fund

Management Co., Ltd., Independent Director of JD Technology Holding Co., Ltd., and Independent Director of China Post Securities Co., Ltd.

Mr. Qu Qiang is Independent Director, Chair of the Nomination Committee of the Board of Directors, and Member of the Audit Committee, and Member of the Risk Management Committee of the Board of Directors of the Bank. Mr. Qu Qiang holds a doctor's degree from the School of Finance of Renmin University of China.

Mr. Qu joined the Board of Directors of the Bank in July 2021. He has been teaching at Renmin University of China since graduation in July 1998, and he is now Professor and Doctoral Advisor of Renmin University of China; Director of the China Financial Policy Research Center, a major research base of the Ministry of Education; Deputy Director of Financial and Securities Institute of Renmin University of China; Councilor of the China Society for Finance and Banking.

Mr. Lin Hua is Independent Director, Chair of the Related-party Transaction Committee and member of the Strategy Committee and Audit Committee under the Board of Directors of the Bank. He holds an MBA from the University of California, Irvine and is a graduate from the University of Geneva with a Doctor's Degree in Applied Finance; Chartered Financial Analyst (CFA) and Financial Risk Manager (FRM).

Mr. Lin joined the Bank's Board of Directors in July 2022. He's currently Chairman of Beijing Huacheng Hanshi Technology Co., Ltd., President of Beijing Dongcheng Zijin Intelligent Finance Research Institute, editorial board member of the *Financing Accounting* magazine, Executive Deputy Director of the Asset Securitization Committee of the Insurance Asset Management Association of China, member of China Accounting Standards Committee of the Ministry of Finance, independent non-executive director of China Merchants Land Asset Management Co., Ltd, external supervisor of Industrial Bank Co., Ltd., independent director of Generali China Asset Management Co., Ltd., advisor to the Asset Securitization Committee of the Asset Management Association of China, and member of the standing committee of the 15th CPPCC Dongcheng District Committee. He served as Chairman of Zhongrui Huaxin (Beijing) Capital Management Co., Ltd., General Manager of Jinyuan Capital Management (Xiamen) Co., Ltd., General Manager of Xiamen Venture Capital Co., Ltd. (Xiamen Government FOF), and Investment Director of the Capital Operation Department of China General Nuclear Power Corporation.

Ms. Zeng Ying is Chief Supervisor of the Bank. She is a senior economist and has a bachelor's degree in economics of Nankai University.

Ms. Zeng joined the Board of Supervisors of the Bank in November 2016 and she has been serving as Chief Supervisor of the Bank since December 2016. She has been serving as Member of Bank of Beijing Committee of the CPC since January 2020. Ms. Zeng worked in the CBRC Beijing Office from September 2003 to June 2016, on various posts, e.g. Division Head of the Foreign Invested Bank Regulatory Division, Division Head of the City Commercial Bank Regulatory Division, Director of General Office, Director (Head) of the Personnel Department (the Organization Department of the Party Committee), Member of the Party Committee and Deputy Director General.

She worked in the People's Bank of China from August 1987 to September 2003, during which she served as Deputy Director of Banking Management Division of Beijing Branch, Deputy Director of Rural Cooperative Financial Management Division, Deputy Director of Second Banking Regulatory Division of Business Management Department, and Deputy Director of CCB Regulatory Division.

Mr. Zhou Yichen is Supervisor of the Bank. He obtained a master's degree from Beijing Administration Institute in July 2002.

Mr. Zhou joined the Board of Supervisors of the Bank in June 2004, and is currently serving as Chairman of Taifude Investment Group Co., Ltd, Chairman of Beijing Fund Town Holding Co., Ltd., Deputy General Manager for the Office of Beijing Fund Town Project, Deputy Director-general of Beijing Fund Town Foundation, Director of Beijing Yanqing Village Bank, Representative of the 16th Beijing Municipal People's Congress, Representative of the 9th People's Congress of Fangshan District of Beijing, member of the Standing Committee of the 9th People's Congress of Fangshan District of Beijing, and Executive Vice Chairman of the 7th Council of Chinese Private Technology Entrepreneur Association.

He was a member of the 10th, 11th and 12th CPPCC Beijing Committee, a member of the 11th, 12th and 13th standing committee of Beijing Federation of Industry & Commerce, and Vice Chairman of the 13th and 14th executive committee of Beijing Federation of Industry & Commerce, and member of the 9th, 10th, and 11th executive committee of Beijing Federation of Industry & Commerce. He served as a Representative of the 8th People's Congress of Fangshan District of Beijing, a member of Standing Committee of the 8th People's Congress of Fangshan District of Beijing, and a member of Finance and Economics Committee of the 8th People's Congress of Fangshan District of Beijing.

Mr. Zhou served as President of Beijing Jin'anxingchen Company from July 1995 to July 1999, Director and General Manager of Beijing Kaiyue Food Company from May 1992 to July 1995, and Manager of the 2nd Business Department of Timber Company of Fangshan Material Bureau from July 1990 to May 1992.

Ms. Li Jian is External Supervisor of the Bank, Chair of the Nomination Committee under the Board of Supervisors, and Member of the Supervision Committee under the Board of Supervisors of the Bank. She obtained a doctor's degree in economics from Xi'an Jiaotong University in 1997 and is a professor and doctoral advisor in finance.

Ms. Li joined the Board of Supervisors of the Bank in December 2018. She is a professor, doctoral advisor and postdoctoral advisor in the School of Finance of Central University of Finance and Economics. She is Member of China Society for Finance and Banking, and Executive Director of China Market Economics Society. She graduated from Central University of Finance and Economics in 1983 and has been working there since graduation. She was received the National Distinguished Professor Award in 2003 and has enjoyed special government allowance from the State Council since 2004. Her main research areas are financial theories and policies.

Ms. Li Xiaohui, External Supervisor, Member of the Nomination Committee of the Board of Supervisors, and Member of the Supervision Committee of the Board of Supervisors of the Bank. Ms. Li obtained a doctoral degree from Central University of Finance and Economics in 2001 and is now professor and doctoral advisor in the School of Accountancy of Central University of Finance and Economics.

Ms. Li joined the Board of Supervisors of the Bank in July 2021. She is currently a professor and doctoral supervisor at the School of Accountancy of Central University of Finance and Economics. She is a leading talent in accounting, one of the first batch of senior certified public accountants in China, one the first batch of advisors for entrepreneurship and innovation certified by the Ministry of Education, consulting expert of the Internal Control Standards Committee of China, member of the Professional and Technical Guidance Committee of the Chinese Institute of Certified Public Accountants, and member of the Audit Committee of the Accounting Society of China. Previously, Ms. Li Xiaohui participated in the formulation of independent auditing standards in the Professional Standards and Technical Guidance Department of the Chinese Institute of Certified Public Accountants from July 2001 to August 2003, engaged in research on state-owned capital operation in the State-owned Assets Management Bureau of the Hebei Provincial Department of Finance from January 1997 to August 1998, served as the deputy director of Cangshi Accounting Firm from August 1996 to January 1997, and was the manager of Liaison Division of Cangzhou Accounting Firm from April 1993 to July 1996.

Mr. Xu Lin is External Supervisor and Chair of the Supervision Committee of Board of Supervisors. He holds a master's degree in economics from Nankai University and MPA from the National University of Singapore.

Mr. Xu joined Board of Supervisors of the Bank in July 2022. He's currently Chairman of China-U.S. Green Fund, and also Party Committee Secretary and Executive Vice Chairman of China Mergers & Acquisitions Association, independent director of Industrial Bank Co., Ltd., independent director of Guomin Pension Co., Ltd., independent director of Beijing GeoEnviron Engineering & Technology, Inc. (BGE), independent director of Zhejiang Crystal-Optech Co., Ltd., Vice Chairman of China Academy of Productivity Science, Chief Supervisor of China Research Society of Urban Development, President of Beijing Green Finance Association, Chairman of the Academic Committee of Pangoal Institution, and senior researcher of China Institute for Development Planning, Tsinghua University. He served as Director of the Department of Finance, Director of the Department of Development Planning and Director of China Center for Urban Development of the National Development and Reform Commission (NDRC), and Chairman of China-U.S. Green Investment Management Co., Ltd. (renamed as Asia Green Fund Management Co., Ltd.).

Mr. Li Jianying is Supervisor of the Bank, on-the-job graduate with a master's degree.

Mr. Li joined the Board of Supervisors of the Bank in June 2021. Joining in Bank of Beijing in June 1996, he is now serving as Retail Business Executive, and General Manager of Consumer Right Protection Office (Complaint Handling Office). He used to serve as assistant manager and deputy manager of You'anmen Branch, deputy manager (in charge) and manager of Yuetan Branch, manager of Jianguo Branch, Assistant General Manager of Corporate Banking Department,

Deputy General Manager of Retail Loan Department, and General Manager of Retail Banking Department. Before 1996, he worked in Beijing Jianzhong Machinery.

Ms. Wu Wenjie is Supervisor and Member of the Nomination Committee under the Board of Supervisors of the Bank. She is a senior auditor and has a bachelor's degree of accountancy from Beijing Business School.

Ms. Wu joined the Board of Supervisors of the Bank in December 2018. She has been serving as General Manager of Audit Department since May 2022, Deputy General Manager (Executive) of Audit Department from June 2018 to May 2022, Assistant General Manager of Audit Department from December 2008 to December 2012, and engaged in auditing work in Audit Department from July 1996 to December 2008. Before joining the Bank in July 1996, Ms. Wu worked in Beijing Municipal Audit Bureau.

Mr. Wang Jian is Vice President of the Bank. Mr. Wang is an engineer, and he holds a master's degree in computer engineering from Beihang University, and an MBA from Xiamen University.

Joining the Bank in September 1996, he has been serving as Vice President since July 2017. Before that, he served as Chief Information Officer from July 2006 to August 2020, Assistant President from October 2015 to July 2017, General Manager of IT from April 1998 to July 2006, and Deputy General Manager of IT from December 1996 to April 1998. He worked in IT department of ICBC Beijing Branch from August 1987 to September 1996.

Ms. Liang Yan is Assistant President and Chief Financial Officer of the Bank. She is a senior accountant, Hong Kong Certified Public Accountant and Australian Certified Public Accountant. She holds a master's degree in economics from Deakin University in Australia.

Ms. Liang joined the Bank in July 1997. She has been serving as Assistant President since August 2017 and Chief Financial Officer since December 2019. From December 2019 to March 2020, she was General Manager of Finance Department. From February 2016 to November 2019, she was Chief Officer of Human Resources. From May 2010 to November 2019, she was General Manager of Human Resources. From January 2016 to August 2018, she was General Manager of Jingnan District Office of Beijing Regional Branch. From March 2005 to May 2010, she was Deputy General Manager (in charge) and General Manager of Finance Department. From February 2002 to March 2005, she was Assistant General Manager and Deputy General Manager of Central Branch Head Office. From July 1997 to February 2002, she worked in Finance and Accounting Department and Finance Department of the Bank.

Mr. Cao Zhuo is Secretary of Board of Directors. He is a senior accountant and holds a master's degree in economics from Renmin University of China.

Mr. Cao joined the Bank in August 2005. He has been serving as Secretary of Board of Directors of Bank since August 2022, Chief Financial Officer since August 2018, and General Manager of Asset and Liability Department since March 2020. Before that, he has been serving as Deputy General Manager of Finance Department from August 2018 to March 2020, General Manager of Changsha Regional Branch from October 2017 to August 2018, Deputy General Manager of

Finance Department from July 2016 to October 2017, Assistant General Manager of Finance Department from January 2016 to July 2016, Assistant General Manager and Deputy General Manager of Treasury Center (Tier-2) from January 2014 to January 2016, Assistant General Manager of Interest Rate Marketization Office from December 2012 to January 2014, and Head of General Affair Section and Comprehensive Statistics Section of Corporate Banking HO from August 2009 to December 2012, and was engaged in relevant work in Shuangyushu Branch and Corporate Banking Distribution Department from August 2005 to August 2009.

4.6 Employees

At the end of the reporting period, the total headcount of the bank was 17,980, including 1,447 dispatched workers (labors not on the Bank's payroll). The number of retirees paid by the Bank was 1,713. The headcount of major subsidiaries was 3,314.

4.6.1 Professional structure

At the end of the reporting period, the Bank had 2,222 employees in management function, 1,106 in support function and 14,652 in business function. Details are listed as follows:

| Profession | Number of employees | Percentage |
|------------------|---------------------|------------|
| Management | 2,222 | 12% |
| Support Function | 1,106 | 6% |
| Business | 14,652 | 82% |

4.6.2 Education structure

As of the end of reporting period, 92% of the Bank's employees had a bachelor degree or above. Details are listed as follows:

| Education | Headcounts | Percentage |
|--------------------|------------|------------|
| Master or above | 4,187 | 23% |
| Bachelor | 12,372 | 69% |
| Associate or below | 1,421 | 8% |

4.6.3 Remuneration policy

The Bank's remuneration and assessment policies are highly aligned with its strategic goals. By leveraging the incentive mechanism, the Bank is committed to promoting prudent operation and sustainable development and achieving its strategic goals. The performance assessment indicators include compliance management, risk management, operating efficiency, development transformation and social responsibility, which comprehensively reflect the current results and sustainable development capability.

4.6.4 Training plan

Guided by Party building, the Bank adhered to its goal of strategic transformation and talent team building, developed an annual training plan, advanced its implementation, and established a multi-layered comprehensive training system that covers all employees by leveraging both internal and external training resources. The contents of training focused on transformation in the five major areas empowered by digital transformation and highlighted the improvement of professional competencies and managerial capabilities, particularly the fintech literacy, data management and risk control capability of the talents dedicated to digital transformation. These

efforts were aimed to enhance the base of sci-tech talents, promote the scene-based application of e-CNY, create new models of green finance and cultural finance services, facilitate the marketing of innovative products, and empower digital transformation across the Bank.

4.7 Profit Distribution Policies

4.7.1 Formulation of profit distribution policies

The Bank's profit distribution policy clauses in the "Articles of Association" (《公司章程》) clearly provide that: the Bank may distribute cash dividend, share dividend, or a combination of both. If condition allows, a mid-term profit distribution may be made. On the premise that CAR meets the regulatory standard, the profit realized by the Bank in each year may be distributed in the form of cash dividend if there is still any profit available after loss is covered and surplus reserve and general reserve are made according to the law. Profit distributed in the form of cash dividend should not be lower than 10% of distributable profit attributable to the parent company realized in the reporting year.

| Special explanation of cash dividend policy | |
|--|-----|
| Whether it meets the requirements of the Articles of Association or the resolutions of the General Meeting of Shareholders. | Yes |
| Whether the standard and proportion of dividends are specified and clarified. | Yes |
| Whether the relevant decision-making procedures and mechanisms are complete. | Yes |
| Whether the independent directors perform their duties responsibly and play their due role. | Yes |
| Whether the minority shareholders have the opportunity to fully express their opinions and demands, whether the legitimate rights and interests of minority shareholders have been fully protected, etc. | Yes |

4.7.2 Implementation of profit distribution policies

(1) Profit distribution plan or pre-plan of recent three years (including the reporting period)

1) Y2022 profit distribution plan

The Bank withdrew the statutory surplus reserve according to 10% of the audited net profit in 2022, totaling RMB 2.459 billion. According to the "Administrative Measures on Provision for Financial Enterprises" (No.20 [2012] of the Ministry of Finance) (《金融企业准备金计提管理办法》(财金[2012]20号)) issued by the Ministry of Finance in 2012, the general risk reserve was withdrawn at RMB 3.314 billion. The Bank plans to distribute a cash dividend of RMB 0.310 (including tax) to all shareholders. As of December 31, 2022, the company's total share capital was 21.143 billion shares, based on which a total cash dividend of RMB 6.554 billion (including tax) was planned to be distributed. In 2022, the Bank did not convert capital reserve into share capital.

2) Y2021 profit distribution plan

In 2021, with the total share capital of 21.143 billion shares as the base, cash dividends of RMB 3.05 (including tax) for every 10 shares will be distributed to all shareholders, with the total cash dividends of RMB 6.449 billion (including tax).

3) Y2020 profit distribution

In 2020, with the share capital of 21.143 billion shares as the base, every 10 shares will receive RMB 3.00 of cash dividend (including tax), totaling RMB 6.343 billion (including tax).

(2) Cash dividend distributed in recent three years

The Company attaches great importance to investors' returns, comprehensively takes into account the interests of shareholders and the sustainable development of the Company, and reasonably determines the dividend ratio. In the past three years, the cash dividend ratio has exceeded 30%.

| Year | Dividends per share (Yuan) | Total share capital (0.1 billion shares) | Total cash dividends (0.1 billion Yuan) | Net profit attributable to the parent company of the year (0.1 billion Yuan) | Cash dividend ratio (%) |
|------|----------------------------|--|---|--|-------------------------|
| 2022 | 0.310 | 211.43 | 65.54 | 214.77 | 30.52 |
| 2021 | 0.305 | 211.43 | 64.49 | 214.77 | 30.03 |
| 2020 | 0.300 | 211.43 | 63.43 | 207.43 | 30.58 |

Note: Y2022 profit distribution plan will be implemented after the review and approval of the Y2022 General Meeting of Shareholders.

4.8 Implementation of Share Incentive Schemes

☐Applicable ☒Not applicable

4.9 Internal Control

4.9.1 Building and Implementation of the Internal Control Rules

During the reporting period, the Bank pressed ahead with the building of the internal control rules, improved the internal control mechanism and consolidated the foundation for internal control. First, the Bank continued with the conversion of the results of the first round of policy reexamination. Based on the completion of the first round of system reexamination, the Bank tracked and advanced the revision and improvement of reviewed policies, and further aligned the internal control policy with regulatory requirements and business development to promote the compliant and robust development of business. Second, the Bank conducted review of internal control policies, reviewing the compliance of the policies from five perspectives, i.e. the compliance, applicability, effectiveness, compatibility and feasibility of the rules, to bolster the rule foundation and better guard against risks. Third, the Bank carried out regular re-evaluation of internal control policies. Through annual re-evaluation of the policies, the Bank analyzed the internal control system and filled in the gap by improving the rules in time, to further secure the compliant and robust business development of the Bank.

4.9.2 Significant defects of internal control

☐Applicable ☒Not applicable

4.9.2 Relevant information on the "Internal Control Evaluation Report"

The Bank disclosed the entire “Internal Control Evaluation Report” on website of Shanghai Stock Exchange (www.sse.com.cn).

4.9.3 Relevant information on the “Audit Report on Internal Control”

The Bank disclosed the entire “Audit Report on Internal Control” on website of Shanghai Stock Exchange (www.sse.com.cn).

4.10 Organizational Structure

4.10.1 Departments

| | |
|-------------|---|
| Head Office | General Office (Party Committee Office, Disciplinary Inspection Work Office of the Party Committee) |
| | Board of Directors Office |
| | Board of Supervisors Office |
| | Human Resources Department (Bank of Beijing Party School) (Bank of Beijing Financial Training School) |
| | Retiree Management Center (Tier-2) |
| | CPC Work Department (Headquarters Party Committee Office) |
| | Audit Department |
| | Research & Development Department |
| | Financial Research Institute (Tier-2) |
| | Administrative Security Department |
| | Intercompany Investment Department |
| | Labor Union |
| | Branding Management Department (Tier-2)* (Customer Experience Department) |
| | Discipline Inspection Commission Office (Tier-2)* |
| | Asset and Liability Department |
| | Financial Accounting Department |
| | Centralized Procurement Center (Tier-2)* |
| | Data Management Department |
| | Risk Management Department |
| | Credit Approval Department |
| | Post-Loan & Post-Investment Management Department |
| | Legal Compliance and Internal Control Department |
| | Special Asset Management Department |
| | Corporate Banking Department (Strategic Customer Department) |
| | Public Institution Business Department (Tier-2)* |
| | Inclusive Finance Department (SME Business Department, Cultural and Creative Finance Department) |
| | Transaction Banking Department |
| | Investment Banking Department |
| | Retail Banking Department |
| | Retail Loan Department |
| | Wealth Management and Private Banking Department (Pension Finance Department) |
| | E-banking Department |
| | Consumer Rights Protection Office (Complaint Handling Office) |
| | Credit Card Center |
| | FI & Bills Management Department |
| | Financial Market Trading Center |
| | Asset Management and Custody Department |
| | Asset Management Center * |
| | Digital Finance Department |
| | Operations Department |
| | Beijing Regional Operations Center (Tier-2) |
| | IT Management Department |
| | Software Development Center |
| | System Operation Center |
| | Direct Banking |

Note:

1. Independent tier-2 departments are indicated with *;
2. According to the work arrangement, the Municipal Commission for Discipline Inspection and the Municipal Commission of Supervision established the inspection and supervision team in the Bank;
3. The Head Office has a Central Branch;
4. BOB Wealth Management Co., Ltd. was incorporated on November 25, 2022 and officially opened on December 23, 2022;
5. The reporting period was by 31 December, 2022.

4.10.2 Business units

| Areas | Number of Business Units | Office address | Headcount (person) | Asset Scale (in RMB 1 million) |
|----------|--------------------------|--|--------------------|--------------------------------|
| Beijing | 238 | No.17 A and No.17 B, Financial Avenue, Xicheng District, Beijing | 9,334 | 2,281,564 |
| Tianjin | 44 | Building 3, Tianhui Plaza, Jiaokou, Nanshi Avenue and Fuan Avenue, Heping District, Tianjin | 775 | 41,009 |
| Shanghai | 45 | China (Shanghai) Pilot Free Trade Zone No.1500 and No.1530 Pudong South Road, Pudong New Area, Shanghai | 849 | 137,603 |
| Shaanxi | 67 | No.16, Fenghui South Road, Hi-tech Zone, Xi'an City, Shaanxi Province | 852 | 87,952 |
| Shenzhen | 31 | No.9668 Shennan Avenue, Yuehai Street, Nanshan District, Shenzhen | 839 | 168,824 |
| Zhejiang | 33 | No.66, Wuxing Road, Jianggan District, Hangzhou | 1,073 | 135,431 |
| Hunan | 35 | No.102, Building 6, Huayuanhua Center, No.36, Section 2, Xiangjiang Middle Road, Tianxin District, Changsha City, Hunan Province | 754 | 83,336 |
| Jiangsu | 29 | 190 Hexi Street, Jianye district, Nanjing | 834 | 132,871 |
| Shandong | 54 | No.11890, Jingshi Road, Lixia District, Jinan City | 1,187 | 148,798 |
| Jiangxi | 36 | No.1115, Fenghuangzhong Avenue, Honggutan New District, Nanchang City, Jiangxi Province | 707 | 71,378 |

| | | | | |
|--|------------|--|---------------|------------------|
| Hebei | 16 | No.86, Yuhua East Road, Yuhua District, Shijiazhuang City, Hebei Province | 460 | 30,026 |
| Xinjiang | 9 | No.500, Fenghuangshan Street, Urumqi Economic and Technological Development Zone (Toutunhe District), Xinjiang | 313 | 28,930 |
| Representative Office in Hong Kong SAR | 1 | Unit 5601, 56/F, The Center, No.99 Queen's Road, Central, Hong Kong | 2 | - |
| Representative Office in Amsterdam | 1 | Panamalaan 96, 1019AZ, Amsterdam, the Netherlands | 1 | - |
| Total | 639 | | 17,980 | 3,347,722 |

Note:

1. Business units listed in the table are based on their operations as of 31 December, 2022.
2. Except for representative offices, the addresses listed in the table are the addresses on business licenses.
3. The asset scale shown in the table is calculated by the standard of the Bank.

4.11 Information Disclosure and Investor Relations

Information disclosure: First, the Bank disclosed periodic reports in strict accordance with the requirements of the CSRC, Shanghai Stock Exchange and other regulatory agencies. During the reporting period, the Bank completed the formulation and disclosure of the 2021 Annual Report, 2022 Q1 Report, 2022 H1 Report, and 2022 Q3 Report in high quality, disclosed in compliance the 2021 Annual Social Responsibility Report, Internal Control Audit Report, Independent Directors' Report, the capital structure and other information, disclosed ESG Report for the first time, and the disclosure of periodic reports was legal and compliant.

Second, the Bank standardized and promoted the formulation and disclosure of interim announcements. The Bank strengthened the initiative, relevance, and effectiveness of information disclosure, and made truthful, accurate, complete and timely disclosure of resolution announcements of the Board of Directors and Supervisors, resolution announcements of the General Meeting of Shareholders and announcements of profit distribution, etc., continuously improved the transparency of the Company to ensure that investors can have a timely and comprehensive understanding of the Bank's operation. During the reporting period, the Bank issued a total of 47 interim announcements, and the information disclosure was legal and compliant.

Third, the Bank further improved the information disclosure system building by developing the system and incorporating interim announcements, regular reports, and

insider registration, etc. in the online processing, which further improved the digitalization and standardization of the Bank's information disclosure.

Investor relations management: The Bank adhered to investor-centric approach and continued to strengthen communication with the capital market, established effective communication mechanisms with investors through platforms such as the Company's official website, investor hotline, Mailbox of Board Secretary and SSE "E Interactive", and fully satisfied the communication needs of investors and analysts for the Bank through various forms such as performance presentations, analyst afternoon tea, and investor and securities analyst research, among other roadshow and exchange activities.

In 2022, the Bank adhered to its investor-centric approach and continued to communicate with investors through video conferences and teleconferences to provide investors and analysts with a comprehensive introduction of the Bank's development philosophy of sound operation and provided timely and efficient responses to market concerns such as the transformation of retail business and the leverage of location advantages.

During the reporting period, the Bank attached great importance to investor relations management. Chairman and President of the Bank attended the meeting of performance presentation of the 2021 Annual Report and 2022 Q1 Result Release, as well as the 2022 H1 Result Release, invited mainstream industry analysts from China Securities, CICC, and Ping An Securities to attend meetings online and offline, showcased the Bank's annual operating results, and received positive market response. The Bank was listed on the "Best Performance of Listed Banks in Result Release Conference for 2021 Annual Report" by China Association for Public Companies. The Bank held one annual performance communication meeting and one quarterly performance communication meeting in the form of online text Q&A, and actively responded to market concerns, which helped market investors and securities analysts to have a comprehensive and realistic understanding of the Bank's operating situation.

During the Reporting Period, the Bank's directors, supervisors and senior management members increased holding of the Bank's shares, which demonstrated their strong confidence in the Bank's future development. The Bank organized investor communication activities, and held the 1st analyst afternoon tea party to invite leading analysts and institutional investors to communicate in the offline event. The move increased the communication between investors and security analysts, and further conveyed the Bank's operating philosophy and development strategy.

Chapter V Environment and Social Responsibility

5.1 Issues of Administrative Punishment by Environmental Authorities during the Reporting Period

☐ Applicable ☒ Not applicable

5.2 Environmental Information

5.2.1 Green finance

Bank of Beijing thoroughly implements the national carbon neutrality strategy and relevant policies of Beijing municipality, and sticks to the operating orientation of promoting real economy through green finance. During the Reporting Period, the Bank constantly introduced new green finance products and services, continued to enrich the “Green Finance+” brand, served green industries by financial means, and led the trend of green finance innovation to further sharpen its competitive edges.

First, the Bank supported the carbon peaking and carbon neutrality goals, and doubled the scale of green loans. As at the end of 2022, the balance of green loans of the Bank stood at RMB 110.303 billion, up RMB 62.559 billion or 131.03% from the beginning of the year. According to the PBOC assessment of 24 major banks on their green finance performance, Bank of Beijing topped the list in terms of the increase of green loan balance in 2022. The Bank actively supported the development of key green industries, with the balance of loans for clean energy industries totaling RMB 25.027 billion, energy-saving and environmental-protection industries RMB 21.927 billion, and clean production industries RMB 6.358 billion at the end of 2022.

Second, the Bank stepped up innovation and worked to build a multi-dimensional system of green finance products. In 2022, the Bank launched a number of innovative green finance products. In March 2022, the Bank launched the first CCER pledge loan in Beijing to support the enterprises in the forestry carbon sink industry to reduce carbon emissions and increase carbon sink. In September 2022, the Bank issued its first carbon neutrality loan to facilitate the low-carbon operation of high-tech enterprises. In November 2022, the Bank helped launch the first market-raised green syndicated loan in the financial leasing industry, which was also in line with the *Common Ground Taxonomy* jointly released by the EU and China, to support green industries like PV power generation and urban rail transit. Seizing the opportunity that Tongzhou District and Miyun District of Beijing were listed among the first group of climate investment and financing pilot areas in China, the Bank formulated ten support measures for the pilot projects to meet financing needs from climate investment and financing sector. The Bank achieved a breakthrough in the issue of green bonds by issuing the first Tranche I green finance bonds in June 2022. It also underwrote China’s first sci-tech notes in the new energy area; and launched China’s first publicly-offered clean energy REITs to promote the sustainable development of green power infrastructure investment and financing.

Third, the Bank strengthened customer management to efficiently and precisely meet customers’ demand for low-carbon finance. The Bank adhered to the operating orientation of promoting real economy through green finance, focused on the segments of green industries, analyzed green finance business opportunities in seven major scenarios, including clean energy, green transport, green manufacturing, green building, sewage and waste treatment, green

consumption and transition economy, and stepped up efforts to tap existing customers and develop new customers. The Bank guided regional branches to explore key projects in green industries, regularly distributed the lists of proposed key green projects in various regions, and assisted regional branches in marketing to expand the scope of green finance services.

Fourth, the Bank clearly defined the on-boarding criteria, and formulated the policy for granting credit to green industries. Prioritizing green industries in credit support, the Bank worked out the overall strategy about credit for green industries, and required the efforts to “follow national policies, stick to market-orientated approach, perform customer segmentation and guarantee credit for some industries while controlling credit for others”. To be specific, the Bank highlighted support for the green enterprises that comply with national industrial policies and low-carbon policies, meet market demands and have commercially sustainable green production processes, and strictly observed the restrictions on energy consumption, water consumption and pollutant discharge. The Bank developed customer and project access criteria for 25 segments from multiple perspectives including production processes, industrial qualifications, product performance, operation experience and financial indicators, to guide precise granting of credit.

Fifth, the Bank practiced the low-carbon philosophy and continued to advance carbon neutrality in its own operations. The Bank promoted the project of building itself into a zero-carbon bank, and worked to realize carbon neutrality in the operations of green branches by writing off CCER of equivalent amounts. In November 2022, guided by China Beijing Green Exchange and the National Financial Technology Certification Center (Beijing), Tongzhou Green Branch of the Bank of Beijing achieved carbon neutrality at the operation level, becoming the first carbon neutrality branch of the Bank jointly licensed by two specialized institutions.

Sixth, the Bank strengthened IT empowerment and advanced the building of a green finance system. While increasing linkage between business and IT lines, the Bank built a green finance management system, and officially applied it across the Bank. Also, features such as intelligent identification of green assets, system labeling, regulation statements, evaluation of the environmental benefits of green credit and dynamic monitoring of environmental risks became available, effectively boosting marketing and management.

Seventh, the Bank organized green finance themed training to help employees increase professional knowledge. The Bank summarized hot topics about green finance, and collaborated with the International Institute of Green Finance under the Central University of Finance and Economics on the establishment of a green finance training course to offer themed training and expand the horizon of frontline green finance practitioners. Also, the Bank stepped up industrial research, and developed marketing guidelines targeting key segments to support marketing at regional branches and branches.

Eighth, the Bank strengthened brand building, and worked to build a consensus on green and low-carbon development. The Bank was honored the 3rd “IFF Global Green Finance Award”, and founded the “Quarterly Journal of Bank of Beijing on Green Finance” (《北京银行绿色金融季刊》) as a bridge for bank-wide communication on green finance and a platform for learning, exchanges and sharing to empower the implementation of the green development concept and green transition across the Bank.

5.2.2 Green operation

In pursuit of low-carbon operation, the Bank advocates the environmental concept of “green office, green procurement and garbage sorting”. While ensuring operation quality, the Bank, with public environmental benefits in mind, works to create a green office environment, strengthens publicity about energy conservation and carbon reduction, builds or renovates facilities for the energy conservation purpose, improves the institutional and management systems for energy conservation and emission reduction, and advances the formation of green building ecosystems, so as to build an “ecological bank” and “cultural bank”. In 2022, the Bank adopted the following measures to realize green office, green procurement and garbage sorting.

(I) Green office

1. In accordance with applicable and adjusted laws, regulations and regulatory policies, the Bank further tightened institutional building, constantly improved and revised the “Management Regulations of Bank of Beijing for Energy Conservation and Carbon Reduction” (《北京银行节能减排管理规定》), and carried out a bank-wide campaign to save energy and reduce carbon emission, in an effort to improve energy management, conserve energy, lower energy consumption and increase energy utilization efficiency.

2. The Bank used and updated vehicles in strict accordance with the standards for the supply of official vehicles, and, in line with the treatment standards for heads of state-owned enterprises and the Bank’s regulations on the management of fixed assets, preferred the use of Chinese new energy vehicles when updating vehicles. Also, the Bank intensified vehicle management, regularly checking and maintaining vehicles in use, reasonably scheduling the vehicles, reducing driving frequency and deadhead kilometers, lowering fuel consumption and ensuring tail gas to meet relevant standards before emitted, so as to realize green travelling.

3. The Bank worked to create a green office environment. Guided by the principle of being simple, pragmatic and natural, the Bank improved the overall planning for interior spaces in terms of naturality, materials, humidity and temperature and maximized the utilization of natural resources to make full use of different resources and conserve energy. Meanwhile, the Bank chose energy-saving materials as much as possible, such as energy-saving doors and windows, water-saving sanitary ware and energy-saving lamps, and forbade the use of any construction processes that pollute indoor environment.

4. In compliance with the carbon peaking and carbon neutrality policy and other national policies about energy conservation and carbon reduction, the Bank formulated the “Code of Conduct of Bank of Beijing for Green Office” (《北京银行绿色办公行为守则》), to further advocate energy conservation and consumption reduction, achieve green transition in its operations, and establish a full set of targeted and pragmatic code of conduct for green office across the Bank that covers less or no paper use, water and electricity conservation, garbage sorting and green travelling.

5. The Bank explored a smart property service model based on various intelligent platforms, realized digital management through IoT, and simplified maintenance and conference service processes through online application for maintenance and conference services. The Bank realized connection of equipment inside office buildings to monitor equipment operation in real

time, improve equipment operating efficiency and cut equipment maintenance cost.

6. The Bank strengthened construction site management. Guided by the principle of green and civilized construction, the Bank made sure all the office areas were equipped with necessary functions, and decorated in a plain, economical, practical and energy-saving manner and with local environment-friendly materials, and ensured work safety in the construction process. The Bank required construction units to strengthen work safety and personnel management at the site, use factory processing as much as possible, and reduce the dust, noise, waste gas and waste water pollution and damage to surrounding environment. The Bank highlighted resources control and management at construction sites, and developed practicable measures to reduce water and electricity consumption avoid waste, and ensured timely recycling of all the possible materials

(II) Green procurement

1. The Bank carefully selected reputable suppliers qualified for government procurement that provide high-quality and cost-effective products, to avoid material waste from the source.

2. In strict accordance with the “Centralized Procurement Management Measures” (《集中采购管理办法》), the Bank further standardized procurement processes, and successively organized procurement of carbon emissions allowances, the Wind platform and customer APP, and fire response batteries at the Head Office.

3. The Bank banned unauthorized treatment of electronic wastes that meet scrapping standards across the Bank, and handed them to qualified environmental agencies for recycling and treatment, so as to avoid pollution to the environment.

(III) Garbage sorting management

In compliance with the “Circular on Deepening Party Building Leadership and Strengthening Property and Domestic Garbage Sorting Management at Municipal Enterprises” (《关于深化党建引领加强市管企业物业及生活垃圾分类管理工作的通知》), the “Circular on Carrying out Demonstration Projects of Domestic Garbage Sorting at Municipal Enterprises released by the State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing Municipality” (《关于在市管企业中开展生活垃圾分类示范创建工作的通知》), the Bank, centering on the characteristics of property management and domestic garbage sorting, strengthened Party building, intensified leadership by Party organizations, mobilized all employees through publicity, and pressed ahead with garbage sorting. The Bank organized the Head Office departments and regional branches in Beijing to build demonstration units of garbage sorting by all, conducted self-inspections in an all-round way, completed the standards for demonstration units that are described as “seven 100%” (100% awareness of garbage sorting among employees, 100% participation by employees, 100% signing of contracts on sorted garbage collection and transport, 100% collection of non-residential kitchen garbage charged by weight, 100% up-to-standard sorting containers, 100% accurate dumping of various garbage, and 100% purity of kitchen garbage), and made sure the letters of commitment to garbage sorting were signed and the “garbage can duty service” was implemented, in an effort to create an atmosphere in which Party members take the lead and all employees participate, and build a green office environment. The Bank carried out a campaign themed “garbage sorting dominated

by me”, to advance awareness building, “garbage can duty service” and demonstration unit building, among other work.

5.3 Social Responsibility Performance

5.3.1 Published the CSR report

The Bank has published the full text of the CSR report and ESG Report of 2022 on the website of Shanghai Stock Exchange (www.sse.com.cn).

5.3.2 Promoted rural revitalization

In 2022, Bank of Beijing resolutely implemented the decision and plans of the CPC Central Committee, faithfully followed the requirements of the CPC Beijing Municipal Committee, went all out to complete the tasks assigned by the Party Committee of the State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing Municipality, and fulfilled its political responsibility as a state-owned enterprise, so as to implement the guiding principles of the 20th CPC National Congress with concrete actions.

(I) Implementing the financial policies and measures released by regulators

1. Setting up a special team: The Bank set up a special team to advance the financial services in support of rural revitalization across the Bank.

2. Stabilizing growth of loans: As at 31 December, 2022, the Bank’s balance of agriculture-related loans was RMB 88.58 billion, an increase of RMB 16 billion from the beginning of the year.

3. Expanding financing channels: The Bank supported 15 public livelihood projects in the areas that received assistance from the Bank through financial leasing, and issued RMB 3.3 billion of rural revitalization themed bonds.

(II) Implementing the requirements of Beijing Municipal Government for partner assistance

1. Strengthening assistance through consumption: The Bank invested RMB 4 million in building “*Jingcai Xipin*” into a distinctive brand of partner assistance through consumption in Beijing, purchasing agricultural and sideline products worth RMB 8,453.2 thousand from the areas that received assistance on a cumulative basis.

2. Strengthening assistance through employment: The units in Beijing signed employment contracts with 293 college graduates from suburban areas, as well as college graduates majored in agriculture, employed 30-plus college graduates from the areas that received assistance, and helped over 630 people secure local employment through collaboration with other employers and recommendation, in an effort to promote the development of the areas that received assistance.

3. Strengthening assistance through public welfare programs: The Bank donated over RMB 0.96 million to the areas that received assistance and the people in difficulty.

(III) Implementing the task assigned by the State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing Municipality of supporting villages with a weak collective economy in increasing income

1. Dispatching first secretaries: The Bank dispatched first secretaries to Dapuchigou Village, Gushigoumen Village and Donghuangliang Village in Tanghekou Town, Huairou District, and supported the first secretaries in increasing communication with the units, villages and towns that they were dispatched to, and played the role as a bridge in supporting the efforts to increase income.

2. Helping fulfill the target of increasing income: The Bank facilitated Dapuchigou Village to increase income of collective economy by RMB 0.28 million, Gushigoumen Village by RMB 0.41 million, and Donghuangliang Village by RMB 0.53 million, helping the villages fulfill the target of earning an operating income of no less than RMB 100,000 from collective economy, which was highly praised by governments at all levels.

3. Stepping up assistance: The Bank donated RMB 500,000 to Gushigoumen Village to build the “*Jinghang Tongxin Bridge*”; invested RMB 100,000 to plant the “Town-Enterprise Joint Forest” in Dapuchigou Village; and invested over RMB 80,000 to renovate the Party building space in Donghuangliang Village. In 2022, the Bank was rated by the Bureau of Agriculture and Rural Affairs of Huairou District as the “Advanced Unit for Partner Assistance in Promoting Village Collective Economy in Huairou District”.

(IV) Implementing assistance in the areas where regional branches are located

1. Building assistance teams: The Bank’s Urumqi Regional Branch, Xi’an Regional Branch and Nanchang Regional Branch dispatched first secretaries, work teams and employees to the villages that received assistance, in an effort to advance various work in an all-round way.

2. Supporting the development of featured industries: Through the “Ten Thousand-Courtyard Plan”, the Bank granted over RMB 1.4 billion of credit funds to 2,000-plus homestay courtyards on a cumulative basis, including over RMB 700 million in 2022. Also, the Bank leveraged the 2022 China International Fair for Trade in Services to display the quality agricultural products from villages with weak collective economy, Atlas Silk from Hetian, Xinjiang, honey from Qipan Village, Shaanxi Province, and wild tea leaves and camellia oil from Taiping Village, Jiujiang, Jiangxi Province, to show the outcomes of the Bank’s support for the areas.

3. Building a joint force in assistance. In compliance with the requirements in the areas where they are located, other regional branches and rural banks took active part in assistance based on actual conditions, so as to contribute to rural revitalization.

5.4 Consumer Rights Protection

During the reporting period, Bank of Beijing continued to increase consumer rights protection. By further strengthening consumer protection review, product after sales management and complaint management and improving critical mechanisms for whole-process control and sales suitability, etc., the Bank advanced the fusion of consumer protection and business operation so as to effectively improve consumer satisfaction.

1. Intensifying the building of rules and policies and improving the consumer rights protection system

First, the Bank strengthened top-level design. It held plenary meetings of the Consumer

Protection Committee, improved the rules of procedure for members, and advanced the cross-departmental communication mechanism. The Bank held a consumer protection services meeting to build a joint force across the Bank. The Bank issued the “2022 Work Plan for Consumer Rights Protection” (《2022 年消费者权益保护工作计划》), which deployed the key aspects of work for 2022. Consumer protection specialists were designated in the departments as members of the Consumer Protection Committee, to improve consumer protection management in all aspects.

Second, the Bank stepped up review management, and followed the requirements on business review in terms of product innovation, product and institution access, and marketing and promotion, to effectively fulfill its primary responsibility in consumer protection review. In 2022, the Bank reviewed 63 innovative products and 224 marketing cases, effectively preventing infringements on consumers' legitimate rights.

Third, the Bank standardized assessment management, and issued the “2022 Assessment Plan for Consumer Rights Protection by Regional Branches” (《2022 年分行消费者权益保护考核评价方案》), where the weights of different indicators are defined, the process for accountability was standardized, and bonus points and penalty points were included to assess the work related to consumer protection at regional branches and give full play to the role of consumer protection assessment in promoting self-discipline within the Bank.

Fourth, the Bank improved the consumer protection system, and revised 11 policies about consumer protection, including the “Management Provisions of Bank of Beijing for Personal Finance Marketing and Publicity” (《北京银行个人金融营销宣传管理规定》), the “Management Provisions of Bank of Beijing for Personal Finance Information Protection” (《北京银行个人金融信息保护管理规定》), and the “Product Management Provisions of Bank of Beijing (Trial)” (《北京银行产品管理规定（试行）》).

2. Strengthened complaint management and stepped up efforts to trace problems to the source

In 2022, the Bank received 12,068 consumer complaints, of which 9,284 (76.93%) were credit card complaints and 2,784 (23.07%) were non-credit card complaints.

(1) Credit card complaints

We received 3,632 (39.12%) complaints about card use and repayment; 2,740 (29.51%) about marketing activities, points and value-added services; 1,227 (13.22%) about card application, account opening and replacement; 1,055 (11.36%) about debt collection; 446 (4.81%) about personal credit information; 91 (0.98%) about billing services; 49 (0.53%) about lost reporting and cancellation of cards; and 44 (0.47%) about card theft.

(2) Non-credit card complaints

Region-wise, we received 2,409 complaints in Beijing, accounting for 86.53%; 72 in Shanghai, accounting for 2.59%; 60 in Tianjin, accounting for 2.16%; 49 in Hunan, accounting for 1.76%; 43 in Shaanxi, accounting for 1.54%; 34 in Zhejiang, accounting for 1.22%; 21 in Jiangsu, accounting for 0.75%; 34 in Shandong, accounting for 1.22%; 25 in Guangdong, accounting for

0.9%; 16 in Hebei, accounting for 0.57%; 14 in Jiangxi, accounting for 0.5%; and 7 in Xinjiang, accounting for 0.25%.

In terms of business channels, we received 1,871 complaints onsite, accounting for 67.21%; 338 from the middle and back office, accounting for 12.13%; 227 from mobile apps, accounting for 8.16%; 225 from third-party channels, accounting for 8.1%; 27 from self-service machines, accounting for 0.96%; and 96 from other sources, accounting for 3.5%.

In terms of business types, we received 437 complaints about debit card account management, accounting for 15.7%; 430 about debit card use, accounting for 15.4%; 365 about mortgage loans, accounting for 13.11%; 264 about wealth management, accounting for 9.48%; 159 about RMB savings, accounting for 5.71%; 155 about other fee income business, accounting for 5.57%; 82 about payment and settlement, accounting for 2.95%; and 892 about other issues, accounting for 32.04%.

By the cause of complaints, we received 1,112 complaints (39.94%) about management policies, business rules, and processes; 948 (34.05%) about business operation and efficiency; 304 (10.92%) about service attitude; 115 (4.13%) about service facilities, equipment, and business system; 76 (2.73%) about business errors; and 229 (8.23%) about other issues.

(3) Promoting management improvement by handling complaints

First, the Bank constantly standardized the management of frontline sales behaviors to improve service management, protect consumers' rights from being infringed upon and eliminate the roots of complaints. Second, the Bank provided the telephone numbers of branch managers in the branch lobbies, and introduced intelligent customer service in customer APP as channels for communication with consumers. Third, the Bank responded to consumers' reasonable complaints in time by contacting the consumers and solving the problems at the earliest time possible to address complaints right after they arose and avoid the complaints from upgrading into disputes. Fourth, by sorting similar cases, the Bank developed a unified handling standard and made proper front-office authorization to settle complaints in time. Fifth, the Bank addressed customer complaints with sympathy, reason and principles, and dismissed unreasonable claims with sincerity and patience to clear up misunderstandings. Sixth, the Bank made good use of industrial mediation and conciliation resources, to resolve disputes through Beijing Municipal People's Mediation Committee for Financial Disputes, Bingzheng Banking Industry Consumer Rights Protection Promotion Center, court conciliation centers and other organizations. Seventh, in terms of complaints about dark and grey industries, the Bank established the black list and white list to share information, cut the source of funds, safeguard its rights and allow no room for outlaws. Eighth, the Bank worked to find the problems in its systems, processes, products and services from public complaints, traced the sources and rectified the problems.

3. Strengthening publicity and education and raising citizens' risk awareness

First, the Bank carried out regular publicity and education based on branches. The Bank publicized financial knowledge through electronic screens and micro-lectures held in public education sections, in an effort to help consumers establish the awareness of value-based investment, rational investment and risk prevention. At counters, the tellers reminded customers of reading the poster foldouts about prevention against telecom fraud and illegal fundraising

available on the counters, so as to help them raise the awareness of risk prevention. On self-service machines, the Bank provided posters to spread consumer protection knowledge at any time and any place. Second, the Bank stepped up online publicity and promoted electronic applications. Through its official website, WeChat public account, mobile banking, “*Zhangshang Jingcai*”, the App for credit cards, and other self-owned channels, the Bank released financial knowledge and risk cases in time. Also, the Bank increased livestreaming efforts, and coordinated several regional branches and released a number of original articles and short videos to help customers acquire financial knowledge at any time and any place and arouse their enthusiasm for learning. The Bank launched the “*Xiaojingyan*” publicity brand, produced original video series and promoted them through diverse channels. Third, the Bank made use of third-party platforms to expand the influence of publicity. The Bank took active part in the appraisal for the 1st “Financial Guards of Beijing”, with one branch and 2 individuals earning the honor. In collaboration with the 21st Century Media, the Bank produced online articles and livestreaming programs under the theme of “preventing telecom fraud”, to popularize financial knowledge and risk management knowledge among consumers and help them establish the awareness of sensible wealth management and fraud prevention, which produced good results. The Bank published the publicity efforts of regional branches in nationwide media to increase textual communication. Fourth, the Bank encouraged regional branches to set examples with stronger characteristics. Taking advantage of the vast number of customers and rich resources in Beijing, all regional branches in Beijing were active in external publicity, completing several activities of popularizing financial knowledge in communities, schools, trade unions and enterprises. Meanwhile, the regional branches outside Beijing created new forms of publicity based on their characteristics. For example, Nanjing Regional Branch designed and produced original animations about credit investigation etc.; Shijiazhuang Regional Branch produced special activity videos to improve the influence of publicity; Shenzhen Regional Branch partnered with online platforms and offered livestreamed courses to cover more users; Hangzhou Regional Branch made activity posters targeting different customer groups based on the fact that more customers are moved online; Urumqi Regional Branch organized publicity in rural areas to enrich villagers’ financial knowledge and promote the building of harmonious countryside.

4. Focusing on pressing difficulties and caring for special groups

First, targeting the needs of elderly citizens for emergency pension withdrawal, the Bank opened 26 branches for emergency withdrawal, and handled over 1,600 emergency withdrawal deals for elderly citizens in Beijing, effectively easing their difficulties in life. Second, regarding the concentrated withdrawals and payments made by medical insurance customers resulting from Beijing municipality’s adjustment on medical insurance policy, the Bank did its best to publicize the policies and mobilized all employees to support frontline services to ensure smooth and orderly withdrawal and payment by citizens. Third, for new urban residents, including sanitation workers, deliverymen, and taxi drivers, the Bank set up “Outdoor Workers” stations, leveraging its city-wide branch network and brand-new service facilities to offer them a warm shelter.

Chapter VI Significant Matters

6.1 Fulfillment of Commitments by Companies, Actual Controllers, Shareholders and Affiliates

Some directors, supervisors and senior management members of the Bank acquired the Bank's shares from the secondary market with their own funds from 15 to 17 June, 2022 and undertook to lock up the said shares acquired for two years from the date of acquisition. As at the end of the reporting period, the commitments are still being performed.

On December 28, 2017, ING Bank N.V., Beijing State-owned Assets Management Co., Ltd., and Beijing Energy Holding Co., Ltd., which are shareholders of the Bank, subscribed for the Bank's non-publicly offered shares and completed the registration and custody procedures with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, with a commitment not to reduce their holdings within five years from the completion date of issuance. During the reporting period, the commitment period has expired and the commitment has been fulfilled.

6.2 Employment & Repayment of Non-operating Funds by Controlling Shareholders and Related Parties

☐Applicable ☒Not applicable

6.3 Engagement and Dismissal of Accounting Firms and Sponsors

6.3.1 Appointment and dismissal of accounting firm for annual financial statements

According to the requirements on the number of years for continuous engagement of the same accounting firm by state-owned financial enterprises, as stipulated in the "Measures for the Administration of Selection and Employment of Accounting Firms by State-Owned Financial Enterprises" (No. 6 [2020] of the Ministry of Finance) (《国有金融企业选聘会计师事务所管理办法》(财金〔2020〕6号)) issued by the Ministry of Finance of the People's Republic of China, the Bank's former accounting firm Ernst & Young Hua Ming LLP (Special General Partnership) has reached a maximum service period of eight years and needs to be changed. As approved by the First Extraordinary General Meeting of Shareholders in 2022, the Bank engaged KPMG Huazhen Certified Public Accountants (Special General Partnership) as the Bank's accounting firm for the external audit on financial statements in the year 2022, and the financial statement audit cost paid to KPMG Huazhen Certified Public Accountants totaled RMB 4.64 million. This year was the first year in which KPMG Huazhen Certified Public Accountants provided audit services to the Bank.

6.3.2 Engagement and dismissal of accounting firm for internal control audit

According to the requirements on the number of years for continuous engagement of the same accounting firm by state-owned financial enterprises, as stipulated in the "Measures for the Administration of Selection and Employment of Accounting Firms by State-Owned Financial Enterprises" (No. 6 [2020] of the Ministry of Finance) (《国有金融企业选聘会计师事务所管理办法》(财金〔2020〕6号)) issued by the Ministry of Finance of the People's Republic of China, the Bank's former accounting firm Ernst & Young Hua Ming LLP (Special General Partnership) has reached a maximum service period of eight years and needs to be changed. As approved by the First Extraordinary General Meeting of Shareholders in 2022, the Bank engaged KPMG Huazhen

Certified Public Accountants (Special General Partnership) as the Bank's accounting firm for the internal control audit in the year 2022, and the internal control audit cost paid to KPMG Huazhen Certified Public Accountants totaled RMB1.02 million. This year was the first year in which KPMG Huazhen Certified Public Accountants provided audit services to the Bank

6.3.3 Appointment and dismissal of sponsor

☐Applicable ☒Not applicable

6.4 Significant Litigation and Arbitration Issues

The Bank was involved in a number of legal proceedings in its daily operations, most of which were initiated by the Bank to collect NPLs. As of 31 December, 2022, there were in total 67 pending litigation and arbitration cases with Bank of Beijing as the plaintiff where the subject matter was above RMB 10 million, involving a total amount of RMB 17758.3259 million approximately. As of 31 December, 2022, there were in total 15 pending litigation and arbitration cases filed against the Bank where the subject matter was above RMB 10 million, with a total amount of RMB 7526.4037 million approximately. The litigation or arbitration above will not constitute significant adverse impact on the Bank's financial or business performance.

6.5 Bankruptcy and Restructure during the Reporting Period

☐Applicable ☒Not applicable

6.6 Significant Related-Party Transactions

The related-party transactions between the Bank and related parties are derived from normal operation activities, and the transaction conditions and interest rates are subject to the general requirements of the Bank's business management and regulatory authorities, which are not superior to those of ordinary borrowers or counterparties. The Bank's related parties include related parties by the CBIRC standard, related parties by the standard of domestic securities regulators, and related parties by the standard of the "Accounting Standards for Business Enterprises" (《企业会计准则》).

In accordance with the regulatory requirements of the CBIRC and the China Securities Regulatory Commission (CSRC), significant related-party transactions shall be reviewed by the Related-party Transaction Committee of the Board of Directors and then submitted to the Board of Directors of the Bank for approval. Particularly significant related-party transactions shall be reviewed by the Related-party Transaction Committee of the Board of Directors and the Board of Directors before submitted to the General Meeting of Shareholders for approval.

The Bank's approval of significant related-party transactions in 2022 is presented as follows:

| Name | Approval institution | Approval amount |
|---|---------------------------------|------------------|
| Beijing State-owned Assets Management Co., Ltd. and its subordinate enterprises | General Meeting of Shareholders | RMB 16 billion |
| China Three Gorges Corporation and its subordinate enterprises | General Meeting of Shareholders | RMB 15 billion |
| Beijing Energy Holding Co., Ltd. and its subordinate enterprises | General Meeting of Shareholders | RMB 13.5 billion |

| | | |
|---|---------------------------------|------------------|
| BBMG Corporation and its subordinate enterprises | General Meeting of Shareholders | RMB 13.2 billion |
| Bank of Communications Co., Ltd. | General Meeting of Shareholders | RMB 40 billion |
| Bank of Beijing Financial Leasing Company | General Meeting of Shareholders | RMB 12.4 billion |
| Bank of Beijing Consumer Finance Company | Board of Directors | RMB 6 billion |
| Beijing Liando Investment (Group) Co., Ltd. and its subordinate enterprises | Board of Directors | RMB 4 billion |
| ING Bank N.V. | Board of Directors | USD 500 million |

Note: Unless otherwise stated, the amount is denominated in RMB.

During the reporting period, the Bank has fulfilled the obligations of examination and approval, as well as information disclosure on a case-by-case basis for all the significant related-party transaction matters in accordance with the regulatory requirements, and interim announcements have been issued. Please refer to the content in the “Related-party Relationships and Related-party Transactions” in the notes to the financial statements for the details of related-party transactions as defined in accordance with laws, regulations and Chinese Generally Accepted Accounting Principles.

6.7 Significant Contracts and the Implementation during the Reporting Period

6.7.1 Significant custody, sub-contract and lease

During the reporting period, among the significant contracts signed by the Bank, there was no custody, sub-contract or lease of the assets of other companies, or custody, sub-contract or lease of the assets of the Bank by other companies beyond the scope of normal banking business.

6.7.2 Significant guarantees

The guarantee business is a routine business of the Bank. During the reporting period, the Bank had no other significant guarantees to disclose except for the financial guarantee business within the business scope approved by the PBOC and the CBIRC.

Special Explanations and Independent Opinions of Independent Directors on the External Guarantees Provided by the Bank

In accordance with the relevant provisions of the “Regulatory Guidelines for Listed Companies No. 8 - Regulatory Requirements for Capital Transactions and Overseas Guarantees by Listed Companies” (Announcement No. 26 [2022] of the CSRC) (《上市公司监管指引第8号——上市公司资金往来、对外担保的监管要求》(证监会公告〔2022〕26号)), as independent directors of Bank of Beijing Co., Ltd. (hereinafter referred to as “Bank of Beijing” or “the Bank”), we have reviewed the EXTERNAL guarantees provided by the Bank on the principle of openness, fairness, and objectivity and issued special verification opinions as follows:

Upon review, the external guarantee business provided by the Bank is a routine business approved by the PBOC and the CBIRC and within the scope of banking operations. The major guarantee business of the Bank is letters of guarantee (L/G). As at 31 December, 2022, the

balance of the L/Gs issued by the Bank was RMB 48.510 billion.

The Bank attaches great importance to the risk management of the guarantee business and strictly implements its relevant operating procedures and approval procedures. During the reporting period, the Bank operated this business normally, and there were no violations of laws or regulations.

6.8 Penalties of the Company and its Directors, Supervisors and Senior Management members

During the reporting period, CSRC Beijing Office took the administrative regulatory measure of issuing a caution letter to Mr. Liu Yanlei, then Secretary of the Board of Directors. Except for this, neither the Bank nor its directors, supervisors or senior management members were subject to investigation or criminal penalties due to being suspected of committing crimes, nor investigation, administrative penalties or administrative regulatory measures imposed by the CSRC, nor disciplinary punishment by stock exchanges, nor detention by the disciplinary inspection and supervision organs, nor punishment by other regulators that had a significant impact on the Bank's operations.

6.9 Company Integrity

During the reporting period, the Bank insisted on operating in good faith, and there were no significant court judgments that were not fulfilled or large debts that were not settled when due.

6.10 Audit Opinion Issued by the Accounting Firm

The Bank's 2022 annual financial report was audited by KPMG Huazhen Certified Public Accountants (Special General Partnership), which issued a standard unqualified audit report.

6.11 Explanation of Changes in Accounting Policy, Accounting Estimates, and Accounting Methods Compared to the Financial Statements of the Previous Year

The changes in the accounting policy, accounting estimates and accounting methods are detailed in "32. Changes in major accounting policies, IV. Important Accounting Policies and Accounting Estimates" in the "Financial Statements".

6.12 Other Material Matters

1. On 18 February, 2022, the Bank issued the "2022 Special Financial Bonds for Small and Micro Enterprise Loans of Bank of Beijing Co., Ltd. (Phase I)" with an issuance scale of RMB 20 billion, which were three-year, fixed-rate financial bonds and had a coupon rate of 2.78%. On 16 June, the Bank issued the "2022 Green Financial Bonds of Bank of Beijing Co., Ltd. (Phase I)" with an issuance scale of RMB 9 billion, which were three-year, fixed-rate financial bonds, and had a coupon rate of 2.78%. On 16 June, the Bank issued the "2022 Special Financial Bonds for Small and Micro Enterprise Loans of Bank of Beijing Co., Ltd. (Phase II)" with an issuance scale of RMB 2 billion, which were three-year, fixed-rate financial bonds and had a coupon rate of 2.8%. On 11 November, the Bank issued the "2022 Special Financial Bonds for Small and Micro Enterprise Loans of Bank of Beijing Co., Ltd. (Phase III)" with an issuance scale of RMB 8 billion, which were three-year, fixed-rate financial bonds and had a coupon rate of 2.47%.

2. During the reporting period, the Bank was involved in the lawsuit filed by Zhejiang Zhongtai Chuangying Asset Management Co., Ltd. against Kangdixin Composite Material Group for the dispute over the liability for securities misrepresentation. As at the end of the reporting period, the hearing of the lawsuit has not yet started.

Chapter VII Changes in Share Capital and Shareholders

7.1 Changes in Share Capital

7.1.1 Changes in the Bank's share capital during the reporting period:

(Unit: share)

| Type | Before change | | Increase/decrease (+, -) | | | | | After change | |
|--|------------------|--------------|--------------------------|-------------|---------------------------------|--|-----------|------------------|--------------|
| | Number of shares | Proportion % | New shares issued | Bonus share | Conversion from capital reserve | Shares freed from trading restrictions | Sub-total | Number of shares | Proportion % |
| I. Shares subject to trading restrictions | | | | | | | | | |
| 1. State holding shares | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. State-owned legal entity holding shares | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. Other domestic holding shares | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Inc: | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Domestic legal entity holding | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Domestic natural person holding | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. Foreign holding shares | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Inc: | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Foreign legal entity holding | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Foreign natural person holding | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subtotal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| | | | | | | | | | |
|--|-----------------------|-------------|----------|----------|----------|----------|----------|-----------------------|-------------|
| for shares subject to trading restrictions | | | | | | | | | |
| II. Shares not subject to trading restrictions | | | | | | | | | |
| 1. RMB ordinary shares | 21,142,984,272 | 100% | 0 | 0 | 0 | 0 | 0 | 21,142,984,272 | 100% |
| 2. Domestically listed foreign shares | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. Overseas listed foreign shares | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. Others | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subtotal for shares not subject to trading restrictions | 21,142,984,272 | 100% | 0 | 0 | 0 | 0 | 0 | 21,142,984,272 | 100% |
| III. Total shares | 21,142,984,272 | 100% | 0 | 0 | 0 | 0 | 0 | 21,142,984,272 | 100% |

At the end of the reporting period, the shares of the Bank under pledge reach or exceed 20% of total shares of the Bank.

☐Applicable ☒Not applicable

7.1.2 Changes in shares subject to trading restrictions

☐Applicable ☒Not applicable

7.2 Share Issuance and Listing

7.2.1 Share issuance within three years before the end of the reporting period (excluding preferred shares)

☐Applicable ☒Not applicable

7.2.2 Changes to the total number and structure of shares

☐Applicable ☒Not applicable

7.3 Information on Shareholders and Actual Controllers**7.3.1 Top 10 shareholders and top 10 shareholders not subject to trading restrictions**

(Unit: share)

| | | | | | | |
|--|-------------|------------------|--|---|---|------------------------------------|
| Total number of shareholders at the end of the reporting period | 192,030 | | Total number of shareholders at the end of the month prior to the disclosure day of this annual report | | | 190,590 |
| Top 10 shareholders | | | | | | |
| Shareholder | Nature | Shareholding (%) | Number of shares held | +/- of the number of shares in the reporting period | Number of shares held subject to trading restrictions | Number of shares pledged or frozen |
| ING BANK N.V. | Foreign | 13.03 | 2,755,013,100 | 0 | 0 | 0 |
| Beijing State-Owned Assets Management Co., Ltd. | State-owned | 8.63 | 1,825,228,052 | 0 | 0 | 0 |
| Beijing Energy Holding Co., Ltd. | State-owned | 8.59 | 1,815,551,275 | 0 | 0 | 0 |
| Hong Kong Securities Clearing Company Ltd. | Others | 3.34 | 707,173,800 | -12,826,200 | 0 | 0 |
| Sunshine Life Insurance Corporation Limited – Traditional Insurance Policy | Others | 3.30 | 698,623,478 | -35,473,479 | 0 | 0 |
| Macrolink Holding Co., Ltd. | Others | 2.47 | 522,875,917 | 0 | 0 | 522,875,917 |
| Three Gorges Capital Holdings Co., Ltd. | State-owned | 2.14 | 452,051,046 | 0 | 0 | 0 |
| China Three Gorges Corporation | State-owned | 1.88 | 398,230,088 | 0 | 0 | 0 |
| Beijing Liando Investment (Group) Co., Ltd. | Others | 1.55 | 326,996,180 | -956,600 | 0 | 0 |
| China Securities Finance Corp | State-owned | 1.53 | 324,032,671 | 0 | 0 | 0 |
| Top 10 shareholders with shares not subject to trading restrictions | | | | | | |
| Shareholders | | | Number of shares held not subject to trading restrictions | | Type of shares | |
| ING BANK N.V. | | | 2,755,013,100 | | RMB ordinary shares | |
| Beijing State-Owned Assets Management Co., Ltd. | | | 1,825,228,052 | | RMB ordinary shares | |
| Beijing Energy Holding Co., Ltd. | | | 1,815,551,275 | | RMB ordinary shares | |
| Sunshine Life Insurance Corporation Limited – Traditional Insurance Policy | | | 707,173,800 | | RMB ordinary shares | |
| Hong Kong Securities Clearing Company Ltd. | | | 698,623,478 | | RMB ordinary shares | |
| Macrolink Holding Co., Ltd. | | | 522,875,917 | | RMB ordinary shares | |
| Three Gorges Capital Holdings Co., Ltd. | | | 452,051,046 | | RMB ordinary shares | |
| China Three Gorges Corporation | | | 398,230,088 | | RMB ordinary shares | |
| Beijing Liando Investment (Group) Co., Ltd. | | | 326,996,180 | | RMB ordinary shares | |
| China Securities Finance Corp | | | 324,032,671 | | RMB ordinary shares | |

| | |
|---|---|
| Note to the connected relations and concerted action among the above-mentioned shareholders | Three Gorges Capital Holdings Co., Ltd. is the subsidiary of China Three Gorges Corporation. The Bank is not aware of any connected relations among other shareholders. |
|---|---|

7.3.2 Information on controlling shareholders and actual controllers

The Bank has no controlling shareholder or actual controller. The Bank's largest single shareholder is ING BANK N.V.

7.4 Major Shareholders²

7.4.1 Information on the shareholder holding more than 5% of the Bank's shares

1. ING BANK N.V.

ING Bank N.V. is a global financial institution. As a subsidiary wholly owned by ING Group, it is an important business unit of ING Group. Its biggest business lines are retail banking and wholesale banking. The controlling shareholder and actual controller of ING Bank N.V. was ING Groep N.V., with no final beneficiary and persons acting in concert. Mr. Johan de Wit and Mr. Praveen Khurana were nominated by ING Bank N.V. to serve as directors of Bank of Beijing.

According to the Y2020 Top 1000 World Banks' ranking of the *Banker*, ING Bank N.V. ranked 12th in the region and 34th in the globe. As of 2022-end, ING Bank N.V. held 2,755,013,100 shares of Bank of Beijing, accounting for 13.03% of the Bank's total share capital, and the shares it held in the Bank were not pledged.

2. Beijing State-owned Assets Management Co., Ltd.

Beijing State-owned Assets Management Co., Ltd. (BSAM) was established on 25 April, 2001 with the approval of the Beijing Municipal People's Government and become a wholly state-owned company specializing in capital operation. Its main function is to manage and operate state-owned assets, and to ensure that state-owned assets can maintain and increase their value in the flow. Its registered capital was RMB 10 billion. There is no actual controller, ultimate beneficiary or person acting in concert in the company. Upon nomination by BSAM, Mr. Huo Xuewen, Mr. Yang Shujian, and Mr. Qian Huajie serve as directors of the Bank.

By the end of 2022, BSAM held 1,825,228,052 shares of the Bank, accounting for 8.63% of the Bank's total share capital, and the shares it held in the Bank were not pledged. In accordance with the relevant provisions of the "Interim Measures for the Equity Management of Commercial Banks" (《商业银行股权管理暂行办法》), the major related parties of BSAM include Beijing Beiao Group Corp., Ltd., China Beijing Equity Exchange Co., Ltd., and Beijing Industrial Development Investment Management Co., Ltd.

3. Beijing Energy Holding Co., Ltd.

Beijing Energy Holding Co., Ltd. (hereinafter referred to as "Beijing Energy Group") was founded in December 2004 as a result of the merger and restructuring of the former Beijing International Electric Power Development Investment Company and the former Beijing Comprehensive Investment Company. Beijing Energy Group was founded with capital contribution from the

² In case of any difference between the information disclosed in this section and the information disclosed by shareholders, the information disclosed by shareholders should prevail.

Beijing State-owned Capital Operation and Management Center. The responsibilities of the company's investor are exercised by the State-owned Assets Supervision and Administration Commission of the Beijing Municipal People's Government. Its paid-in capital is RMB 22.08172 billion. There is no actual controller, ultimate beneficiary or person acting in concert in the company. Upon nomination by Beijing Energy Group, Mr. Zhao Bing serves as director of the Bank.

As an important energy enterprise in Beijing, Beijing Energy Group has formed an industrial chain focusing on electric power, heat and coal, with distinct main business scope. By the end of 2022, Beijing Energy Group held 1,815,551,275 shares of the Bank, accounting for 8.59% of the Bank's total share capital, and the shares it held in the Bank were not pledged. In accordance with the relevant provisions of the "Interim Measures for the Equity Management of Commercial Banks" (《商业银行股权管理暂行办法》), the major related parties of Beijing Energy Group include Beijing Jingneng Clean Energy Co., Ltd., Beijing Jingnneg Power Co., Ltd., and BEIH-Property Co., Ltd.

7.4.2 Other major shareholders

In accordance with the relevant provisions of the "Interim Measures for the Equity Management of Commercial Banks" (《商业银行股权管理暂行办法》), as of the end of the reporting period, other major shareholders of the Bank include:

1. China Three Gorges Corporation

On 27 September, 1993, with the approval of the State Council, China Yangtze River Three Gorges Project Development Corporation was officially founded. On 27 September, 2009, it was renamed China Yangtze River Three Gorges Corporation. On 28 December, 2017, the company was restructured from an enterprise owned by the whole people into a wholly state-owned company and its name was changed to China Three Gorges Corporation (hereinafter referred to as "Three Gorges Corporation").

As of the end of 2022, Three Gorges Corporation held 398,230,088 shares of the Bank, which were not pledged. Upon nomination by Three Gorges Corporation, Mr. Liu Xipu serves as director of the Bank. In accordance with the relevant provisions of the "Interim Measures for the Equity Management of Commercial Banks" (《商业银行股权管理暂行办法》), the major related parties of Three Gorges Corporation include Three Gorges Capital Holding Co., Ltd. and Three Gorges Asset Management Co., Ltd., among other companies.

2. Taifude Investment Group Co., Ltd.

Taifude Investment Group Co., Ltd. was founded on 1 July, 1999. The legal representative of the company is Zhou Yichen, and the company's business scope includes investment consulting, investment management, real estate project development, and sales of medical equipment. The company has a registered capital of RMB 139.5 million. Mr. Zhou Yichen is the controlling shareholder, actual controller, and ultimate beneficiary of the company. There is no person acting in concert in the company. Upon nomination by Taifude Investment Group Co., Ltd., Mr. Zhou Yichen serves as supervisor of the Bank.

As of the end of 2022, Taifude Investment Group Co., Ltd. held 204,351,478 shares of the Bank, accounting for 0.97% of the total shares of the Bank, and the shares it held in the Bank were not pledged. In accordance with the relevant provisions of the “Interim Measures for the Equity Management of Commercial Banks”(《商业银行股权管理暂行办法》), the major related parties of Taifude Investment Group Co., Ltd. include Taifude Property Management Co., Ltd. and Beijing Fund Town Holding Co., Ltd.

Chapter VIII Preferred Share Information

8.1 Information on the Preferred Share

8.1.1 Information on issuing and offering of preferred shares in recent three years as of the end of the reporting period

☐ Applicable ☒ Not applicable

8.1.2 Number of preferred shareholders

| | |
|--|-----------------------------|
| Code: 360018 | Abbrev.: <i>Beiyinyou 1</i> |
| Number of preferred shareholders at the end of the reporting | 9 |
| Number of preferred shareholders at the end of a month prior to the disclosure day of this annual report | 9 |

| | |
|--|-----------------------------|
| Code: 360023 | Abbrev.: <i>Beiyinyou 2</i> |
| Number of preferred shareholders at the end of the reporting period | 67 |
| Number of preferred shareholders at the end of a month prior to the disclosure day of this annual report | 72 |

8.1.3 Information on top 10 preferred shareholders

| | |
|--------------|-----------------------------|
| Code: 360018 | Abbrev.: <i>Beiyinyou 1</i> |
|--------------|-----------------------------|

(Unit: shares)

| Shareholder | Changes of preferred shares held in the reporting period | Number of shares held at 2022-end | Share holding (%) | Type of shares | Number of shares pledged or frozen |
|--|--|-----------------------------------|-------------------|------------------|------------------------------------|
| Ping An Property & Casualty Insurance Company of China, Ltd. — Tradition — Ordinary Insurance Policy | 0 | 13,800,000 | 28.16 | preferred shares | 0 |
| Hwabao Trust Co., Ltd. — Hwabao Trust — Baofu Investment No.1 Consolidated Fund Trust Plan | 0 | 7,600,000 | 15.51 | preferred shares | 0 |
| BOC International Securities — Bank of China — BOC Securities China Red — Huizhong No. 32 Integrated Asset Management Plan | 5,600,000 | 6,600,000 | 13.47 | preferred shares | 0 |

| | | | | | |
|---|-----------|--|-------|------------------|---|
| Bosera Funds - Industrial and Commercial Bank of China – Bosera – ICBC - No.5 Flexible Multiple Client Asset Management Plan | 0 | 6,000,000 | 12.24 | preferred shares | 0 |
| Ping An Life Insurance Company of China, Ltd. – Equity Fund | 0 | 5,000,000 | 10.20 | preferred shares | 0 |
| CITIC-PRUDENTIAL Life Insurance Company Limited – Dividend Account | 0 | 5,000,000 | 10.20 | preferred shares | 0 |
| Jiangsu Provincial International Trust Co., Ltd. – Jiangsu Trust – Hexiang Tianli No.1 Consolidated Fund Trust Plan | 0 | 2,400,000 | 4.90 | preferred shares | 0 |
| BOCOM-Schroders Asset Management Co., Ltd – BOCOM – BOCOM-Schroders Asset Management Zhuoyuan No.2 Collective Asset Management Plan | 0 | 1,600,000 | 3.27 | preferred shares | 0 |
| CITIC Securities – Postal Savings Bank - CITIC Securities Xingchen No., 28 Consolidated Asset Management Plan | 1,000,000 | 1,000,000 | 2.04 | preferred shares | 0 |
| Note to the connected relations and concerted action among the top 10 preferred shareholders, and between the above-mentioned shareholders and the top 10 common shareholders | | The Bank is not aware of the connected relations between the above shareholders. | | | |

Code: 360023

Abbrev: *Beiyinyou 2*

(Unit: shares)

| Shareholders' Name | Changes of preferred shares held in the reporting period | Number of shares held at 2022-end | Shareholding (%) | Type of shares | Number of shares pledged or frozen |
|--|--|-----------------------------------|------------------|------------------|------------------------------------|
| China Ping An Property & Casualty Insurance Company of | 0 | 39,000,000 | 30.00 | preferred shares | 0 |

| | | | | | |
|---|------------|------------|-------|------------------|---|
| China, Ltd. – Tradition – Ordinary Insurance Policy | | | | | |
| Hwabao Trust Co., Ltd. – Hwabao Trust – Baofu Investment No.1 Consolidated Fund Trust Plan | 0 | 25,190,000 | 19.38 | preferred shares | 0 |
| Bosera Funds - Industrial and Commercial Bank of China – Bosera – ICBC - No.5 Flexible Multiple Client Asset Management Plan | 0 | 18,000,000 | 13.85 | preferred shares | 0 |
| Postal Savings Bank of China Co., Ltd. | 0 | 13,000,000 | 10.00 | preferred shares | 0 |
| GF Securities Asset Management – ICBC - No.3 GF Securities Asset Management Collection Plan | 0 | 6,500,000 | 5.00 | preferred shares | 0 |
| Jiangsu Provincial International Trust Co., Ltd. – Jiangsu Trust – Hexiang Tianli No.1 Consolidated Fund Trust Plan | 0 | 5,310,000 | 4.08 | preferred shares | 0 |
| Bank of Qingdao Co., Ltd. – Hairong Wealth Chuangying Series “Daily Open Salary” Open-end Net Value RMB Individual Wealth Management Plan | -5,000,000 | 5,000,000 | 3.85 | preferred shares | 0 |
| CITIC Securities – Postal Savings Bank - CITIC Securities Xingchen No., 28 Consolidated Asset Management Plan | 0 | 3,000,000 | 2.31 | preferred shares | 0 |
| Bank of Hangzhou Co., Ltd. – “Happy 99” Fengyu Yingjia No. KF01 Banking Wealth Management Plan | 0 | 2,000,000 | 1.54 | preferred shares | 0 |
| China Resources SZITIC Trust Co., Ltd. – CR Trust Qingrun No.1 Consolidated Fund Trust | 1,850,000 | 1,850,000 | 1.42 | preferred shares | 0 |

| | | | | | |
|---|--|---|--|--|--|
| Plan | | | | | |
| Note to the connected relations and concerted action among the top 10 preferred shareholders, and between the above-mentioned shareholders and the top 10 common shareholders | | The Bank is not aware of the connected relations between the above shareholders | | | |

8.2 Profit Distribution of the Preferred Shares

| Year | Preferred shares | Dividend per share (in RMB) | Total share capital (in 100 million shares) | Total cash dividends (in RMB 100 million) |
|-------|------------------|-----------------------------|---|---|
| Y2022 | 360023 | 4.20 | 1.30 | 7.748 |
| | 360018 | 4.67 | 0.49 | |
| Y2021 | 360023 | 4.0 | 1.30 | 7.488 |
| | 360018 | 4.67 | 0.49 | |
| Y2020 | 360023 | 4.0 | 1.30 | 7.405 |
| | 360018 | 4.5 | 0.49 | |

8.3 Repurchase or Conversion of the Preferred Shares

☐ Applicable ☒ Not applicable

8.4 Voting Right Restoration

☐ Applicable ☒ Not applicable

8.5 Accounting Policy for the Preferred Shares and Reasons

The preferred shares of Bank of Beijing were accounted based on “No.22 Accounting Standards for Enterprises – Financial Instrument Identification and Measurement”(《企业会计准则第 22 号——金融工具确认和计量》), “No.37 Accounting Standards for Enterprises – Financial Instrument Listing and Disclosure (revised in 2017)”(《企业会计准则第 37 号——金融工具列报》(2017 年修订)) and other accounting standards. The terms of the offering of preferred shares of Bank of Beijing are in line with requirements for equity instrument accounting, and therefore, the preferred shares were accounted in the category of equity instrument.

Chapter IX Financial Statements

Please refer to the Financial Statements and the “Auditing Report of Bank of Beijing”.

Bank of Beijing Co., Ltd.

ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR 1 JANUARY 2022 TO 31 DECEMBER 2022
IF THERE IS ANY CONFLICT BETWEEN THE CHINESE VERSION AND ITS ENGLISH
TRANSLATION, THE CHINESE VERSION WILL PREVAIL

AUDITOR'S REPORT

毕马威华振审字第 2304562 号

The shareholders of Bank of Beijing Co., Ltd.:

Opinion

We have audited the accompanying financial statements of Bank of Beijing Co., Ltd. ("the Bank") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated balance sheet and balance sheet as at 31 December 2022, the consolidated income statement and income statement, the consolidated statement of changes in shareholders' equity and statement of changes in shareholders' equity, the consolidated cash flow statement and cash flow statement, for the year then ended, and notes to the financial statements.

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

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants ("CSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the China Code of Ethics for Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

AUDITOR'S REPORT (continued)

毕马威华振审字第 2304562 号

Key Audit Matters (continued)

| Provision for impairment of loans and advances to customers and debt investments | |
|--|--|
| Please refer to the accounting policies set out in Note "IV. 7(7) Impairment of financial instruments" to the financial statements, and Note "VII. 6 Loans and advances to customers", Note "VII. 7 Financial investments", Note "VII. 40 Credit losses" and Note "X. 2 Credit risk" to the financial statements. | |
| The key audit matter | How the matter was addressed in our audit |
| <p>Pursuant to the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments (Revised), the Group measures the provision for impairment of loans and advances to customers and debt investments using the ECL model.</p> <p>Determining the provision for impairment of loans and advances to customers and debt investments with the ECL model involves application of certain key parameters and assumptions, including classification of credit risk stages and estimation of probability of default, loss given default, exposure at default, discount rate and other parameters, as well as consideration of forward-looking adjustment and other adjustment factors, so a considerable level of management judgement is required in the selection and assumption of these parameters.</p> <p>The external macro environment and the Group's internal credit risk management strategy have a significant impact on the determination of the ECL model. In assessing key parameters and assumptions, factors considered by the Group for corporate loans and advances to customers and debt investments include historical loss rates, internal and external credit ratings and other adjustment factors; factors considered for personal loans and advances include historical overdue data for personal loans and advances, historical loss experience and other adjustment factors.</p> | <p>Our audit procedures to the evaluation of the determination of the provision for impairment of loans and advances to customers and debt investments included the following:</p> <ul style="list-style-type: none"> • understanding and evaluating, with the assistance of our information technology experts, the design and operating effectiveness of key internal controls over financial reporting related to the approval, recording, monitoring, and stage classification of loans and advances to customers and debt investments, and the provision for impairment; • evaluating the appropriateness of the ECL model used by management in assessing the provision for impairment, with the help of our financial risk management experts including evaluating the reasonableness of the parameters and assumptions used in the model, such as credit risk stage classification, probability of default, loss given default rate, exposure at default risk, forward-looking adjustments and other adjustments, and the reasonableness of the key management judgements involved therein; • conducting a prudent evaluation on input parameters involving subjective judgement, including seeking supporting evidence from external sources and comparing internal records such as historical loss experience and guarantee methods. As part of the above procedures, we also inquired of management about the rationale for adjustments made to key assumptions and input parameters relative to prior periods and considered the consistency of the judgements applied by management; |

AUDITOR'S REPORT (continued)

毕马威华振审字第 2304562 号

Key Audit Matters (continued)

| Provision for impairment of loans and advances to customers and debt investments (continued) | |
|---|--|
| Please refer to the accounting policies set out in Note “IV. 7(7) Impairment of financial instruments” to the financial statements, and Note “VII. 6 Loans and advances to customers”, Note “VII. 7 Financial investments”, Note “VII. 40 Credit losses” and Note “X. 2 Credit risk” to the financial statements. | |
| The key audit matter | How the matter was addressed in our audit |
| Management also exercises judgement in determining the loss given default based on a range of factors, in order to determine the recoverable amount. These factors include the borrowers' financial condition, the means of guarantee, the order in which claims are paid, the recoverable amount of the collateral, and the borrower's other sources of repayment. In evaluating the value of collateral, management refers to the collateral evaluation report issued by a qualified third-party evaluation agency and also considers the market price, status quo and uses of the collateral. In addition, the enforceability, timing and manner of realisation of the collateral will also affect the recoverable amount of the collateral. | <ul style="list-style-type: none">• comparing the macroeconomic forecast information used in the model with market information to evaluate whether it is consistent with market and economic developments, and evaluate whether there are indications of management bias;• evaluating the completeness and accuracy of the key data used in the ECL model. For key internal data, we compared the total amount in the list of loans and advances to customers and debt investments used by management to assess the provision for impairment with the general ledger, so as to evaluate the completeness of the list; and we compared information on individual loans and advances or debt investments with relevant agreements and other relevant documents on a sampling basis to evaluate the accuracy of the list. For key external data, we reconciled them with publicly available sources to evaluate the data accuracy; |

AUDITOR'S REPORT (continued)

毕马威华振审字第 2304562 号

Key Audit Matters (continued)

| Provision for impairment of loans and advances to customers and debt investments (continued) | |
|---|---|
| Please refer to the accounting policies set out in Note "IV. 7(7) Impairment of financial instruments" to the financial statements, and Note "VII. 6 Loans and advances to customers", Note "VII. 7 Financial investments", Note "VII. 40 Credit losses" and Note "X. 2 Credit risk" to the financial statements. | |
| The key audit matter | How the matter was addressed in our audit |
| We identified the determination of the provision for impairment of loans and advances to customers and debt investments as a key audit matter due to the inherent uncertainty and management judgement involved in the determination of the provision for impairment of loans and advances to customers and debt investments, as well as its significant impact on the financial performance and capital position of the Group. | <ul style="list-style-type: none"> for the key internal data to be generated by system operation, reconciling the system input data with the original file on a sampling basis to evaluate the data accuracy. In addition, we tested the logic of compiling information on overdue loans and advances to customers on a sampling basis, by leveraging the work of our IT experts; evaluating the reasonableness of the judgements made by management as to whether the credit risk of loans and advances to customers and debt investments has increased significantly since initial recognition and whether credit impairment has occurred. We analysed corporate loans and advances to customers and debt investments using a risk-based approach, according to industry classification, selecting samples from industries that are significantly affected by the current economic environment and other borrowers with potential credit risk. Based on the selected samples, we checked information about overdue loans, inquired of the credit managers about the borrowers' business operations, checked the borrowers' financial information, and researched market information related to the borrowers' businesses, so as to understand the borrowers' credit risk profile and evaluate the reasonableness of the results of management's stage classification of loans and advances to customers and debt investments; |

AUDITOR'S REPORT (continued)

毕马威华振审字第 2304562 号

Key Audit Matters (continued)

| Provision for impairment of loans and advances to customers and debt investments (continued) | |
|---|---|
| Please refer to the accounting policies set out in Note “IV. 7(7) Impairment of financial instruments” to the financial statements, and Note “VII. 6 Loans and advances to customers”, Note “VII. 7 Financial investments”, Note “VII. 40 Credit losses” and Note “X. 2 Credit risk” to the financial statements. | |
| The key audit matter | How the matter was addressed in our audit |
| | <ul style="list-style-type: none">• performing credit review procedures on the samples of corporate loans and advances to customers and debt investments selected, to evaluate the appropriateness of the loss given default of the credit-impaired corporate loads and advances to customers and debt investments; We evaluated the estimated recoverable cash flow through inquiries, professional judgements, independent queries, etc. We evaluated management's valuation of the collateral held, compared management's valuation of the collaterals to their market prices, evaluated the timing and manner of realisation of the collaterals, and considered other sources of repayment asserted by the management. In addition, we evaluated the consistency in the application of key assumptions by management and compared them with our data sources;• reviewing the calculation accuracy of ECLs using the ECL model on a sampling basis, so as to evaluate management's application of the ECL model; and• evaluating the reasonableness of financial statement disclosures related to the provision for impairment of loans and advances to customers and debt investments in accordance with relevant accounting standards. |

AUDITOR'S REPORT (continued)

毕马威华振审字第 2304562 号

Key Audit Matters (continued)

| Consolidation of structured entities and recognition of the interests therein | |
|--|---|
| Please refer to the accounting policies set out in Note "IV. 4 Consolidated financial statements", Note "IV. 31(6) Judgement of control over structured entities" and Note "VII. 47 Structured entities" to the financial statements. | |
| The key audit matter | How the matter was addressed in our audit |
| <p>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities.</p> <p>The Group may have an interest in structured entities by initiating, holding investments in or retaining shares of interest in these entities. These structured entities mainly include wealth management products, asset-backed securities, funds, trust plans and asset management plans. It is also possible that the Group may still have a partial interest in the derecognised assets as a result of the provision of guarantees or through the structuring of asset securitisation.</p> <p>When determining whether the Group has a partial interest in the structured entity or whether the structured entity should be included in the Group's consolidated financial statements, management should consider the Group's power over the entity, the variable returns it enjoys and the ability to use its power to influence the amount of returns. These factors are not purely quantitative and the substance of the transaction needs to be considered collectively.</p> | <p>Our audit procedures to evaluate the consolidation of structured entities and recognition of the interests therein included the following:</p> <ul style="list-style-type: none">• inquiring of management and inspecting files related to process of management's judgement of whether consolidation is required for the structured entities to evaluate the completeness of procedures set up in this regard;• performing the following audit procedures on structured entities on a sampling basis:<ul style="list-style-type: none">- inspecting the related contracts, internally established documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the Group's involvement with the structured entity and to evaluate management's judgement over whether the Group has the ability to exercise power over the structured entity;- examining the design of risk and reward of the structured entity, including any capital owned in the structured entity or guarantees made on its earnings, arrangements for the provision of liquidity support, payment of commissions and distribution of earnings, in order to evaluate management's judgement regarding the Group's exposure to the structured entity, its power and impact on variable returns as a result of its involvement in the relevant activities of the structured entity; |

AUDITOR'S REPORT (continued)

毕马威华振审字第 2304562 号

Key Audit Matters (continued)

| Consolidation of structured entities and recognition of the interests therein (continued) | |
|---|--|
| Please refer to the accounting policies set out in Note “IV. 4 Consolidated financial statements”, Note “IV. 31(6) Judgement of control over structured entities” and Note “VII. 47 Structured entities” to the financial statements. | |
| The key audit matter | How the matter was addressed in our audit |
| We identified the consolidation of structured entities and the recognition of interests therein as a key audit matter because some of these structured entities are complex in nature and judgement is required when the Group performs qualitative assessment of terms and transaction substance for each structured entity. | <ul style="list-style-type: none">- evaluating management's analysis of the structured entity including qualitative analysis and calculations of the magnitude and variability associated with the Group's economic interests in the structured entity to assess management's judgement over the Group's ability to influence its variable returns from the structured entity;- evaluating management's judgement over whether the structured entity should be consolidated or not.• evaluating the reasonableness of financial statement disclosures related to the consolidation of structured entities and recognition of the interests therein in accordance with relevant accounting standards. |

AUDITOR'S REPORT (continued)

毕马威华振审字第 2304562 号

Key Audit Matters (continued)

| Determination of the valuation of financial instruments measured at fair value | |
|---|--|
| Please refer to the accounting policies set out in Note “IV. 7 Financial instruments” and Note “IV. 31(2) Fair value of financial instruments” to the financial statements and Note “X. 5 Fair value of financial assets and financial liabilities” to the financial statements. | |
| The key audit matter | How the matter was addressed in our audit |
| <p>Financial instruments measured at fair value are significant assets / liabilities held / assumed by the Group. Fair value adjustments to financial instruments may affect profit or loss or other comprehensive income</p> <p>The valuation of the Group's financial instruments measured at fair value is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these parameters are obtained from readily available data, especially financial instruments at Level 1 and Level 2 fair value measurement, the parameters of which used in the valuation model are quoted market price and observable inputs. The valuation models for financial instruments at Level 3 fair value measurement include significant unobservable inputs such as credit risk, liquidity information and discount rates, and management estimate is required for the determination of unobservable inputs, which involve some management judgements.</p> <p>We identified the determination of the valuation of financial instruments measured at fair value as a key audit matter because of the materiality of the amounts involved, the complexity of the valuation techniques for fair value, and the high level of management judgements involved in the use of parameters.</p> | <p>Our audit procedures to evaluate the determination of the valuation of financial instruments measured at fair value included the following:</p> <ul style="list-style-type: none">• understanding and evaluating the design and operating effectiveness of the Group's key internal controls related to valuation, independent price validation, front and back office reconciliation, and approval of valuation models for financial instruments.• evaluating the evaluation of financial instruments at Level 1 fair value measurement by comparing the fair values applied by the Group with publicly available market data on a sampling basis.• evaluating the appropriateness of the valuation methodologies on a sampling basis for the financial instruments at Level 2 and Level 3 fair value measurement, in accordance with relevant accounting standards using the work of our valuation experts. Our procedures included independently obtaining and validating parameters using parallel models; inquiring of management whether there are any changes in the methodology used to calculate fair value adjustments and evaluating the appropriateness of the adjustment parameters applied to evaluate the appropriateness of the fair value adjustments that form part of the fair value; and comparing our valuation results with those of the Group. |

AUDITOR'S REPORT (continued)

毕马威华振审字第 2304562 号

Key Audit Matters (continued)

| Determination of the valuation of financial instruments measured at fair value (continued) | |
|--|--|
| Please refer to the accounting policies set out in Note “IV. 7 Financial instruments” and Note “IV. 31(2) Fair value of financial instruments” to the financial statements and Note “X. 5 Fair value of financial assets and financial liabilities” to the financial statements. | |
| The key audit matter | How the matter was addressed in our audit |
| | <ul style="list-style-type: none">• when evaluating the appropriateness of the fair value adjustments that form part of the fair value, inquiring of the Bank's management whether there are any changes in the method of calculating the fair value adjustments and evaluating the appropriateness of the parameters applied; and• evaluating the reasonableness of financial statement disclosures related to the fair value of financial instruments, including the fair value hierarchy and sensitivity analysis of key parameters, in accordance with relevant accounting standards. |

AUDITOR'S REPORT (continued)

毕马威华振审字第 2304562 号

Other Information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Report (continued)

毕马威华振审字第 2304562 号

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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.
- (5) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S REPORT (continued)

毕马威华振审字第 2304562 号

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Huazhen LLP

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

Shi Jian (Engagement partner)

Beijing, China

Zhang Luyang

6 April 2023

Bank of Beijing Co., Ltd.
Consolidated and company balance sheets
as at 31 December 2022
(Expressed in RMB million unless otherwise indicated)

| | Note VII | <i>The Group</i> | | <i>The Bank</i> | |
|---|-------------|------------------------|------------------------|------------------------|------------------------|
| | | 31 December 2022 | 31 December 2021 | 31 December 2022 | 31 December 2021 |
| Assets | | | | | |
| Cash and deposits with the central bank | 1 | 163,645 | 162,810 | 163,054 | 162,295 |
| Deposits and placements with banks and other financial institutions | 2 | 21,310 | 7,321 | 20,435 | 7,086 |
| Precious metals | | 201 | 622 | 201 | 622 |
| Lending to banks and other financial institutions | 3 | 162,111 | 157,183 | 165,111 | 159,298 |
| Derivative financial assets | 4 | 713 | 211 | 713 | 211 |
| Financial assets purchased under resale agreements | 5 | 74,572 | 42,691 | 74,572 | 42,691 |
| Loans and advances to customers | 6 | 1,749,107 | 1,627,821 | 1,704,835 | 1,584,041 |
| Financial investments: | 7 | 1,127,241 | 987,904 | 1,126,762 | 987,540 |
| Financial assets held for trading | | 287,704 | 190,111 | 287,617 | 189,747 |
| Debt investments | | 675,148 | 654,774 | 674,756 | 654,774 |
| Other debt investments | | 163,539 | 142,173 | 163,539 | 142,173 |
| Investments in other equity instruments | | 850 | 846 | 850 | 846 |
| Long-term equity investments | 8 | 3,347 | 3,118 | 7,610 | 5,354 |
| Investment properties | 9 | 303 | 317 | 303 | 317 |
| Fixed assets | 10 | 18,086 | 18,322 | 18,028 | 18,280 |
| Right-of-use assets | 11 | 5,750 | 5,521 | 5,439 | 5,259 |
| Intangible assets | 12 | 723 | 662 | 716 | 655 |
| Deferred tax assets | 13 | 32,024 | 27,355 | 31,278 | 26,642 |
| Other assets | 14 | 28,819 | 17,101 | 28,665 | 16,684 |
| Total assets | | <u>3,387,952</u> | <u>3,058,959</u> | <u>3,347,722</u> | <u>3,016,975</u> |

The accompanying notes form part of these financial statements.

Bank of Beijing Co., Ltd.
Consolidated and company balance sheets
as at 31 December 2022 (continued)
(Expressed in RMB million unless otherwise indicated)

| | Note | <i>The Group</i> | | <i>The Bank</i> | |
|---|------|------------------|------------------|------------------|------------------|
| | VII | 31 | 31 | 31 | 31 |
| | | December | December | December | December |
| | | 2022 | 2021 | 2022 | 2021 |
| Liabilities and shareholders' equity | | | | | |
| Liabilities | | | | | |
| Borrowings from the central bank | 15 | 125,429 | 127,579 | 125,381 | 127,510 |
| Deposits and placements from banks and other financial institutions | 16 | 384,612 | 369,119 | 387,364 | 370,628 |
| Loans from banks and other financial institutions | 17 | 73,908 | 54,225 | 77,073 | 52,583 |
| Derivative financial liabilities | 4 | 397 | 229 | 397 | 229 |
| Financial assets sold under repurchase agreements | 18 | 83,222 | 43,674 | 83,222 | 43,674 |
| Deposits from customers | 19 | 1,945,020 | 1,723,837 | 1,939,202 | 1,718,893 |
| Employee benefits payable | 20 | 3,385 | 3,790 | 3,284 | 3,718 |
| Taxes payable | 21 | 3,190 | 3,858 | 3,016 | 3,703 |
| Provisions | 22 | 4,111 | 4,501 | 4,111 | 4,501 |
| Debentures payable | 23 | 404,053 | 384,003 | 402,834 | 382,784 |
| Lease liabilities | | 5,351 | 4,979 | 5,067 | 4,753 |
| Other liabilities | 24 | 44,657 | 42,087 | 9,675 | 10,155 |
| Total liabilities | | <u>3,077,335</u> | <u>2,761,881</u> | <u>3,040,626</u> | <u>2,723,131</u> |

The accompanying notes form part of these financial statements.

Bank of Beijing Co., Ltd.
Consolidated and company balance sheets
as at 31 December 2022 (continued)
(Expressed in RMB million unless otherwise indicated)

| | Note VII | <u>The Group</u> | | <u>The Bank</u> | |
|---|-------------|------------------------|------------------------|------------------------|------------------------|
| | | 31 December 2022 | 31 December 2021 | 31 December 2022 | 31 December 2021 |
| Liabilities and shareholders' equity (continued) | | | | | |
| Shareholders' equity | | | | | |
| Share capital | 25 | 21,143 | 21,143 | 21,143 | 21,143 |
| Other equity instruments | 26 | 77,831 | 77,831 | 77,831 | 77,831 |
| Including: Preference shares | | 17,841 | 17,841 | 17,841 | 17,841 |
| Perpetual bonds | | 59,990 | 59,990 | 59,990 | 59,990 |
| Capital reserve | | 43,882 | 43,882 | 43,777 | 43,777 |
| Other comprehensive income | 27 | 257 | 1,866 | 263 | 1,872 |
| Surplus reserve | 28 | 24,554 | 22,095 | 24,554 | 22,095 |
| General risk reserve | 29 | 38,651 | 35,335 | 38,125 | 34,811 |
| Retained earnings | 30 | 102,155 | 92,902 | 101,403 | 92,315 |
| Total equity attributable to shareholders of the Company | | 308,473 | 295,054 | | |
| Non-controlling interests | 31 | 2,144 | 2,024 | | |
| Total shareholders' equity | | <u>310,617</u> | <u>297,078</u> | <u>307,096</u> | <u>293,844</u> |
| Total liabilities and shareholders' equity | | <u>3,387,952</u> | <u>3,058,959</u> | <u>3,347,722</u> | <u>3,016,975</u> |

These financial statements were approved by the Board of Directors.

| | | | |
|---|-----------------------|-------------------------|--------------|
| <u>Huo Xuewen</u> | <u>Yang Shujian</u> | <u>Liang Yan</u> | <u>Stamp</u> |
| Chairman of the Board, legal representative | President of the Bank | Chief Financial Officer | |

The accompanying notes form part of these financial statements.

Bank of Beijing Co., Ltd.
Consolidated income statement and income statement
for the year ended 31 December 2022
(Expressed in RMB million unless otherwise indicated)

| Item | Note VII | <i>The Group</i> | | <i>The Bank</i> | |
|--|-------------|------------------|----------|-----------------|----------|
| | | 2022 | 2021 | 2022 | 2021 |
| I. Operating income | | 66,276 | 66,275 | 64,904 | 64,727 |
| Interest income | 33 | 112,449 | 114,164 | 109,789 | 111,771 |
| Interest expenses | 33 | (60,991) | (62,767) | (59,788) | (61,496) |
| Net interest income | 33 | 51,458 | 51,397 | 50,001 | 50,275 |
| Fee and commission income | 34 | 7,748 | 6,509 | 7,733 | 6,215 |
| Fee and commission expenses | 34 | (682) | (519) | (672) | (501) |
| Net fee and commission income | 34 | 7,066 | 5,990 | 7,061 | 5,714 |
| Investment income | 35 | 8,456 | 7,585 | 8,552 | 7,533 |
| Including: Income from investment in associates and joint ventures | | 148 | 153 | 148 | 153 |
| Losses arising from derecognition of financial assets measured at amortised cost | | - | (113) | - | (113) |
| (Losses) / gains from changes in fair value | 36 | (917) | 991 | (885) | 919 |
| Exchange gains | | 63 | 143 | 61 | 144 |
| Other operating income | 37 | 150 | 169 | 114 | 142 |
| II. Operating expenses | | (39,332) | (40,978) | (38,374) | (39,864) |
| Taxes and surcharges | 38 | (783) | (777) | (777) | (774) |
| Operating and administrative expenses | 39 | (17,599) | (16,543) | (17,203) | (16,202) |
| Credit losses | 40 | (20,847) | (23,522) | (20,321) | (22,756) |
| Other impairment losses | | (63) | (85) | (33) | (85) |
| Other operating costs | | (40) | (51) | (40) | (47) |
| III. Operating profit | | 26,944 | 25,297 | 26,530 | 24,863 |
| Add: Non-operating income | 41 | 170 | 128 | 107 | 99 |
| Less: Non-operating expenses | 42 | (95) | (247) | (94) | (246) |

The accompanying notes form part of these financial statements.

Bank of Beijing Co., Ltd.
Consolidated income statement and income statement
for the year ended 31 December 2022 (continued)
(Expressed in RMB million unless otherwise indicated)

| <i>Item</i> | <i>Note VII</i> | <i>The Group</i> | | <i>The Bank</i> | |
|--|---------------------|------------------|---------------|-----------------|---------------|
| | | <i>2022</i> | <i>2021</i> | <i>2022</i> | <i>2021</i> |
| IV. Profit before taxation | | 27,019 | 25,178 | 26,543 | 24,716 |
| Less: Income tax expenses | 43 | (2,089) | (2,786) | (1,950) | (2,640) |
| V. Net profit | | <u>24,930</u> | <u>22,392</u> | <u>24,593</u> | <u>22,076</u> |
| (1) Net profit classified by continuity of operations: | | | | | |
| 1. Net profit from continuing operations | | 24,930 | 22,392 | 24,593 | 22,076 |
| 2. Net profit from discontinued operations | | - | - | - | - |
| (2) Net profit classified by ownership: | | | | | |
| 1. Shareholders of the Company | | 24,760 | 22,226 | | |
| 2. Non-controlling interests | | 170 | 166 | | |

The accompanying notes form part of these financial statements.

Bank of Beijing Co., Ltd.
Consolidated income statement and income statement
for the year ended 31 December 2022 (continued)
(Expressed in RMB million unless otherwise indicated)

| Item | Note VII | The Group | | The Bank | |
|---|-------------|-----------|--------|----------|--------|
| | | 2022 | 2021 | 2022 | 2021 |
| VI. Other comprehensive income, net of tax | | (1,609) | 712 | (1,609) | 713 |
| Other comprehensive income (net of tax) attributable to shareholders of the Company | 27 | (1,609) | 714 | (1,609) | 713 |
| (1) Items that will not be reclassified to profit or loss: | | 3 | (67) | 3 | (67) |
| 1. Remeasurement of defined benefit plan net liability or net assets | | - | - | - | - |
| 2. Changes in fair value of investments in other equity instruments | | 3 | (67) | 3 | (67) |
| (2) Items that may be reclassified to profit or loss: | | (1,612) | 781 | (1,612) | 780 |
| 1. Changes in fair value of other debt investments | | (1,949) | 689 | (1,949) | 689 |
| 2. Credit losses of debt investments | | 694 | (49) | 694 | (50) |
| 3. Other comprehensive income recognised under equity method | | (357) | 141 | (357) | 141 |
| Other comprehensive income (net of tax) attributable to non-controlling interests | | - | (2) | - | - |
| VII. Total comprehensive income | | 23,321 | 23,104 | 22,984 | 22,789 |
| Shareholders of the Company | | 23,151 | 22,940 | | |
| Non-controlling interests | | 170 | 164 | | |
| VIII. Earnings per share (Expressed in Renminbi Yuan / share) | | | | | |
| (1) Basic earnings per share | 44 | 1.02 | 1.02 | | |
| (2) Diluted earnings per share | 44 | 1.02 | 1.02 | | |

The accompanying notes form part of these financial statements.

Bank of Beijing Co., Ltd.
Consolidated statement of changes in shareholders' equity
for the year ended 31 December 2022
(Expressed in RMB million unless otherwise indicated)

| | | 2022 | | | | | | | | |
|------|--|---|--------------------------|-----------------|----------------------------|-----------------|----------------------|-------------------|---------------------------|---------|
| | | Attributable to shareholders of the Company | | | | | | | | |
| | Note VII | Share capital | Other equity instruments | Capital reserve | Other comprehensive income | Surplus reserve | General risk reserve | Retained earnings | Non-controlling interests | Total |
| I. | Balance at 1 January 2022 | 21,143 | 77,831 | 43,882 | 1,866 | 22,095 | 35,335 | 92,902 | 2,024 | 297,078 |
| II. | Changes in equity during the year | | | | | | | | | |
| | 1. Total comprehensive income | - | - | - | (1,609) | - | - | 24,760 | 170 | 23,321 |
| | 2. Shareholders' contributions and decrease of capital | - | - | - | - | - | - | - | 5 | 5 |
| | 3. Appropriation of profits | | | | | | | | | |
| | (1) Appropriation for surplus reserve | 28 | - | - | - | 2,459 | - | (2,459) | - | - |
| | (2) Appropriation for general risk reserve | 29 | - | - | - | - | 3,316 | (3,316) | - | - |
| | (3) Dividends distributions for ordinary shares | 32 | - | - | - | - | - | (6,449) | (55) | (6,504) |
| | (4) Distributions to holders of other equity instruments | 26 | - | - | - | - | - | (3,283) | - | (3,283) |
| III. | Balance at 31 December 2022 | 21,143 | 77,831 | 43,882 | 257 | 24,554 | 38,651 | 102,155 | 2,144 | 310,617 |

The accompanying notes form part of these financial statements.

Bank of Beijing Co., Ltd.
Consolidated statement of changes in shareholders' equity
for the year ended 31 December 2021 (continued)
(Expressed in RMB million unless otherwise indicated)

| | | 2021 | | | | | | | | |
|------|--|---|--------------------------|-----------------|----------------------------|-----------------|----------------------|-------------------|---------------------------|---------|
| | | Attributable to shareholders of the Company | | | | | | | | |
| | Note VII | Share capital | Other equity instruments | Capital reserve | Other comprehensive income | Surplus reserve | General risk reserve | Retained earnings | Non-controlling interests | Total |
| I. | Balance at 1 January 2021 | 21,143 | 17,841 | 43,885 | 1,152 | 19,888 | 33,016 | 82,294 | 1,924 | 221,143 |
| II. | Changes in equity during the year | | | | | | | | | |
| | 1. Total comprehensive income | - | - | - | 714 | - | - | 22,226 | 164 | 23,104 |
| | 2. Shareholders' contributions and decrease of capital | - | 59,990 | (3) | - | - | - | - | 8 | 59,995 |
| | 3. Appropriation of profits | | | | | | | | | |
| | (1) Appropriation for surplus reserve | 28 | - | - | - | 2,207 | - | (2,207) | - | - |
| | (2) Appropriation for general risk reserve | 29 | - | - | - | - | 2,319 | (2,319) | - | - |
| | (3) Dividends distributions for ordinary shares | 32 | - | - | - | - | - | (6,343) | (72) | (6,415) |
| | (4) Distributions to holders of other equity instruments | 26 | - | - | - | - | - | (749) | - | (749) |
| III. | Balance at 31 December 2021 | 21,143 | 77,831 | 43,882 | 1,866 | 22,095 | 35,335 | 92,902 | 2,024 | 297,078 |

The accompanying notes form part of these financial statements.

Bank of Beijing Co., Ltd.
Statement of changes in shareholders' equity
for the year ended 31 December 2022
(Expressed in RMB million unless otherwise indicated)

| | | 2022 | | | | | | | |
|--|----------|---------------|--------------------------|-----------------|----------------------------|-----------------|----------------------|-------------------|---------|
| | Note VII | Share capital | Other equity instruments | Capital reserve | Other comprehensive income | Surplus reserve | General risk reserve | Retained earnings | Total |
| I. Balance at 1 January 2022 | | 21,143 | 77,831 | 43,777 | 1,872 | 22,095 | 34,811 | 92,315 | 293,844 |
| II. Changes in equity during the year | | | | | | | | | |
| 1. Total comprehensive income | | - | - | - | (1,609) | - | - | 24,593 | 22,984 |
| 2. Appropriation of profits | | | | | | | | | |
| (1) Appropriation for surplus reserve | 28 | - | - | - | - | 2,459 | - | (2,459) | - |
| (2) Appropriation for general risk reserve | 29 | - | - | - | - | - | 3,314 | (3,314) | - |
| (3) Dividends distributions for ordinary shares | 32 | - | - | - | - | - | - | (6,449) | (6,449) |
| (4) Distributions to holders of other equity instruments | 26 | - | - | - | - | - | - | (3,283) | (3,283) |
| III. Balance at 31 December 2022 | | 21,143 | 77,831 | 43,777 | 263 | 24,554 | 38,125 | 101,403 | 307,096 |

The accompanying notes form part of these financial statements.

Bank of Beijing Co., Ltd.
Statement of changes in shareholders' equity
for the year ended 31 December 2021 (continued)
(Expressed in RMB million unless otherwise indicated)

| | | 2021 | | | | | | | |
|--|----------|---------------|--------------------------|-----------------|----------------------------|-----------------|----------------------|-------------------|---------|
| | Note VII | Share capital | Other equity instruments | Capital reserve | Other comprehensive income | Surplus reserve | General risk reserve | Retained earnings | Total |
| I. Balance at 1 January 2021 | | 21,143 | 17,841 | 43,777 | 1,159 | 19,888 | 32,492 | 81,857 | 218,157 |
| II. Changes in equity during the year | | | | | | | | | |
| 1. Total comprehensive income | | - | - | - | 713 | - | - | 22,076 | 22,789 |
| 2. Shareholders' contributions and decrease of capital | | - | 59,990 | - | - | - | - | - | 59,990 |
| 3. Appropriation of profits | | | | | | | | | |
| (1) Appropriation for surplus reserve | 28 | - | - | - | - | 2,207 | - | (2,207) | - |
| (2) Appropriation for general risk reserve | 29 | - | - | - | - | - | 2,319 | (2,319) | - |
| (3) Dividends distributions for ordinary shares | 32 | - | - | - | - | - | - | (6,343) | (6,343) |
| (4) Distributions to holders of other equity instruments | 26 | - | - | - | - | - | - | (749) | (749) |
| III. Balance at 31 December 2021 | | 21,143 | 77,831 | 43,777 | 1,872 | 22,095 | 34,811 | 92,315 | 293,844 |

The accompanying notes form part of these financial statements.

Bank of Beijing Co., Ltd.
Consolidated cash flow statement and cash flow statement
for the year ended 31 December 2022
(Expressed in RMB million unless otherwise indicated)

| | Note VII | <u>The Group</u> | | <u>The Bank</u> | |
|---|-------------|------------------|------------------|------------------|------------------|
| | | 2022 | 2021 | 2022 | 2021 |
| I. Cash flows from operating activities: | | | | | |
| Net increase in deposits from customers as well as deposits and placements from banks and other financial institutions | | 231,233 | 34,624 | 232,328 | 35,195 |
| Net increase in borrowings from the central bank | | - | 4,551 | - | 4,512 |
| Net decrease in deposit with the central bank as well as deposit and placements with banks and other financial institutions | | - | 20,493 | - | 19,280 |
| Net increase in loans from banks and other financial institutions | | 59,049 | 30,857 | 63,789 | 31,017 |
| Net decrease in lending to banks and other financial institutions | | 4,278 | - | 3,903 | - |
| Proceeds from interest | | 92,367 | 94,002 | 89,678 | 91,439 |
| Proceeds from fee and commission | | 8,210 | 6,856 | 8,194 | 6,540 |
| Proceeds from other operating activities | | 10,236 | 9,337 | 6,683 | 7,630 |
| Sub-total of cash inflows | | <u>405,373</u> | <u>200,720</u> | <u>404,575</u> | <u>195,613</u> |
| Net increase in loans and advances to customers | | (133,764) | (122,233) | (132,878) | (120,781) |
| Net decrease in borrowings from the central bank | | (1,812) | - | (1,792) | - |
| Net increase in deposit with the central bank as well as deposit and placements with banks and other financial institutions | | (4,638) | - | (4,942) | - |
| Net increase in lending to banks and other financial institutions | | - | (39,557) | - | (38,857) |
| Payment for interest | | (46,954) | (44,688) | (45,576) | (43,729) |
| Payment for fee and commission | | (682) | (519) | (672) | (501) |
| Payment to and for employees | | (8,787) | (7,769) | (8,599) | (7,598) |
| Payment of various taxes | | (12,529) | (12,092) | (12,350) | (11,861) |
| Payment for other operating activities | | (70,165) | (13,423) | (70,106) | (13,507) |
| Sub-total of cash outflows | | <u>(279,331)</u> | <u>(240,281)</u> | <u>(276,915)</u> | <u>(236,834)</u> |
| Net cash flows generated from / (used in) operating activities | 45 | <u>126,042</u> | <u>(39,561)</u> | <u>127,660</u> | <u>(41,221)</u> |

The accompanying notes form part of these financial statements.

Bank of Beijing Co., Ltd.
Consolidated cash flow statement and cash flow statement
for the year ended 31 December 2022 (continued)
(Expressed in RMB million unless otherwise indicated)

| | Note VII | <u>The Group</u> | | <u>The Bank</u> | |
|--|-------------|------------------|------------------|------------------|------------------|
| | | 2022 | 2021 | 2022 | 2021 |
| II. Cash flows from investing activities: | | | | | |
| Proceeds from disposal of investments | | 334,515 | 267,989 | 334,920 | 267,237 |
| Investment returns received | | 30,098 | 31,837 | 29,859 | 31,950 |
| Proceeds from disposal of fixed assets and other long-term assets | | 53 | 82 | 53 | 82 |
| Proceeds from other investing activities | | 19 | 72 | 19 | 72 |
| Sub-total of cash inflows | | <u>364,685</u> | <u>299,980</u> | <u>364,851</u> | <u>299,341</u> |
| Payment for investments in subsidiaries and joint ventures | | (450) | - | (2,455) | (20) |
| Payment for acquisition of subsidiaries | | (22) | - | (22) | - |
| Payment for acquisition of investments | | (377,435) | (261,900) | (377,442) | (261,900) |
| Payment for acquisition of fixed assets and other long-term assets | | <u>(1,343)</u> | <u>(1,707)</u> | <u>(1,309)</u> | <u>(1,607)</u> |
| Sub-total of cash outflows | | <u>(379,250)</u> | <u>(263,607)</u> | <u>(381,228)</u> | <u>(263,527)</u> |
| Net cash flows (used in) / generated from investing activities | | <u>(14,565)</u> | <u>36,373</u> | <u>(16,377)</u> | <u>35,814</u> |

The accompanying notes form part of these financial statements.

Bank of Beijing Co., Ltd.
Consolidated cash flow statement and cash flow statement
for the year ended 31 December 2022 (continued)
(Expressed in RMB million unless otherwise indicated)

| | Note VII | <u>The Group</u> | | <u>The Bank</u> | |
|--|-------------|------------------|------------------|------------------|------------------|
| | | 2022 | 2021 | 2022 | 2021 |
| III. Cash flows from financing activities: | | | | | |
| Proceeds from investors | 5 | 59,995 | | - | 59,990 |
| Proceeds from issuance of debentures | | 458,190 | 364,985 | 458,190 | 364,985 |
| Sub-total of cash inflows | | <u>458,195</u> | <u>424,980</u> | <u>458,190</u> | <u>424,975</u> |
| Repayments of borrowings | | (440,174) | (370,515) | (440,169) | (367,815) |
| Payment for interest on debentures | | (7,765) | (5,614) | (7,731) | (5,683) |
| Payment for other financing activities | | (1,365) | (1,448) | (1,313) | (1,354) |
| Payment for dividends and profit distributions | | (9,768) | (7,173) | (9,723) | (7,101) |
| Sub-total of cash outflows | | <u>(459,072)</u> | <u>(384,750)</u> | <u>(458,936)</u> | <u>(381,953)</u> |
| Net cash flows (used in) / generated from financing activities | | <u>(877)</u> | <u>40,230</u> | <u>(746)</u> | <u>43,022</u> |
| IV. Effect of foreign exchange rate changes on cash and cash equivalents | | <u>1,008</u> | <u>(532)</u> | <u>1,007</u> | <u>(530)</u> |
| V. Net increase in cash and cash equivalents | 45 | 111,608 | 36,510 | 111,544 | 37,085 |
| Add: Cash and cash equivalents at the beginning of the year | | <u>237,633</u> | <u>201,123</u> | <u>236,664</u> | <u>199,579</u> |
| VI. Cash and cash equivalents at the end of the year | 45 | <u>349,241</u> | <u>237,633</u> | <u>348,208</u> | <u>236,664</u> |

The accompanying notes form part of these financial statements.

Bank of Beijing Co., Ltd.
Notes to the financial statements
for the year ended 31 December 2022
(Expressed in RMB million unless otherwise indicated)

I. Company status

Bank of Beijing Co., Ltd. (the “Bank”) was established in Beijing, the People’s Republic of China (the “PRC”) as approved by the People’s Bank of China (the “PBOC”) on 28 December 1995, originally known as Beijing Urban Cooperative Bank. On 28 September 2004, the Bank was renamed as Bank of Beijing Co., Ltd. with the approval from the China Banking Regulatory Commission (the “CBRC”) Beijing Office. The Bank is licensed to operate in Beijing as a financial institution by the CBRC Beijing Office with the license number of B0107H211000001, and is registered as a business enterprise by the Beijing Office of the State Administration of Industry and Commerce with the unified social credit code of 91110000101174712L. The Bank’s place of registration is first floor of A17, Financial Street, Xicheng District, Beijing.

On 19 September 2007, the Bank issued RMB ordinary shares and was listed on the Shanghai Stock Exchange.

The Bank and its subsidiaries (together “the Group”) provide a full range of financial services, including corporate banking, personal banking, treasury operations and others.

The financial statements have been approved by the Bank’s Board of Directors on 6 April 2023.

II. Basis of preparation

The financial statements have been prepared on a going concern basis.

III. Statement of compliance

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises or referred to as China Accounting Standards (“CAS”) issued by the Ministry of Finance (“MOF”). These financial statements present truly and completely the consolidated financial position and financial position of the Group and the Bank as at 31 December 2022, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Group and the Bank for the year then ended.

These financial statements also comply with the disclosure requirements of “Regulation on the Preparation of Information Disclosures by Companies Issuing Securities, No. 15: General Requirements for Financial Reports” as revised by the China Securities Regulatory Commission (“CSRC”) in 2014.

IV. Significant accounting policies and accounting estimates

1 Accounting period

The Group’s accounting period is from 1 January to 31 December.

2 Functional currency

The Group’s functional currency is Renminbi, and these financial statements are also presented in Renminbi. All the amounts in these financial statements are expressed in RMB millions, unless otherwise stated.

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

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

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

When the set of assets the Group acquired does not constitute a business, acquisition costs should be allocated to each identifiable asset and liability on the basis of their relative fair values at the date of acquisition. The accounting treatments for business combinations described below are not applied.

(1) Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total par value of shares issued) is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings. Any costs directly attributable to the combination are recognised in profit or loss when incurred. The combination date is the date on which one combining entity obtains control of other combining entities.

(2) Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. Where (1) the aggregate of the acquisition-date fair value of assets transferred (including the acquirer's previously-held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (2) the acquirer's interest in the acquisition-date fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill (see Note IV.14). If (1) is less than (2), the difference is recognised in profit or loss for the current period. Acquisition-related costs are expensed when incurred. The acquiree's identifiable assets, liabilities and contingent liabilities, if the recognition criteria are met, are recognised by the Group at their acquisition-date fair values. The acquisition date is the date on which the acquirer obtains control of the acquiree.

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

4 Consolidated financial statements

(1) General principles

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Bank and its subsidiaries (including the structured entities controlled by the Bank). Control exists when the investor has all of the following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

A structured entity is one that is not designed to have voting or similar rights as a determining factor when determining its controlling party. The basis for the activities related to this entity is usually a contractual arrangement or other forms of arrangement.

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

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

When the accounting period or accounting policies of a subsidiary are different from those of the Bank, the Bank makes necessary adjustments to the financial statements of the subsidiary based on the Bank's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in full in the financial statements.

(2) Subsidiaries acquired through a business combination

Where a subsidiary was acquired during the reporting period through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements based on the carrying amounts of the assets and liabilities of the subsidiary in the financial statements of the ultimate controlling party as if the combination had occurred at the date that the ultimate controlling party first obtained control. The opening balances and the comparative figures of the consolidated financial statements are also restated.

Where a subsidiary was acquired during the reporting period through a business combination involving entities not under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, based on the fair values of those identifiable assets and liabilities at the acquisition date.

(3) Disposal of subsidiaries

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

When the Group loses control of a subsidiary in multiple arrangements in which it disposes of its long-term equity investment in the subsidiary in stages, the following factors are considered to determine whether the Group should account for the multiple arrangements as a single transaction:

- arrangements are entered into at the same time or in contemplation of each other;
- arrangements work together to achieve an overall commercial effect;
- the occurrence of one arrangement is dependent on the occurrence of at least one other arrangement;
- one arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

If each of the multiple arrangements does not form part of a single transaction, the arrangements conducted before the loss of control of the subsidiary are accounted for in accordance with the accounting policy for partial disposal of equity investment in subsidiaries where control is retained (see Note IV.4(4)).

If each of the multiple arrangements forms part of a single transaction which eventually results in the loss of control in the subsidiary, these multiple arrangements are accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets (calculated continuously from the acquisition date) in each arrangement prior to the loss of control shall be recognised in other comprehensive income and transferred to profit or loss when the parent eventually loses control of the subsidiary.

(4) Changes in non-controlling interests

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

5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily withdrawn on demand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

6 Foreign currency transactions

For foreign currency transactions, the Group translates the amount of foreign currency into RMB.

Monetary assets and liabilities denominated in foreign currencies at the financial reporting date are translated into RMB at the foreign exchange rates ruling at that date. Changes in the fair value of monetary items denominated in foreign currency classified as financial assets at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of these items and other changes in the carrying amount of these items. Translation differences related to changes in the amortised cost are recognised in the profit or loss, and other changes in the carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the exchange rate at the transaction date. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rate at the date the fair value is determined. The resulting exchange differences are recognised in profit or loss, except for the differences arising from the re-translation of equity investments at fair value through other comprehensive income, which are recognised in other comprehensive income.

7 Financial instruments

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

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

A financial asset or financial liability is measured initially at fair value. For financial assets and financial liabilities measured at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

(2) Classification and subsequent measurement of financial assets

(a) Classification of financial assets

The classification of financial assets is generally based on the business model under which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income ("FVOCI"), or at fair value through profit or loss ("FVTPL").

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

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

- it is held under a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held under a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

(b) Subsequent measurement of financial assets

Financial assets at fair value through profit or loss

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

Financial assets measured at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and that is not part of a hedging relationship should be recognised in profit or loss when the financial asset is derecognised, reclassified, amortised under the effective interest method or when an impairment gain or loss is recognised.

Debt investments measured at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, and impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments designated at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(3) Classification and subsequent measurement of financial liabilities

Financial liabilities at fair value through profit or loss

A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liabilities) or if it is designated as such on initial recognition.

These liabilities are subsequently measured at fair value. The gain or loss (including interest expense) on the financial liability is recognised in profit or loss, except when:

- the financial liability is part of a hedging relationship;
- the financial liability is a financial liability designated at fair value through profit or loss, and changes in its fair value arising from changes in the Group's own credit risk are recognised in other comprehensive income.

Other financial liabilities

Other financial liabilities are measured at amortised cost using the effective interest method, except for financial liabilities arising from transfers of financial assets that do not qualify for derecognition or from continuing involvement in the transferred financial assets, financial guarantee contracts and loan commitments (see Note IV.7(4)).

(4) Financial guarantee contracts and loan commitments

Financial guarantee contracts

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

Financial guarantee contracts are initially recognised at fair value on the date of providing the guarantee. Subsequent to initial recognition, deferred income related to financial guarantee is amortised in profit or loss in accordance with the accounting policies set out in Note IV.20. A financial guarantee liability is measured at the higher of:

- the amount of the loss allowance determined in accordance with the impairment policies for financial instruments (see Notes IV.7(7)); and
- the amount initially recognised less the cumulative amount of income.

Loan commitments

The term "loan commitments" refers to definite commitments to provide credit pursuant to terms and conditions prescribed in advance.

The Group provides loan commitments that are assessed for impairment based on ECLs. The Group has not committed to grant loans at any below-market interest rates or to make cash payments or issue other financial instruments as a net settlement of loan commitments.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as an provision. However, for contracts that include both a loan and an undrawn commitment and the Group can not separately identify the ECL on the undrawn commitment component from those on the loan component, the ECL on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined ECL exceed the gross carrying amount of the loan, the ECL are recognised as a provision.

(5) Offsetting

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- The Group currently has a legally enforceable right to set off the recognised amounts;
- The Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(6) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or
- the financial asset has been transferred; and although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

The financial asset has been transferred; and if the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, and it retains control over the transferred asset, then the relevant financial asset is recognised to the extent of continuing involvement in the transferred financial asset, and the corresponding liability is recognised as well.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred measured at the date of derecognition;
- the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the financial asset derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

(7) Impairment

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

- financial assets measured at amortised cost;
- contract assets;
- debt investments measured at FVOCI;
- lease receivables;
- loan commitments and financial guarantee contracts issued, which are not measured at FVTPL.

Financial assets measured at fair value, including debt investments or equity securities at FVTPL, equity securities designated at FVOCI and derivative financial assets, are not subject to the ECL assessment.

(a) Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The Group measures ECLs of a financial instrument in a way that reflects: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; and (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

The Group applies a 'three-stage model' for measuring ECLs for financial instruments based on changes in credit risk since initial recognition:

The three stages are defined as follows:

- Stage 1: Loss allowance of a financial instrument shall be measured at an amount equal to 12-month ECLs if the credit risk has not increased significantly since initial recognition.
- Stage 2: Loss allowance of a financial instrument shall be measured at an amount equal to lifetime ECLs if the credit risk has increased significantly since initial recognition but for which no credit impairment has occurred.
- Stage 3: Loss allowance of a financial instrument shall be measured at an amount equal to lifetime ECLs if credit impairment has occurred since initial recognition.

At each balance sheet date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, it belongs to stage 1, its loss allowance shall be measured at an amount equal to 12-month ECLs and the interest income shall be calculated based on the carrying amount and effective interest rate; if the credit risk has increased significantly since initial recognition but for which no credit impairment has occurred, it belongs to stage 2, its loss allowance shall be measured at an amount equal to lifetime ECLs, and the interest income shall be calculated based on the carrying amount and effective interest rate; if credit impairment has occurred since initial recognition, it belongs to stage 3, its loss allowance shall be measured at an amount equal to lifetime ECLs, and the interest income shall be calculated based on the amortised cost and effective interest rate.

For disclosures regarding the Group's assessment of ECLs on financial instruments, the criteria for determining significant increase in credit risk, the definition of credit-impaired assets, and the assumptions for measuring ECLs, see Note X. 2.

The gross carrying amount of a financial asset is directly written off (either partially or in full) to the extent that there is no realistic prospect of recovery of the contractual cash flows.

(b) Presentation of allowance for ECL

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investments that are measured at FVOCI, the loss allowance is recognised in other comprehensive income and not deducted from the carrying amount of the assets. For loan commitments and financial guarantee contracts issued, which are not measured at FVTPL, an allowance for losses is recognised in the provisions.

(c) Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This generally occurs when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(8) Amendments to financial asset contracts

In some cases (e.g. restructured loans), the Group may modify or renegotiate its contracts for financial assets. The Group assesses whether the terms of the modified or renegotiated contract have changed substantially.

If there is a substantial change in the terms of the modified contract, the Group derecognises the original financial asset and recognises a new financial asset in accordance with the modified terms.

If there is no substantial change in the terms of the modified contract but it results in a change in contractual cash flows, the Group recalculates the carrying amount of the financial asset and recognises the relevant gains or losses in profit or loss. The recalculated carrying amount of the financial assets shall be recognised at the present value determined by discounting the amended or renegotiated contractual cash flows by the original effective interest rate of the financial assets (or the credit-adjusted effective interest rate of purchased or originated credit-impaired financial assets). For all the costs or expenses arising from an amended or renegotiated contract, the Group shall adjust the carrying amount of the financial assets and amortise them for the remaining life of the amended financial assets. The Group shall compare the risk of default at the balance sheet date based on the new contract terms with the risk of default at initial recognition based on the original contract terms when evaluating whether the credit risk of the relevant financial instrument has increased significantly.

(9) 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 Bank for repurchasing self-issued equity instruments are deducted from shareholders' equity.

When the Bank repurchases its own shares, those shares are treated as treasury shares. The entire repurchase expenditure is recorded as the cost of the treasury shares in the reference register. Treasury shares are excluded from profit distributions and are presented as a deduction from shareholders' equity on the balance sheet.

When treasury shares are cancelled, the share capital should be reduced to the extent of the total par value of the treasury shares cancelled. Where the cost of the treasury shares cancelled exceeds the total par value, the excess is deducted from capital reserve (share premium), surplus reserve and retained earnings sequentially. If the cost of treasury shares cancelled is less than the total par value, the difference is credited to the capital reserve (share premium).

When treasury shares are disposed of, any excess of proceeds above cost is recognised in capital reserve (share premium); otherwise, the shortfall is deducted against capital reserve (share premium), surplus reserve and retained earnings sequentially.

(10) Preference shares and perpetual bonds

At initial recognition, preference shares and perpetual bonds issued by the Group or their components are classified as financial assets, financial liabilities or equity instruments based on their contractual terms and economic substance with reference to the definition of financial assets, financial liabilities and equity instruments.

Preference shares and perpetual bonds issued by the Group that contain both equity and liability components are accounted for using the accounting policy for convertible instruments containing an equity component. Preference shares and perpetual bonds issued by the Group that do not contain an equity component are accounted for using the accounting policy for other convertible instruments not containing an equity component.

Preference shares and perpetual bonds issued by the Group that should be classified as equity instruments are recognised in equity based on the actual proceeds received. Any distribution of dividends or interests during the instruments' duration is treated as profit appropriation. When the preference shares and perpetual bonds are redeemed according to the contractual terms, the redemption amount is recognised as a deduction from equity.

(11) Financial assets purchased under resale agreements and financial assets sold under repurchase agreements

Financial assets held under resale agreements are capital where the Group acquires financial assets which will be resold at a fixed price under resale agreements. Financial assets sold under repurchase agreements are capital where the Group sells financial assets which will be repurchased at a fixed price under repurchase agreements.

Financial assets held under resale agreements and financial assets sold under repurchase agreements are reflected in the balance sheet based on the actual payments or receipts when incurred. Financial assets held under resale agreements are not recognised and are recorded off-balance sheet; underlying assets sold under repurchase agreements are still reflected in the balance sheet.

The bid-ask spread of financial assets purchased under resale agreements and sold under repurchase agreements is amortised using the effective interest method in the relevant transaction period and is recognised as interest income and interest expense accordingly.

8 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date when the derivative transaction contract is entered into and are subsequently measured at their fair value. A derivative financial instrument with a positive fair value is recognised as an asset and a negative fair value is recognised as a liability.

If the hybrid contract contains a host contract that is an asset under the financial instruments standards, derivatives embedded in contracts where the host is a financial asset are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. If a hybrid contract contains a host contract that is not an asset under the financial instruments standards, when certain embedded derivative financial instruments are not closely related to the economic characteristics and risks of their host contracts, a separate instrument with the same terms as the embedded derivative instrument meets the definition of a derivative financial instrument, and the hybrid instrument is not measured at fair value with changes in fair value recognised in profit or loss, the embedded derivative financial instruments should be separated from the hybrid contract and treated as a separate derivative financial instrument. These embedded derivative financial instruments are measured at fair value and the corresponding changes in fair value are included in profit or loss.

Gains or losses derived from changes in the fair value of derivative financial instruments that do not qualify for hedge accounting should be recognised directly in profit or loss.

9 Precious metals

Precious metals are represented by gold. The Group's non-trading precious metals are initially measured at cost at the time of acquisition and subsequently measured at the lower of cost and net realisable value. The Group's precious metals acquired for trading purposes are initially recognised at fair value at the time of acquisition and subsequently measured at fair value at the balance sheet date, with the relevant changes recognised in profit or loss.

10 Long-term equity investments

Long-term equity investments include the Bank's long-term equity investments in subsidiaries, the Group's long-term investments in joint ventures, associates and other investments.

Subsidiaries are investees over which the Bank is able to exercise control; joint ventures are entities over which the Group engages in business activities through joint control with one or more parties in accordance with contractual agreements; associates are entities over which the Group has no control or joint control but over which the Group is able to exercise significant influence and in which the Group normally owns 20% to 50% of the voting rights.

Investments in subsidiaries are measured using the cost method in the Bank's financial statements, and adjusted using the equity method when preparing the consolidated financial statements. The Bank uses the equity method for accounting investment in associate and joint venture.

(1) Investment cost determination, subsequent measurement and recognition method of profit or loss

Under the cost method, long-term equity investment is measured at its initial investment cost. If the investment is added or recovered, the cost of the long-term equity investment shall be adjusted. The cash dividends or profits announced for distribution by the investees shall be recognised as current investment income.

Under the equity method, where the initial cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the difference is recognised in profit or loss and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, after acquiring the investment, the Group recognises its share of the investee's profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. When recognising the share of the investee's net profit or loss, it is based on the fair value of the identifiable assets at the time of acquiring the investments, in accordance with the Group's accounting policies and accounting periods, and after offsetting the portion of the profit or loss on internal transactions with associates and joint ventures that is attributable to the investor in proportion to its share (except for losses on internal transactions that are impairment losses on assets, which should be recognised in full), and adjusted for the net profit of the investee, except where the assets invested or sold constitute a business. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by the amount attributable to the Group. The net loss of an investee recognised by the Group shall be limited to the extent that the carrying amount of the long-term equity investments and other long-term equity which effectively constitutes net investment to the investee are reduced to zero, unless the Group undertakes the liabilities of additional loss. Other changes in equity of the investee other than net profit or loss, other comprehensive income and profit distribution shall be included in owners' equity, with the carrying amount of long-term equity investment correspondingly adjusted.

(2) Basis for determining the existence of joint control or significant influence over an investee

Control exists when the investor has all of the following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to affect those returns through its power over the investee.

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.

Significant influence is the power to participate in the financial and operating policy decisions of an investee but is not control or joint control of those policies.

The Group reassesses whether it controls the investee if changes in relevant facts and circumstances result in a change in one or more of the elements of control.

(3) Long-term equity investments

For long-term equity investments in subsidiaries, joint ventures and associates, the carrying amount is reduced to its recoverable amount when the recoverable amount is lower than the carrying amount. The recoverable amount of a long-term equity investment is the higher of its fair value less costs of disposal and the present value of its expected future cash flows. For the impairment of long-term equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured, the impairment amount is the difference between the carrying amount and the present value of estimated future cash flow which was calculated by the similar market yield rate. The recognised impairment loss cannot be reversed. Once an impairment loss is recognised, the portion of the impairment loss that is restored to its value should not be reversed in a subsequent period.

The Group's investments in joint ventures include goodwill which represents the excess of the cost of acquisition over fair value of the Group's share of the identifiable net assets acquired.

11 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or both.

Investment properties are initially measured at its cost. Subsequent expenditures incurred for investment properties are included in the cost of the investment properties when the economic benefits relating to the investment properties are likely to flow into the Group and the expenditures can be reliably measured, otherwise the expenditures are included in profit or loss in the period in which they are incurred.

Investment properties are subsequently measured using the cost model, and are depreciated on a straight line basis to the estimated net residual rate over their estimated useful life. The expected useful life ranges from 20 to 30 years, and estimated net residual rate is 5%.

The estimated useful life, the estimated net residual value and the depreciation method applied to the investment properties are reviewed and adjusted as appropriate at least at each balance sheet date.

When the recoverable amount of the investment properties is lower than the carrying amount, the carrying amount is deducted to the recoverable amount.

12 Fixed assets and construction in progress

(1) Recognition of fixed assets

Fixed assets represent the tangible assets held by the Group for administrative purposes with useful lives over one accounting year.

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with the policy set out in Note IV.12(5).

Where the parts of an item of fixed assets have different useful lives or provide benefits to the Group in a different pattern, thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of fixed assets are recognised in profit or loss as incurred.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

(2) Depreciation of fixed assets

The cost of a fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line.

The estimated useful lives, residual value rates and depreciation rates of fixed assets are as follows:

| <i>Category</i> | <i>Estimated useful life</i> | <i>Residual value rate</i> | <i>Depreciation rate</i> |
|-------------------|------------------------------|----------------------------|--------------------------|
| Plant & buildings | 20 – 30 years | 5% | 3.17% to 4.75% |
| Office equipment | 5 – 10 years | 5% | 9.50% to 19.00% |
| Motor vehicles | 5 – 10 years | 5% | 9.50% to 19.00% |

Useful lives, estimated residual values and depreciation methods are reviewed and adjusted appropriately at each year-end.

- (3) When the recoverable amount of a fixed asset is less than its carrying amount, the carrying amount is deducted to its recoverable amount.

- (4) Disposal of fixed assets

The carrying amount of a fixed asset is derecognised:

- on disposal; or
- when no future economic benefits are expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognised in profit or loss on the date of retirement or disposal.

- (5) Construction in progress

The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs, and any other costs directly attributable to bringing the asset to working condition for its intended use.

A self-constructed asset is classified as construction in progress and transferred to fixed assets when it is ready for its intended use. No depreciation is recorded against construction in progress.

Construction in progress is stated in the balance sheet at cost less accumulated impairment losses (see Note IV.17).

- 13 Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note IV.17). For an intangible asset with a finite useful life, its cost less estimated residual value and accumulated impairment losses is amortised using the straight-line method over its estimated useful life.

The respective amortisation periods for intangible assets are as follows:

| <i>Category</i> | <i>Amortisation period</i> |
|----------------------|----------------------------|
| Land use rights | 40 years |
| Systems and software | 5 years |

Useful lives and amortisation methods of intangible assets with finite useful lives are reviewed at least at each year-end.

14 Goodwill

The initial cost of goodwill represents the excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree under a business combination not involving entities under common control.

Goodwill is not amortised and is stated in the balance sheet at cost less accumulated impairment losses (see Note IV.17). Upon disposal of an asset group or a set of asset groups, any attributable goodwill is written off and included in the calculation of the profit or loss on disposal.

15 Long-term deferred expenses

The long-term deferred expenses to be apportioned include the improvement of fixed assets leased for operation and other expenses that have already occurred but should be borne by the current and future periods and whose apportionment period is more than one year, and shall be apportioned equally in stages according to the expected benefit period on a straight-line basis and presented on a net basis after actual cost deducting accumulated amortisation.

16 Foreclosed assets

Foreclosed assets refer to the physical assets or property rights of the debtor, guarantor or third party that are compensated by the Group for exercising creditor's rights or security interests in accordance with the law.

The foreclosed financial assets are initially measured at fair value, subsequently classified and measured in accordance with the accounting policy set out in Note IV.7(2).

The foreclosed non-financial assets are initially measured at the fair value of the relinquished claims and other costs such as taxes that can be directly attributed to the assets, and subsequently measured at the lower of the carrying amount and the recoverable amount of the foreclosed assets, the impairment test method and provisioning method for impairment are set out in Note IV.17.

17 Impairment of assets other than financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets
- construction in progress
- right-of-use assets
- intangible assets
- investment properties measured using a cost model
- long-term equity investments
- goodwill
- long-term deferred expenses
- foreclosed non-financial assets, etc.

If any indication exists, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of goodwill at each year-end, irrespective of whether there is any indication of impairment. For the purposes of impairment testing, goodwill is allocated to each asset group, or set of asset groups, that is expected to benefit from the synergies of the business combination.

The recoverable amount of an asset (or asset group or set of asset groups) is the higher of its fair value (see Note IV.18) less costs of disposal and the present value of its expected future cash flows. An asset group is composed of assets related to cash generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. The present value of an asset's expected future cash flows is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly to reduce the carrying amount to the recoverable amount. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocations would not reduce the carrying amount of an asset below the highest of its fair value less costs of disposal (if measurable), the present value of its expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it should not be reversed in a subsequent period.

18 Fair value measurement

Unless otherwise specified, the Group measures fair value as follows:

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.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

19 Provisions and contingencies

Contingencies refer to potential obligations arising from past transactions or events, its existence must be verified through the occurrence or non-occurrence of uncertain future events; or in respect of present obligations arising from past transactions or events, the performance of such obligations is not likely to cause economic benefits to flow out of the Group or the impact amount of the obligation cannot be reliably measured. These obligations are not recognised, but only disclosed in Note VIII. Commitments and contingencies to the financial statements.

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where there is a continuous range of possible outcomes for the expenditure required, and each possible outcome in that range is as likely as any other, the best estimate is the mid-point of that range. In other cases, the best estimate is determined as follows:

- Where the contingency involves a single item, the best estimate is the most likely outcome.
- Where the contingency involves a large population of items, the best estimate is determined by weighting all possible outcomes by their associated probabilities.

The Group reviews the carrying amounts of provisions at the balance sheet date and adjusts their carrying amounts to the current best estimates.

20 Revenue recognition

(1) Interest income

For all financial assets measured at amortised cost and financial assets at fair value through other comprehensive income, interest income is measured at the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the rate of book value of financial asset or amortised cost of financial liability. The calculation of effective interest rate requires consideration of the contractual terms of the financial instrument (such as prepayment rights) and includes all fees and transaction costs attributable to the effective interest rate components (excluding ECL).

The Group recognises the interest income based on the book value of financial assets multiplied by the effective interest rate and presents it as interest income, except for the following cases:

- For the purchased or originated credit loss occurred financial assets, the Group calculates and recognises their interest income based on amortised cost and credit-adjusted effective interest rate of such financial assets since initial recognition;
- As for financial assets purchased or originated credit-impaired but credit-impaired in subsequent periods, its interest income is recognised by computing at amortised cost (i.e., the net amount after the expected credit loss provision is deducted from the book value) and effective interest rate of the financial asset. If no credit impairment exists in the financial instruments due to the improvement of its credit risk in the subsequent period, and this improvement can be objectively related to an event that occurs after the application of the provisions above, the interest income should be calculated and recognised as effective interest rate multiplying the book value of financial assets.

(2) Fee and commission income

The Group collects fees and commissions by providing services to customers. Fee and commission income is recognised when the Group fulfills its performance obligation, either over time or at a point in time when a customer obtains control of the service.

The Group satisfies a performance obligation over time if one of the following criteria is met; otherwise, the performance obligation is satisfied at a point in time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the customer can control the services provided during the Group's performance; or
- the Group's performance does not create an asset with an alternative use to it and the Group has an enforceable right to payment for performance completed to date.

(3) Dividend income

Dividend income from equity instruments is recognised when the right to receive the dividend is established.

21 Expenses

(1) Interest expense

Interest expense on financial liabilities is calculated on the basis of the amortised cost of the financial liabilities, the timing of the funds employed, using the effective interest method, and is recognised in the corresponding period.

(2) Other expenses

Other expenses are recognised on an accrual basis.

22 Employee benefits and welfare

(1) Employee benefits

Employee benefits mainly include salaries, bonuses, allowances and subsidies, employee welfare, social insurance and housing fund, labour union fee, staff and workers' education fee, and other expenses related to obtaining services from employees or terminating labour relations.

Employee benefits payable are recognised in the period in which the employees render services and included under "operating and administrative expenses" in the income statement.

(2) Employee social security

The Group participates in social security schemes established by government agencies, including pension and medical insurance, housing fund and other social security schemes, as required.

In accordance with the relevant regulations and contracts, insurance premiums and housing funds are contributed according to certain percentage of total salaries and wages and paid to labour and social security institutions on the basis of a maximum amount not exceeding the relevant regulations, and the corresponding expenses are included in "operation and administrative expenses" in the income statement.

(3) Employer annuity plan

In addition to the basic social pension insurance, the Bank's employees who retire after 1 October 2011 may voluntarily participate in the annuity plan of Bank of Beijing Co., Ltd. (the "annuity plan"). The Bank contributes a certain percentage of the employees' total salaries to the annuity plan, and the corresponding expenses are included in "operating and administrative expenses" in the income statement.

(4) Supplementary retirement benefits

The Group pays supplemental retirement benefits, including supplementary pension and supplementary medical benefits, to certain retired employees.

Supplementary retirement benefits are calculated on an actuarial basis at the balance sheet date and are reflected in the balance sheet under "employee benefits payable". The amounts of these benefit expenses and liabilities are calculated based on various assumptions. These assumptions include discount rates, mortality rates, pension inflation rates, medical benefit inflation rates and other factors. Actuarial gains or losses on supplementary retirement benefit obligations are included in "other comprehensive income", gains or losses on modifications to supplementary retirement benefit plans are included in "operation and administrative expenses" in the income statement in the period in which they are incurred.

(5) Early retirement benefits

The Group provides early retirement benefits to employees who accept internal retirement arrangements. Early retirement benefits refer to the various benefits paid to employees who have not reached the retirement age set by the State but who have voluntarily quit their jobs with the approval of the Group's management. The Group pays early retirement benefits to early retired employees from the date when the internal retirement arrangements commence until the employee reaches the normal retirement age.

Early retirement benefits are calculated on an actuarial basis at the balance sheet date and are reflected in the balance sheet under "employee benefits payable". The amounts of these benefit expenses and liabilities are calculated based on various assumptions. These assumptions include discount rates, mortality rates, pension inflation rates, medical benefit inflation rates and other factors. Actuarial gains or losses on early retirement benefit obligations and gains or losses on modifications to early retirement benefit plans are included in "operation and administrative expenses" in the income statement in the period in which they are incurred.

23 Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contributions from the government in the capacity as an investor in the Group.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attached to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value.

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets.

24 Dividends distributions

Dividends distributions proposed in the profit appropriation plan, which will be approved after the balance sheet date, are not recognised as a liability at the balance sheet date but are disclosed in the notes separately.

25 Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset only if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss).

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amounts of the assets and liabilities, using tax rates enacted at the balance sheet date that are expected to be applied in the period when the asset is recovered or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilised. Such reductions are reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and deferred tax liabilities are offset if all of the following conditions are met:

- the taxable entity has a legally enforceable right to offset current tax liabilities and current tax assets;
- they relate to income taxes levied by the same tax authority on either:
 - the same taxable entity; or
 - different taxable entities which intend either to settle the current tax liabilities and current tax assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or deferred tax assets are expected to be settled or recovered.

26 Leases

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

To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether:

- the contract involves the use of an identified asset. An identified asset may be explicitly or implicitly specified in a contract and are physically distinct, or may be a portion of an asset's capacity or other portion of an asset that is not physically distinct but represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from the use of the asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;
- the lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;
- the lessee has the right to direct the use of the asset.

For a contract that contains multiple separate lease components, the lessee and the lessor separate the lease components and account for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee and the lessor separate the lease components from the non-lease components.

(1) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to obtain the ownership of the lease asset by the end of the lease term, the right-of-use asset is depreciated over the remaining useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated over the shorter of the lease term or the remaining useful life of the lease asset. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy set out in Note IV.17.

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

A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability are charged to profit or loss or included in the cost of assets where appropriate as incurred.

Under the following circumstances after the lease commencement date, the Group remeasures lease liabilities based on the present value of revised lease payments:

- there is a change in the amounts expected to be payable under a residual value guarantee;
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;
- there is a change in the assessment of whether the Group will exercise a purchase, extension or termination option, or the Group has exercised the extension or termination option in a different manner from the original assessment.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

(2) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

When the Group is a sub-lessor, it assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the practical expedient described above, then it classifies the sub-lease as an operating lease.

Under a finance lease, at the commencement date, the Group recognises the finance lease receivable and derecognises the asset under finance lease. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.

The Group recognises finance income over the lease term with a constant periodic rate of return. The derecognition and impairment of the finance lease receivable are accounted for in accordance with the accounting policy in Note IV.7. Variable lease payments not included in the measurement of net investment in the lease are recognised as income as they are earned.

Lease receipts from operating leases are recognised as income using the straight-line method over the lease term. The initial direct costs incurred in respect of the operating lease are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Variable lease payments not included in lease receipts are recognised as income as they are earned.

27 Preference shares and perpetual bonds

The Group's perpetual shares include no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group; in the mean time, these preferred shares are non-derivative financial instruments that are subject to future settlement with its own equity instruments, excluding the contractual obligation to deliver a variable amount of its own equity instruments for settlement. The Group classifies the perpetual shares issued as equity instruments, and transaction costs such as fees and commissions incurred for the issuance of perpetual shares are deducted from equity. Dividends on preferred shares shall be accounted for as profit distribution when declared.

The Group's perpetual bonds include no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group; and there are no arrangements for the terms of such perpetual bonds that are required to be settled with or can be settled with its own equity instruments. The Group classifies the perpetual bonds issued as equity instruments, and transaction costs such as fees and commissions incurred for the issuance of perpetual bonds are deducted from equity. Interest on perpetual bonds shall be accounted for as profit distribution when declared.

28 Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Bank is under common control only from the State and that have no other related party relationships are not regarded as related parties.

In addition to the related parties stated above, the Bank determines related parties based on the disclosure requirements of the *Administrative Procedures on the Information Disclosures of Listed Companies* issued by the CSRC.

In addition, the Bank also determines related parties in accordance with the *Administrative Measures on Affiliated Transactions between Commercial Banks and their Insiders or Shareholders* and *Provisional Measures on Administration of Equities of Commercial Banks* promulgated by the former Banking Regulatory Commission.

29 Fiduciary activities

The Group acts as an manager, trustee or agent for its clients in its fiduciary activities. The Group's balance sheet does not include assets held by the Group as a result of the fiduciary activities and commitments relating to the surrender of such assets to the customers, which are at the risk and return of the customers.

Through the entrusted loan agreement entered into with the customers, the customer provides funds ("entrusted loan funds") to the Group, and the Group issues loans ("entrusted loans") to third parties in accordance with the instructions of the customers. As the Group does not undertake the risks and rewards of entrusted loans and related entrusted loan funds, the Group's entrusted loans and entrusted loan funds are recognised as off-balance sheet items based on their principal, and no provision for impairment is made for these entrusted loans.

30 Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system after taking the materiality principle into account. Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics and are the same or similar in respect of the nature of each segment's products and services, the nature of production processes, the types or classes of customers for the products and services, the methods used to provide the products or provide the services, and the nature of the regulatory environment.

For segment reporting, inter-segment revenues are measured on the basis of the actual transaction prices for such transactions, and segment accounting policies are consistent with those used to prepare the consolidated financial statements.

31 Significant accounting estimates and judgements

The preparation of the financial statements requires the Group's management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as the underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(1) Impairment losses of loans and advances to customers and debt investments

The models and assumptions used by the Group in assessing the ECLs on loans and advances to customers and debt investments are highly dependent on management's judgement.

The Group is required to consider internal and external historical information, current conditions and future economic forecasts when determining whether there is any significant increase in credit risk for a particular loan or debt investment. The criterion of a significant increase in credit risk will be used to determine whether a loan or debt investment requires an allowance for lifetime ECLs, rather than 12-month ECLs.

The parameters used in the Group's ECL measurement model, including the probability of default, loss given default rate and exposure to default, involve a large number of judgements and assumptions. In assessing the default loss rate, the Group needs to make judgements by taking into account the type of counterparty, the method of recourse, the order of get compensation, and the type and value of collateral, combined with historical loss experience data. For off-balance sheet credit commitments and revolving credit facilities, judgement is also needed to determine the duration of the default risk exposure.

The Group applies expert judgement to forecast macroeconomic indicators, analyses the correlation with model parameters such as probability of default, and adjusts them prospectively. The Group also needs to judge the probability of occurrence of several different macroeconomic scenarios and calculate probability-weighted ECLs.

For credit-impaired loans or debt investments that are measured on an individual basis for ECLs, it is critical to estimate their future cash flows. Factors that may affect this estimate include, but are not limited to, the following: the exhaustive procedure of financial information on a particular borrower, the availability of information related to the borrower's competitors from the same industry, the correlation between industry trends and the future operating performance of a particular borrower, as well as the cash flows that can be recovered from liquidating the collateral.

(2) Fair value of financial instruments

The fair value of a financial instrument, for which there is no active market, is determined by using valuation methods. Valuation methods include estimation by reference to transaction prices determined in arm's length transactions between economic agents with complete information available in the market and willingness to buy and sell, by reference to the fair value of another similar financial instrument in the market, or by applying discounted cash flow analysis and option pricing models. Valuation methods maximise observable market information; however, when observable market information is not available, management makes estimates on significant unobservable information included in the valuation methods.

(3) Provisions

The Group makes judgement at each balance sheet date as to whether a present legal or constructive obligation has arisen as a result of past events, together with judgement as to the likelihood that the performance of the relevant obligation will result in an outflow of economic benefits, and then determines a reliable estimate of the amount of obligation and the relevant disclosure in the financial statements.

(4) Retirement benefits liabilities

The benefits for certain retirees and employees accepting internal early retirement arrangements have been recognised as liabilities. The amount of these welfare expenses and liabilities is calculated based on various assumptions. These assumptions include discount rates, pension inflation rates, medical benefit inflation rates and other factors. Management believes that these assumptions are reasonable and that changes in actual experience and assumptions will affect other comprehensive income (or profit or loss) and the balance of liabilities.

(5) Income tax

The Group needs to make judgements about the future tax treatment of certain transactions for the purpose of recognising the income tax. The Group makes prudent judgements about the income tax effects corresponding to the transactions and makes provision for income tax accordingly in accordance with the relevant tax regulations. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Significant judgement is required with respect to the tax treatment of certain transactions and significant estimates are required as to whether it is probable that sufficient future taxable profit will be available against which the deferred tax assets can be utilised.

(6) Judgement of control over structured entities

The Group manages or invests in several investment funds, wealth management products, asset management plans, trust plans and asset-backed securities. In determining whether it controls such structured entities, the Group determines whether it exercises its own decision-making power as the primary responsible party or as an agent, and assesses its overall economic interest in such structured entities (including the income generated from direct holdings and expected management fees) and the extent of its decision-making power over such structured entities. Where other parties hold decision-making power, the investor also needs to make sure whether other parties exercise decision-making power as its agents.

32 Changes in significant accounting policies

In 2022, the Group has adopted the revised accounting requirements and guidance under CAS newly issued by the Ministry of Finance ("MOF") as follows:

- Accounting for selling outputs that are produced before fixed assets are available for intended use or produced in the course of research and development" ("accounting for sales before intended use") in CAS Bulletin No.15 (Caikuai [2021] No.35)
- Determining whether a contract is onerous" in CAS Bulletin No.15; and
- Notice of Application Issues for Accounting Treatment of COVID-19-Related Rent Concessions (Caikuai [2022] No.13)

The adoption of the above requirements and guidance does not have a significant effect on the financial position and financial performance of the Group.

V. Taxation

The types of taxes and tax rates applicable to the Group for the year are as follow:

| <u>Tax type</u> | <u>Tax rate</u> |
|--|---|
| Corporate income tax | 25% of the taxable income as determined by the current tax law and relevant regulations. |
| Value-added tax | Output VAT is 6%-13% of taxable revenue. The remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable. |
| Urban maintenance and construction tax | 7% of the actual turnover tax paid |
| Education surcharges | 3% of the actual turnover tax paid |
| Local education surcharge | 2% of the actual turnover tax paid |

VI. Subsidiaries

As at 31 December 2022, subsidiaries included in the Bank are as follows:

| <i>Name of the subsidiary</i> | <i>Registered place</i> | <i>Registered capital</i> | <i>Principal activities</i> | <i>Shareholding / (contribution) percentage</i> | <i>Actual capital contribution at the end of the period</i> |
|--|-------------------------|---------------------------|-----------------------------|---|---|
| Beijing Yanqing Rural Bank Co., Ltd. ("Yanqing Rural Bank") ⁽¹⁾ | Beijing | 30.00 | Commercial bank | 33.33% | 10.00 |
| Zhejiang Wencheng Beiyin Rural Bank Co., Ltd. ("Zhejiang Wencheng") ⁽¹⁾ | Zhejiang | 52.25 | Commercial bank | 40.00% | 20.00 |
| Bank of Beijing Finance Leasing Company ("BBFL") | Beijing | 3,100.00 | Financial leasing | 64.52% | 2,000.00 |
| Chongqing Xiushan BOB Rural Bank Co., Ltd. ("Chongqing Xiushan") | Chongqing | 60.00 | Commercial bank | 51.00% | 30.60 |
| Chongqing Yongchuan BOB Rural Bank Co., Ltd. ("Chongqing Yongchuan") | Chongqing | 80.00 | Commercial bank | 51.00% | 40.80 |
| Yunnan Malong BOB Rural Bank Co., Ltd. ("Yunnan Malong") | Yunnan | 40.00 | Commercial bank | 51.00% | 20.40 |
| Yunnan Xishan BOB Rural Bank Co., Ltd. ("Yunnan Xishan") | Yunnan | 80.00 | Commercial bank | 61.00% | 48.80 |
| Yunnan Shiping BOB Rural Bank Co., Ltd. ("Yunnan Shiping") | Yunnan | 45.00 | Commercial bank | 67.34% | 30.30 |
| Yunnan Xinping BOB Rural Bank Co., Ltd. ("Yunnan Xinping") | Yunnan | 40.00 | Commercial bank | 51.00% | 20.40 |
| Yunnan Yuanjiang BOB Rural Bank Co., Ltd. ("Yunnan Yuanjiang") | Yunnan | 40.00 | Commercial bank | 51.00% | 20.40 |
| Beijing Changping Development Village Town Bank Co., Ltd. ("Changping Development") ⁽²⁾ | Beijing | 172.00 | Commercial bank | 88.95% | 21.79 |
| Bank of Beijing Wealth Management Co., Ltd. ("BOBWM") | Beijing | 2,000.00 | Wealth management business | 100.00% | 2,000.00 |

- (1) The Bank holds a majority of seats in the Board of Directors of Yanqing Rural Bank and Zhejiang Wencheng, and is the actual controller of these rural banks.
- (2) The Bank paid RMB21,790,000 as combination costs for the purchase of 88.95% equity interest in Changping Development in 2022. The excess of the combination cost over the Group's interest in the fair value of Changping Development's identifiable assets and liabilities, amounting to RMB30,220,000, was recognised as goodwill attributable to Changping Development. The Group performed impairment tests on goodwill at the end of the year, using the comparable market method to determine the recoverable amount. The Group identified the recoverable amount of the investee (including goodwill) was lower than the carrying amount, so that a provision for impairment of RMB30,220,000 was made.

VII. Notes to major items in the financial statements

1 Cash and deposits with the central bank

| | Note | <u>The Group</u> | | <u>The Bank</u> | |
|---|------|------------------|----------|-----------------|----------|
| | | 31 | 31 | 31 | 31 |
| | | December | December | December | December |
| | | 2022 | 2021 | 2022 | 2021 |
| Cash on hand | | 3,042 | 3,370 | 2,987 | 3,338 |
| Deposits with the central bank | | | | | |
| Including: - Statutory deposit reserves | (1) | 139,241 | 135,700 | 138,884 | 135,351 |
| - Excess reserves | (2) | 20,586 | 23,055 | 20,407 | 22,921 |
| - Others | (3) | 707 | 617 | 707 | 617 |
| Sub-total | | 163,576 | 162,742 | 162,985 | 162,227 |
| Interest accrued | | 69 | 68 | 69 | 68 |
| Total | | 163,645 | 162,810 | 163,054 | 162,295 |

- (1) The statutory deposit reserves refer to the deposit reserves paid by the Group in accordance with the regulations for various types of funds included in the scope of statutory deposit reserve by the People's Bank of China (PBOC) and overseas regulatory authorities, including RMB deposit reserves and foreign currency deposit reserves, which cannot be used for daily operations and cannot be used without the approval of the People's Bank of China. As at 31 December 2022, the Bank's RMB deposit reserve ratio was 7.5% (31 December 2021: 8%); the foreign currency deposits reserve ratio was 6% (31 December 2021: 9%). The deposit reserve ratios of the Group's subsidiaries were conducted based on relevant requirements of the People's Bank of China.
- (2) The excess reserves include funds deposited with the People's Bank of China (PBOC) for fund settlement purpose and other unrestricted funds.
- (3) Other funds deposited with the central bank mainly represent fiscal deposits and foreign currency risk reserves deposited with the People's Bank of China (PBOC), which cannot be used for daily operations. The People's Bank of China (PBOC) does not calculate and pay interest on the fiscal deposits deposited by domestic institutions.

2 Deposits and placements with banks and other financial institutions

| | <i>The Group</i> | | <i>The Bank</i> | |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | <i>31 December 2022</i> | <i>31 December 2021</i> | <i>31 December 2022</i> | <i>31 December 2021</i> |
| Deposits and placements with domestic banks | 18,941 | 5,547 | 18,070 | 5,322 |
| Deposits and placements with domestic non-banking financial institutions | 1,184 | 624 | 1,184 | 616 |
| Deposits and placements with overseas banks | 1,313 | 1,292 | 1,313 | 1,292 |
| Sub-total | 21,445 | 7,463 | 20,567 | 7,230 |
| Interest accrued | 17 | 6 | 20 | 4 |
| Total | 21,462 | 7,469 | 20,587 | 7,234 |
| Less: Provision for impairment ⁽¹⁾ | (152) | (148) | (152) | (148) |
| Net amount | 21,310 | 7,321 | 20,435 | 7,086 |

- (1) As at 31 December 2022, the Group's impaired deposits and placements with banks and other financial institutions with a book value of RMB144 million were classified as stage 3 (31 December 2021: RMB144 million) and the provision for impairment was measured based on the lifetime ECLs, while the remaining deposits and placements with banks and other financial institutions were classified as stage 1 and the provision for impairment was measured based on the 12-month ECLs, neither the gross carrying amounts nor the provisions for impairment involve any transfer among stages.

3 Lending to banks and other financial institutions

| | <i>The Group</i> | | <i>The Bank</i> | |
|---|------------------------|------------------------|------------------------|------------------------|
| | 31 December 2022 | 31 December 2021 | 31 December 2022 | 31 December 2021 |
| Lendings to domestic non-banking financial institutions | 153,300 | 133,292 | 156,401 | 135,142 |
| Lendings to overseas banks | 7,901 | 17,956 | 7,901 | 17,956 |
| Lendings to domestic banks | 1,457 | 6,714 | 1,001 | 6,714 |
| Sub-total | 162,658 | 157,962 | 165,303 | 159,812 |
| Interest accrued | 1,769 | 1,825 | 1,834 | 1,881 |
| Total | 164,427 | 159,787 | 167,137 | 161,693 |
| Less: Provision for impairment ⁽¹⁾ | (2,316) | (2,604) | (2,026) | (2,395) |
| Net amount | 162,111 | 157,183 | 165,111 | 159,298 |

- (1) As at 31 December 2022, the Group's impaired lendings to banks and other financial institutions with a book value of RMB1.799 billion were classified as stage 3 (31 December 2021: RMB1.799 billion) and the provision for impairment was measured based on the lifetime ECLs, while the remaining lendings to banks and other financial institutions were classified as stage 1 and the provision for impairment was measured based on the 12-month ECLs, neither the gross carrying amounts nor the provisions for impairment involve any transfer among stages.

4 Derivative financial assets and derivative financial liabilities

The Group's derivative financial instruments classified for trading, asset and liability management as well as agency purposes are as follows:

Currency forward transactions, transactions in which the Group has committed to buy or sell foreign currency at a future point in time, include undelivered spot transactions.

Currency swap transactions are transactions in which two parties commit to exchange an agreed amount of principal in two currencies over an agreed period of time.

Interest rate swap transactions are commitments to exchange different cash flows, where the swap results in the exchange of different interest rates (such as fixed interest rate and floating rate) rather than the exchange of principal.

The contractual / notional amounts of various derivative financial instruments at the balance sheet date provide only a basis for comparison with the fair value of on-balance sheet assets or liabilities recognised and do not represent the future cash flows involved or the current fair value, and therefore cannot reflect the Group's exposure to credit risk or market risk. The valuation of derivative financial instruments may have a favourable (assets) or unfavourable (liabilities) impact on the Bank as the foreign exchange rates and market interest rates associated with the contractual terms of the derivative financial instruments fluctuate, and these impacts may fluctuate significantly in different periods.

The notional amounts and fair values of outstanding contracts of derivative financial instruments held by the Group and the Bank are presented as follows:

31 December 2022

| | <i>The Group and the Bank</i> | | |
|---------------------------|-------------------------------|-------------------|--------------------|
| | <i>Nominal amount</i> | <i>Fair value</i> | |
| | | <i>Assets</i> | <i>Liabilities</i> |
| Currency derivatives | | | |
| - Currency forward | 11,345 | 198 | (165) |
| - Currency swap | 17,644 | 382 | (98) |
| Interest rate derivatives | | | |
| - Interest rate swap | 242,807 | 133 | (134) |
| Total | | 713 | (397) |

31 December 2021

| | <i>The Group and the Bank</i> | | |
|---------------------------|-------------------------------|-------------------|--------------------|
| | <i>Nominal amount</i> | <i>Fair value</i> | |
| | | <i>Assets</i> | <i>Liabilities</i> |
| Currency derivatives | | | |
| - Currency forward | 10,696 | 49 | (70) |
| - Currency swap | 7,082 | 20 | (14) |
| Interest rate derivatives | | | |
| - Interest rate swap | 328,628 | 142 | (145) |
| Total | | 211 | (229) |

5 Financial assets purchased under resale agreements

| | <i>The Group and the Bank</i> | |
|---|-----------------------------------|-----------------------------------|
| | <i>31 December</i> <i>2022</i> | <i>31 December</i> <i>2021</i> |
| Bonds, by issuer | | |
| - Governments | 5,879 | 6,631 |
| - Policy banks | 64,396 | 34,592 |
| - Financial institutions | - | 1,539 |
| Sub-total | 70,275 | 42,762 |
| Bills | 4,373 | - |
| Less: Provision for impairment ⁽¹⁾ | (76) | (71) |
| Net amount | 74,572 | 42,691 |

- (1) As at 31 December 2022, the Group's impaired financial assets purchased under resale agreements with a book value of RMB34 million were classified as stage 3 (31 December 2021: RMB39 million) and the provision for impairment was measured based on the lifetime ECLs, while the remaining financial assets purchased under resale agreements were classified as stage 1 and the provision for impairment was measured based on the 12-month ECLs, neither the gross carrying amounts nor the provisions for impairment involve any transfer among stages.

6 Loans and advances to customers

(1) Loans and advances to customers by measurement attributes are as follows:

Loans and advances to customers (excluding accrued interest) by industrial distribution, guarantee method, regional distribution, overdue loans and changes in provisions for impairment of loans are as follows:

| | <i>The Group</i> | | <i>The Bank</i> | |
|--|------------------------|------------------------|------------------------|------------------------|
| | 31 December 2022 | 31 December 2021 | 31 December 2022 | 31 December 2021 |
| Measured at amortised cost | | | | |
| - Enterprise loans and advances | | | | |
| - Loans and advances | 960,835 | 921,935 | 917,929 | 879,863 |
| - Personal loans | | | | |
| - Personal housing loans | 339,075 | 349,631 | 338,592 | 349,093 |
| - Personal operating loans | 156,654 | 133,386 | 153,995 | 131,065 |
| - Personal consumption loans | 134,301 | 94,076 | 133,852 | 93,605 |
| - Credit cards | 9,843 | 11,622 | 9,843 | 11,622 |
| Sub-total of personal loans | 639,873 | 588,715 | 636,282 | 585,385 |
| Sub-total | 1,600,708 | 1,510,650 | 1,554,211 | 1,465,248 |
| Measured at fair value through other comprehensive income | | | | |
| - Enterprise loans and advances | | | | |
| - Discount | 154,774 | 142,735 | 154,774 | 142,735 |
| - Loans and advances | 41,837 | 19,853 | 41,837 | 19,853 |
| Sub-total | 196,611 | 162,588 | 196,611 | 162,588 |
| Total | 1,797,319 | 1,673,238 | 1,750,822 | 1,627,836 |
| Interest accrued | 4,642 | 4,492 | 4,630 | 4,483 |
| Total loans and advances to customers | 1,801,961 | 1,677,730 | 1,755,452 | 1,632,319 |
| Less: Provision for impairment of loans measured at amortised cost | (52,854) | (49,909) | (50,617) | (48,278) |
| Carrying amount of loans and advances to customers | 1,749,107 | 1,627,821 | 1,704,835 | 1,584,041 |
| Provision for impairment of loans at fair value through comprehensive income | (1,151) | (798) | (1,151) | (798) |

(2) Total loans and advances to customers by industry are as follows:

| | <i>The Group</i> | | | |
|--|-------------------------|------------------------|-------------------------|------------------------|
| | <i>31 December 2022</i> | | <i>31 December 2021</i> | |
| | <i>Book value</i> | <i>Percentage</i> % | <i>Book value</i> | <i>Percentage</i> % |
| Leasing and commercial services | 180,072 | 10 | 185,105 | 11 |
| Manufacturing | 133,486 | 7 | 109,696 | 7 |
| Water conservancy, environment and public facilities management | 123,956 | 7 | 115,940 | 7 |
| Real estate | 109,606 | 6 | 121,861 | 7 |
| Wholesale and retail trade | 96,469 | 5 | 88,411 | 5 |
| Transportation, storage and postal services | 83,948 | 5 | 68,566 | 4 |
| Production and supply of electric power, heat, gas and water | 71,292 | 4 | 63,681 | 4 |
| Construction | 57,798 | 3 | 54,095 | 3 |
| Information transmission, software and information technology services | 33,471 | 2 | 40,418 | 2 |
| Mining | 24,496 | 1 | 19,545 | 1 |
| Finance | 23,647 | 1 | 17,613 | 1 |
| Scientific research and technical services | 22,897 | 1 | 11,037 | 1 |
| Cultural, sports and entertainment | 13,526 | 1 | 15,561 | 1 |
| Agriculture, forestry, animal husbandry and fishery | 12,002 | 1 | 11,394 | 1 |
| Others | 16,006 | 1 | 18,865 | 1 |
| Sub-total | 1,002,672 | 55 | 941,788 | 56 |
| Personal loans | 639,873 | 36 | 588,715 | 35 |
| Discount | 154,774 | 9 | 142,735 | 9 |
| Total | 1,797,319 | 100 | 1,673,238 | 100 |

| | <i>The Bank</i> | | | |
|--|-------------------------|------------------------|-------------------------|------------------------|
| | <i>31 December 2022</i> | | <i>31 December 2021</i> | |
| | <i>Book value</i> | <i>Percentage</i> % | <i>Book value</i> | <i>Percentage</i> % |
| Leasing and commercial services | 171,593 | 10 | 179,660 | 11 |
| Manufacturing | 128,268 | 7 | 106,318 | 7 |
| Water conservancy, environment and public facilities management | 122,350 | 7 | 114,529 | 7 |
| Real estate | 109,591 | 6 | 121,852 | 7 |
| Wholesale and retail trade | 94,640 | 5 | 86,220 | 5 |
| Transportation, storage and postal services | 76,423 | 4 | 62,164 | 4 |
| Production and supply of electric power, heat, gas and water | 57,253 | 3 | 46,103 | 3 |
| Construction | 57,383 | 3 | 53,673 | 3 |
| Information transmission, software and information technology services | 31,384 | 2 | 37,837 | 2 |
| Mining | 24,480 | 2 | 19,347 | 1 |
| Finance | 23,647 | 2 | 17,613 | 1 |
| Scientific research and technical services | 22,814 | 1 | 10,983 | 1 |
| Cultural, sports and entertainment | 13,403 | 1 | 15,064 | 1 |
| Agriculture, forestry, animal husbandry and fishery | 11,851 | 1 | 11,165 | 1 |
| Others | 14,686 | 1 | 17,188 | 1 |
| Sub-total | 959,766 | 55 | 899,716 | 55 |
| Personal loans | 636,282 | 36 | 585,385 | 36 |
| Discount | 154,774 | 9 | 142,735 | 9 |
| Total | 1,750,822 | 100 | 1,627,836 | 100 |

(3) Total loans and advances to customers by guarantee method are as follows:

| | <i>The Group</i> | | | |
|------------------------|-------------------------|------------------------|-------------------------|------------------------|
| | <i>31 December 2022</i> | | <i>31 December 2021</i> | |
| | <i>Book value</i> | <i>Percentage</i> % | <i>Book value</i> | <i>Percentage</i> % |
| Unsecured loans | 580,465 | 32 | 435,820 | 26 |
| Guaranteed loans | 389,476 | 22 | 385,276 | 23 |
| Loans with collaterals | | | | |
| - Mortgage loans | 601,375 | 33 | 626,163 | 37 |
| - Pledged loans | 226,003 | 13 | 225,979 | 14 |
| Total | 1,797,319 | 100 | 1,673,238 | 100 |

| | <i>The Bank</i> | | | |
|------------------------|-------------------------|------------------------|-------------------------|------------------------|
| | <i>31 December 2022</i> | | <i>31 December 2021</i> | |
| | <i>Book value</i> | <i>Percentage</i> % | <i>Book value</i> | <i>Percentage</i> % |
| Unsecured loans | 573,989 | 33 | 430,133 | 26 |
| Guaranteed loans | 378,184 | 21 | 379,475 | 23 |
| Loans with collaterals | | | | |
| - Mortgage loans | 590,262 | 34 | 614,261 | 38 |
| - Pledged loans | 208,387 | 12 | 203,967 | 13 |
| Total | 1,750,822 | 100 | 1,627,836 | 100 |

(4) Total loans and advances to customers by regions are as follows:

| | <i>The Group</i> | | | |
|-----------------|-------------------------|--------------------------|-------------------------|--------------------------|
| | <i>31 December 2022</i> | | <i>31 December 2021</i> | |
| | <i>Book value</i> | <i>Percentage</i> (%) | <i>Book value</i> | <i>Percentage</i> (%) |
| Beijing region | 803,214 | 45 | 711,974 | 43 |
| Shenzhen region | 162,542 | 9 | 154,553 | 9 |
| Shandong region | 146,629 | 8 | 140,269 | 8 |
| Zhejiang region | 132,724 | 7 | 120,763 | 7 |
| Jiangsu region | 129,485 | 7 | 109,685 | 7 |
| Shanghai region | 90,849 | 5 | 88,799 | 5 |
| Shaanxi region | 84,591 | 5 | 90,888 | 5 |
| Hunan region | 81,044 | 5 | 80,687 | 5 |
| Jiangxi region | 69,237 | 4 | 71,648 | 4 |
| Other regions | 97,004 | 5 | 103,972 | 7 |
| Total | 1,797,319 | 100 | 1,673,238 | 100 |

| | <i>The Bank</i> | | | |
|-----------------|-------------------------|-----------------------|-------------------------|-----------------------|
| | <i>31 December 2022</i> | | <i>31 December 2021</i> | |
| | <i>Book value</i> | <i>Percentage (%)</i> | <i>Book value</i> | <i>Percentage (%)</i> |
| Beijing region | 760,384 | 44 | 670,004 | 41 |
| Shenzhen region | 162,542 | 9 | 154,553 | 9 |
| Shandong region | 146,629 | 8 | 140,269 | 9 |
| Zhejiang region | 131,644 | 8 | 119,762 | 7 |
| Jiangsu region | 129,485 | 7 | 109,685 | 7 |
| Shanghai region | 90,849 | 5 | 88,799 | 5 |
| Shaanxi region | 84,591 | 5 | 90,888 | 6 |
| Hunan region | 81,044 | 5 | 80,687 | 5 |
| Jiangxi region | 69,237 | 4 | 71,648 | 5 |
| Other regions | 94,417 | 5 | 101,541 | 6 |
| Total | 1,750,822 | 100 | 1,627,836 | 100 |

(5) Overdue loans by guarantee method are as follows:

| | <i>The Group</i> | | | | |
|------------------------|--|---|---|--------------------|--------------|
| | <i>31 December 2022</i> | | | | |
| | <i>Over 1 day but within 90 days (inclusive)</i> | <i>Over 91 days but within 360 days (inclusive)</i> | <i>Over 361 days but within 3 years (inclusive)</i> | <i>Over 3 year</i> | <i>Total</i> |
| Unsecured loans | 7,535 | 3,071 | 1,424 | 85 | 12,115 |
| Guaranteed loans | 5,336 | 2,658 | 3,672 | 1,021 | 12,687 |
| Loans with collaterals | | | | | |
| - Mortgage loans | 7,168 | 2,718 | 4,666 | 687 | 15,239 |
| - Pledged loans | 284 | 293 | 7 | - | 584 |
| Total | 20,323 | 8,740 | 9,769 | 1,793 | 40,625 |

| <i>The Group</i> | | | | | |
|-------------------------|--|---|---|--------------------|--------------|
| <i>31 December 2021</i> | | | | | |
| | <i>Over 1 day but within 90 days (inclusive)</i> | <i>Over 91 days but within 360 days (inclusive)</i> | <i>Over 361 days but within 3 years (inclusive)</i> | <i>Over 3 year</i> | <i>Total</i> |
| Unsecured loans | 2,391 | 2,165 | 583 | 31 | 5,170 |
| Guaranteed loans | 5,412 | 2,486 | 4,717 | 156 | 12,771 |
| Loans with collaterals | | | | | |
| - Mortgage loans | 4,548 | 2,110 | 2,265 | 380 | 9,303 |
| - Pledged loans | 1,452 | 546 | 7 | - | 2,005 |
| Total | 13,803 | 7,307 | 7,572 | 567 | 29,249 |

| <i>The Bank</i> | | | | | |
|-------------------------|--|---|---|--------------------|--------------|
| <i>31 December 2022</i> | | | | | |
| | <i>Over 1 day but within 90 days (inclusive)</i> | <i>Over 91 days but within 360 days (inclusive)</i> | <i>Over 361 days but within 3 years (inclusive)</i> | <i>Over 3 year</i> | <i>Total</i> |
| Unsecured loans | 7,510 | 3,067 | 1,421 | 85 | 12,083 |
| Guaranteed loans | 5,260 | 2,612 | 3,659 | 1,018 | 12,549 |
| Loans with collaterals | | | | | |
| - Mortgage loans | 6,848 | 2,706 | 4,664 | 665 | 14,883 |
| - Pledged loans | 236 | - | 5 | - | 241 |
| Total | 19,854 | 8,385 | 9,749 | 1,768 | 39,756 |

| <i>The Bank</i> | | | | | |
|-------------------------|--|---|---|--------------------|--------------|
| <i>31 December 2021</i> | | | | | |
| | <i>Over 1 day but within 90 days (inclusive)</i> | <i>Over 91 days but within 360 days (inclusive)</i> | <i>Over 361 days but within 3 years (inclusive)</i> | <i>Over 3 year</i> | <i>Total</i> |
| Unsecured loans | 2,387 | 2,162 | 582 | 31 | 5,162 |
| Guaranteed loans | 5,394 | 2,466 | 4,714 | 154 | 12,728 |
| Loans with collaterals | | | | | |
| - Mortgage loans | 4,533 | 2,101 | 2,260 | 380 | 9,274 |
| - Pledged loans | 1,452 | 546 | 6 | - | 2,004 |
| Total | 13,766 | 7,275 | 7,562 | 565 | 29,168 |

(6) Changes in provisions for impairment of loans at amortised cost

| <i>The Group</i> | | | | |
|--|-------------------------|---------------------|----------------|--------------|
| <i>31 December 2022</i> | | | | |
| | <i>12-month ECL</i> | <i>Lifetime ECL</i> | | <i>Total</i> |
| | <i>Stage 1</i> | <i>Stage 2</i> | <i>Stage 3</i> | |
| Balance at the beginning of the year | 32,047 | 5,563 | 12,299 | 49,909 |
| Transfer to Stage 1 | 412 | (126) | (286) | - |
| Transfer to Stage 2 | (918) | 1,089 | (171) | - |
| Transfer to Stage 3 | (133) | (2,693) | 2,826 | - |
| Charge for the year (Note VII.40) | 14,909 | 4,690 | 13,385 | 32,984 |
| Written-back for the year (Note VII.40) | (15,461) | (2,875) | (1,628) | (19,964) |
| Written-off and transfer out for the year | - | - | (10,906) | (10,906) |
| Reversals duringt the year | | | | |
| - Recovery of loans and advances to customers previously written off | - | - | 1,231 | 1,231 |
| - Written-off and reversal of impaired loans and advances to customers | - | - | (529) | (529) |
| - Exchange gains or losses and other adjustments | 80 | - | 49 | 129 |
| Balance at the end of the year | 30,936 | 5,648 | 16,270 | 52,854 |

| <i>The Group</i> | | | | |
|--|-------------------------|---------------------|----------------|--------------|
| <i>31 December 2021</i> | | | | |
| | <i>12-month ECL</i> | <i>Lifetime ECL</i> | | <i>Total</i> |
| | <i>Stage 1</i> | <i>Stage 2</i> | <i>Stage 3</i> | |
| Balance at the beginning of the year | 34,978 | 3,159 | 13,864 | 52,001 |
| Transfer to Stage 1 | 332 | (269) | (63) | - |
| Transfer to Stage 2 | (430) | 517 | (87) | - |
| Transfer to Stage 3 | (321) | (1,125) | 1,446 | - |
| Charge for the year (Note VII.40) | 17,028 | 4,510 | 14,176 | 35,714 |
| Written-back for the year (Note VII.40) | (19,535) | (1,229) | (603) | (21,367) |
| Written-off and transfer out for the year | - | - | (16,407) | (16,407) |
| Reversals duringt the year | | | | |
| - Recovery of loans and advances to customers previously written off | - | - | 556 | 556 |
| - Written-off and reversal of impaired loans and advances to customers | - | - | (583) | (583) |
| - Exchange gains or losses and other adjustments | (5) | - | - | (5) |
| Balance at the end of the year | 32,047 | 5,563 | 12,299 | 49,909 |

| <i>The Bank</i> | | | | |
|--|-------------------------|---------------------|----------------|---------------|
| <i>31 December 2022</i> | | | | |
| | <i>12-month ECL</i> | <i>Lifetime ECL</i> | | <i>Total</i> |
| | <i>Stage 1</i> | <i>Stage 2</i> | <i>Stage 3</i> | |
| Balance at the beginning of the year | 31,143 | 5,155 | 11,980 | 48,278 |
| Transfer to Stage 1 | 412 | (126) | (286) | - |
| Transfer to Stage 2 | (916) | 1,087 | (171) | - |
| Transfer to Stage 3 | (126) | (2,693) | 2,819 | - |
| Charge for the year (Note VII.40) | 14,205 | 4,612 | 13,242 | 32,059 |
| Written-back for the year (Note VII.40) | (15,158) | (2,860) | (1,469) | (19,487) |
| Written-off and transfer out for the year | - | - | (10,844) | (10,844) |
| Reversals duringt the year | | | | |
| - Recovery of loans and advances to customers previously written off | - | - | 1,135 | 1,135 |
| - Written-off and reversal of impaired loans and advances to customers | - | - | (529) | (529) |
| - Exchange gains or losses and other adjustments | 5 | - | - | 5 |
| Balance at the end of the year | <u>29,565</u> | <u>5,175</u> | <u>15,877</u> | <u>50,617</u> |

| <i>The Bank</i> | | | | |
|--|-------------------------|---------------------|----------------|---------------|
| <i>31 December 2021</i> | | | | |
| | <i>12-month ECL</i> | <i>Lifetime ECL</i> | | <i>Total</i> |
| | <i>Stage 1</i> | <i>Stage 2</i> | <i>Stage 3</i> | |
| Balance at the beginning of the year | 33,677 | 2,842 | 13,595 | 50,114 |
| Transfer to Stage 1 | 291 | (228) | (63) | - |
| Transfer to Stage 2 | (361) | 448 | (87) | - |
| Transfer to Stage 3 | (294) | (904) | 1,198 | - |
| Charge for the year (Note VII.40) | 16,586 | 4,188 | 13,341 | 34,115 |
| Written-back for the year (Note VII.40) | (18,751) | (1,191) | (603) | (20,545) |
| Written-off and transfer out for the year | - | - | (15,372) | (15,372) |
| Reversals duringt the year | | | | |
| - Recovery of loans and advances to customers previously written off | - | - | 554 | 554 |
| - Written-off and reversal of impaired loans and advances to customers | - | - | (583) | (583) |
| - Exchange gains or losses and other adjustments | (5) | - | - | (5) |
| Balance at the end of the year | <u>31,143</u> | <u>5,155</u> | <u>11,980</u> | <u>48,278</u> |

(7) Provision for impairment of loans at fair value through comprehensive income

| <i>The Group and the Bank</i> | | | | |
|---|-------------------------|---------------------|----------------|--------------|
| <i>31 December 2022</i> | | | | |
| | <i>12-month ECL</i> | <i>Lifetime ECL</i> | | <i>Total</i> |
| | <i>Stage 1</i> | <i>Stage 2</i> | <i>Stage 3</i> | |
| Balance at the beginning of the year | 795 | - | 3 | 798 |
| Transfer to Stage 1 | - | - | - | - |
| Transfer to Stage 2 | - | - | - | - |
| Transfer to Stage 3 | - | - | - | - |
| Charge for the year (Note VII.40) | 1,126 | - | - | 1,126 |
| Written-back for the year (Note VII.40) | (770) | - | (3) | (773) |
| Balance at the end of the year | 1,151 | - | - | 1,151 |

| <i>The Group and the Bank</i> | | | | |
|---|-------------------------|---------------------|----------------|--------------|
| <i>31 December 2021</i> | | | | |
| | <i>12-month ECL</i> | <i>Lifetime ECL</i> | | <i>Total</i> |
| | <i>Stage 1</i> | <i>Stage 2</i> | <i>Stage 3</i> | |
| Balance at the beginning of the year | 1,016 | - | - | 1,016 |
| Transfer to Stage 1 | - | - | - | - |
| Transfer to Stage 2 | - | - | - | - |
| Transfer to Stage 3 | (13) | - | 13 | - |
| Charge for the year (Note VII.40) | 509 | - | - | 509 |
| Written-back for the year (Note VII.40) | (717) | - | (10) | (727) |
| Balance at the end of the year | 795 | - | 3 | 798 |

7 Financial investments

7.1 Financial assets held for trading

| | <i>The Group</i> | | <i>The Bank</i> | |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | <i>31 December 2022</i> | <i>31 December 2021</i> | <i>31 December 2022</i> | <i>31 December 2021</i> |
| Financial assets at fair value through profit or loss | | | | |
| Bonds, by issuer | | | | |
| - Governments | 17,518 | 11,598 | 17,518 | 11,591 |
| - Policy banks | 11,518 | 2,179 | 11,518 | 1,942 |
| - Financial institutions | 31,704 | 10,823 | 31,704 | 10,823 |
| - Corporates | 14,385 | 5,569 | 14,385 | 5,569 |
| Sub-total | 75,125 | 30,169 | 75,125 | 29,925 |
| Equity instruments | 4,444 | 4,725 | 4,357 | 4,605 |
| Funds and others | 208,135 | 155,217 | 208,135 | 155,217 |
| Total | 287,704 | 190,111 | 287,617 | 189,747 |

7.2 Debt investments

| | <i>The Group</i> | | <i>The Bank</i> | |
|--|------------------------|------------------------|------------------------|------------------------|
| | 31 December 2022 | 31 December 2021 | 31 December 2022 | 31 December 2021 |
| Financial assets at amortised cost | | | | |
| Bonds, by issuer | | | | |
| - Governments | 288,188 | 271,798 | 287,800 | 271,798 |
| - Policy banks | 90,786 | 61,018 | 90,786 | 61,018 |
| - Financial institutions | 25,249 | 20,300 | 25,249 | 20,300 |
| - Corporates | 62,573 | 41,212 | 62,573 | 41,212 |
| Sub-total ⁽¹⁾ | 466,796 | 394,328 | 466,408 | 394,328 |
| Trust plans, asset management plans ⁽²⁾ and others | 231,843 | 282,355 | 231,843 | 282,355 |
| Interest accrued | 7,447 | 7,555 | 7,443 | 7,555 |
| Total | 706,086 | 684,238 | 705,694 | 684,238 |
| Less: Provision for impairment | (30,938) | (29,464) | (30,938) | (29,464) |
| Net amount | 675,148 | 654,774 | 674,756 | 654,774 |

7.3 Other debt investments

| | <i>The Group and the Bank</i> | |
|------------------------------------|-------------------------------|---------------------|
| | 31 December 2022 | 31 December 2021 |
| Financial assets measured at FVOCI | | |
| Bonds, by issuer | | |
| - Governments | 80,831 | 91,471 |
| - Policy banks | 30,106 | 29,628 |
| - Financial institutions | 38,926 | 16,055 |
| - Corporates | 13,676 | 5,019 |
| Total ⁽³⁾ | 163,539 | 142,173 |

7.4 Investments in other equity instruments

| | <i>The Group and the Bank</i> | |
|--|-----------------------------------|-----------------------------------|
| | <i>31 December</i> <i>2022</i> | <i>31 December</i> <i>2021</i> |
| Financial assets measured at FVOCI Equity instruments | 850 | 846 |
| Total ⁽⁴⁾ | 850 | 846 |

- (1) As at 31 December 2022, the Group's impaired bonds with a book value of RMB2.570 billion were classified as stage 3 (31 December 2021: RMB1.829 billion), and bonds with a book value of RMB457 million were classified as stage 2 (31 December 2021: RMB1.204 billion), the provision for impairment was measured based on the lifetime ECLs, while the remaining bonds at amortised cost were classified as stage 1 and the provision for impairment was measured based on the 12-month ECLs.
- (2) Trust plans and asset management plans are products such as trust plans and asset management plans managed by trust companies, securities companies and other institutions in which the Group invests, and the products are ultimately invested in corporate debts, interbank borrowings asset-backed securities.
- (3) As at 31 December 2022, the provision for impairment of the Group and the Bank's bond business at FVOCI was RMB859 million (31 December 2021: RMB286 million), which was included in other comprehensive income. The Group's bonds with a book value of RMB37 billion were classified as stage 3 (31 December 2021: RMB0), and bonds with a book value of RMB694 million were classified as stage 2 (31 December 2021: RMB694 million), while the remaining bonds at fair value were classified as stage 1 and the provision for impairment was measured based on the 12-month ECLs.
- (4) The Group exercised the non-cancellable option on certain non-listed equity investments and selected to measure such equity investments at fair value through other comprehensive income.

7.5 Movements in the provision for impairment of debt investments and other debt investments are as follows:

An analysis of the movements of provision for impairment of financial assets classified as debt investments is as follows:

| <i>The Group and the Bank</i> | | | | |
|--|-------------------------|---------------------|----------------|--------------|
| <i>31 December 2022</i> | | | | |
| | <i>12-month ECL</i> | <i>Lifetime ECL</i> | | <i>Total</i> |
| | <i>Stage 1</i> | <i>Stage 2</i> | <i>Stage 3</i> | |
| Balance at the beginning of the year | 5,501 | 2,359 | 21,604 | 29,464 |
| Transfer to Stage 1 | 428 | (428) | - | - |
| Transfer to Stage 2 | (43) | 43 | - | - |
| Transfer to Stage 3 | (94) | (857) | 951 | - |
| Charge for the year (Note VII.40) | 22 | 121 | 7,220 | 7,363 |
| Written-off and transfer out for the year | - | - | (5,990) | (5,990) |
| Recovery after written-off during the year | - | - | 39 | 39 |
| Changes in exchange rates and others | 62 | - | - | 62 |
| Balance at the end of the year | 5,876 | 1,238 | 23,824 | 30,938 |

| <i>The Group and the Bank</i> | | | | |
|--|-------------------------|---------------------|----------------|--------------|
| <i>31 December 2021</i> | | | | |
| | <i>12-month ECL</i> | <i>Lifetime ECL</i> | | <i>Total</i> |
| | <i>Stage 1</i> | <i>Stage 2</i> | <i>Stage 3</i> | |
| Balance at the beginning of the year | 7,220 | 1,756 | 7,536 | 16,512 |
| Transfer to Stage 1 | - | - | - | - |
| Transfer to Stage 2 | (154) | 154 | - | - |
| Transfer to Stage 3 | (62) | (1,211) | 1,273 | - |
| (Written-back) / charge for the year (Note VII.40) | (1,483) | 1,660 | 9,083 | 9,260 |
| Written-off and transfer out for the year | - | - | (173) | (173) |
| Transfer in during the year | - | - | 3,885 | 3,885 |
| Changes in exchange rates and others | (20) | - | - | (20) |
| Balance at the end of the year | 5,501 | 2,359 | 21,604 | 29,464 |

An analysis of the movements of provision for impairment of financial assets classified as other debt investments is as follows:

| <i>The Group</i> | | | | |
|--------------------------------------|-------------------------|---------------------|----------------|--------------|
| <i>31 December 2022</i> | | | | |
| | <i>12-month ECL</i> | <i>Lifetime ECL</i> | | <i>Total</i> |
| | <i>Stage 1</i> | <i>Stage 2</i> | <i>Stage 3</i> | |
| Balance at the beginning of the year | 147 | 139 | - | 286 |
| Transfer to Stage 1 | - | - | - | - |
| Transfer to Stage 2 | - | - | - | - |
| Transfer to Stage 3 | (37) | - | 37 | - |
| Charge for the year (Note VII.40) | 258 | 312 | - | 570 |
| Changes in exchange rates and others | 3 | - | - | 3 |
| Balance at the end of the year | 371 | 451 | 37 | 859 |

| <i>The Group</i> | | | | |
|--------------------------------------|-------------------------|---------------------|----------------|--------------|
| <i>31 December 2021</i> | | | | |
| | <i>12-month ECL</i> | <i>Lifetime ECL</i> | | <i>Total</i> |
| | <i>Stage 1</i> | <i>Stage 2</i> | <i>Stage 3</i> | |
| Balance at the beginning of the year | 133 | - | - | 133 |
| Transfer to Stage 1 | - | - | - | - |
| Transfer to Stage 2 | (10) | 10 | - | - |
| Transfer to Stage 3 | - | - | - | - |
| Charge for the year (Note VII.40) | 24 | 129 | - | 153 |
| Balance at the end of the year | 147 | 139 | - | 286 |

| <i>The Bank</i> | | | | |
|--------------------------------------|-------------------------|---------------------|----------------|--------------|
| <i>31 December 2022</i> | | | | |
| | <i>12-month ECL</i> | <i>Lifetime ECL</i> | | <i>Total</i> |
| | <i>Stage 1</i> | <i>Stage 2</i> | <i>Stage 3</i> | |
| Balance at the beginning of the year | 147 | 139 | - | 286 |
| Transfer to Stage 1 | - | - | - | - |
| Transfer to Stage 2 | - | - | - | - |
| Transfer to Stage 3 | (37) | - | 37 | - |
| Charge for the year (Note VII.40) | 258 | 312 | - | 570 |
| Changes in exchange rates and others | 3 | - | - | 3 |
| | <u>371</u> | <u>451</u> | <u>37</u> | <u>859</u> |
| Balance at the end of the year | <u>371</u> | <u>451</u> | <u>37</u> | <u>859</u> |

| <i>The Bank</i> | | | | |
|--------------------------------------|-------------------------|---------------------|----------------|--------------|
| <i>31 December 2021</i> | | | | |
| | <i>12-month ECL</i> | <i>Lifetime ECL</i> | | <i>Total</i> |
| | <i>Stage 1</i> | <i>Stage 2</i> | <i>Stage 3</i> | |
| Balance at the beginning of the year | 135 | - | - | 135 |
| Transfer to Stage 1 | - | - | - | - |
| Transfer to Stage 2 | (10) | 10 | - | - |
| Transfer to Stage 3 | - | - | - | - |
| Charge for the year (Note VII.40) | 22 | 129 | - | 151 |
| | <u>147</u> | <u>139</u> | <u>-</u> | <u>286</u> |
| Balance at the end of the year | <u>147</u> | <u>139</u> | <u>-</u> | <u>286</u> |

8 Long-term equity investments

| | Note | <i>The Group</i> | | <i>The Bank</i> | |
|-------------------------------|---------|------------------------|------------------------|------------------------|------------------------|
| | | 31 December 2022 | 31 December 2021 | 31 December 2022 | 31 December 2021 |
| Investments in subsidiaries | Note VI | N/A | N/A | 4,263 | 2,236 |
| Investments in associates | (1) | 1,244 | 1,113 | 1,244 | 1,113 |
| Investments in joint ventures | (2) | 2,103 | 2,005 | 2,103 | 2,005 |
| Total | | <u>3,347</u> | <u>3,118</u> | <u>7,610</u> | <u>5,354</u> |

As at 31 December 2022 and 31 December 2021, the Bank had no significant restrictions on the realisation of long-term equity investments and the recovery of income.

(1) Investments in associates

Statement of changes in investments in associates

| | <i>The Group and the Bank</i> | |
|--|-------------------------------|---------------------|
| | 31 December 2022 | 31 December 2021 |
| Carrying amount at the beginning of the year | 1,113 | 978 |
| Profit attributable | 145 | 150 |
| Other equity movements attributable | (2) | (1) |
| Cash dividends received | (12) | (14) |
| Carrying amount at the end of the year | <u>1,244</u> | <u>1,113</u> |

(2) Investments in joint ventures

Statement of changes in investments in joint ventures

| | <i>The Group and the Bank</i> | |
|--|-------------------------------|----------------------------|
| | <i>31 December</i> 2022 | <i>31 December</i> 2021 |
| Carrying amount at the beginning of the year | 2,005 | 1,862 |
| Increase in investment costs | 450 | - |
| Profit attributable | 3 | 3 |
| Other equity movements attributable | (355) | 140 |
| Carrying amount at the end of the year | <u>2,103</u> | <u>2,005</u> |

The carrying amount of the above investments in joint ventures includes the portion of the initial investment cost of RMB682 million over the share of the fair value of the identifiable net assets of the joint ventures at the time of acquisition of the investment of RMB340 million.

9 Investment properties

| | <i>The Group and the Bank</i> | |
|--------------------------------------|-------------------------------|----------------------------|
| | <i>31 December</i> 2022 | <i>31 December</i> 2021 |
| Costs of investment properties | 519 | 519 |
| Accumulated depreciation | (216) | (202) |
| Net amounts of investment properties | <u>303</u> | <u>317</u> |

(1) Statement of changes in investment properties

The Group and the Bank

| | <i>Plant and buildings</i> |
|--|--------------------------------|
| Cost | |
| 31 December 2020 | 577 |
| Less: Transfer out during the year (Note VII.10) | (58) |
| 31 December 2021 | 519 |
| Less: Transfer out during the year (Note VII.10) | - |
| 31 December 2022 | 519 |
| Accumulated depreciation | |
| 31 December 2020 | (215) |
| Add: Charge for the year | (15) |
| Less: Transfer out during the year (Note VII.10) | 28 |
| 31 December 2021 | (202) |
| Add: Charge for the year | (14) |
| Less: Transfer out during the year (Note VII.10) | - |
| 31 December 2022 | (216) |
| Net carrying amount | |
| 31 December 2021 | 317 |
| 31 December 2022 | 303 |

As at 31 December 2022, due to the historical issues, the Group has 2 investment properties with the cost of RMB25 million (2 investment properties with the cost of RMB25 million as at 31 December 2021) and the carrying amount of RMB1 million (31 December 2021: RMB1 million) for which the certificates of ownership are pending. The above matters have no impact on the Group's rights to such assets.

10 Fixed assets

| | <i>The Group</i> | | <i>The Bank</i> | |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | <i>31 December 2022</i> | <i>31 December 2021</i> | <i>31 December 2022</i> | <i>31 December 2021</i> |
| Costs of fixed assets | 21,218 | 17,909 | 21,117 | 17,834 |
| Accumulated depreciation | (6,893) | (6,062) | (6,849) | (6,028) |
| Provision for impairment | (2) | (2) | (2) | (2) |
| Net amount of fixed assets | <u>14,323</u> | <u>11,845</u> | <u>14,266</u> | <u>11,804</u> |
| Costs of construction in progress | 3,774 | 6,488 | 3,773 | 6,487 |
| Less: Provision for impairment | (11) | (11) | (11) | (11) |
| Net amount of construction in progress | <u>3,763</u> | <u>6,477</u> | <u>3,762</u> | <u>6,476</u> |
| Total | <u>18,086</u> | <u>18,322</u> | <u>18,028</u> | <u>18,280</u> |

As at 31 December 2022, due to the historical issues, the Group has 9 fixed asset properties with the cost of RMB115 million (9 investment properties with the cost of RMB115 million as at 31 December 2021) and the carrying amount of RMB3 million (31 December 2021: RMB3 million) for which the certificates of ownership are pending. The above matters have no impact on the Group's rights to such assets.

(1) Statement of changes in fixed assets

| | <i>The Group</i> | | | | |
|---|------------------------------|-------------------------|-----------------------|---------------------------------|--------------|
| | <i>Plant & buildings</i> | <i>Office equipment</i> | <i>Motor vehicles</i> | <i>Construction in progress</i> | <i>Total</i> |
| Cost | | | | | |
| 31 December 2020 | 9,779 | 4,231 | 361 | 9,528 | 23,899 |
| Additions during the year | 45 | 423 | 9 | 198 | 675 |
| Transfers from construction in progress | 3,102 | 13 | - | - | 3,115 |
| Transfers from investment properties (Note VII.9) | 58 | - | - | - | 58 |
| Decreases during the year | (5) | (56) | (51) | (123) | (235) |
| Transfers out during the year | - | - | - | (3,115) | (3,115) |
| 31 December 2021 | 12,979 | 4,611 | 319 | 6,488 | 24,397 |
| Additions during the year | 31 | 549 | 6 | 365 | 951 |
| Transfers from construction in progress | 3,074 | - | - | - | 3,074 |
| Decreases during the year | (255) | (82) | (14) | (5) | (356) |
| Transfers out during the year | - | - | - | (3,074) | (3,074) |
| 31 December 2022 | 15,829 | 5,078 | 311 | 3,774 | 24,992 |
| Accumulated depreciation | | | | | |
| 31 December 2020 | (2,259) | (2,844) | (281) | - | (5,384) |
| Charge for the year (Note VII.39) | (330) | (409) | (11) | - | (750) |
| Transfers from investment properties (Note VII.9) | (28) | - | - | - | (28) |
| Decreases during the year | 4 | 50 | 46 | - | 100 |
| 31 December 2021 | (2,613) | (3,203) | (246) | - | (6,062) |
| Transfers from investment properties (Note VII.9) | (451) | (437) | (11) | - | (899) |
| Decreases during the year | 2 | 56 | 10 | - | 68 |
| 31 December 2022 | (3,062) | (3,584) | (247) | - | (6,893) |
| Provision for impairment | | | | | |
| 31 December 2021 | - | (2) | - | (11) | (13) |
| 31 December 2022 | - | (2) | - | (11) | (13) |
| Net carrying amount | | | | | |
| 31 December 2021 | 10,366 | 1,406 | 73 | 6,477 | 18,322 |
| 31 December 2022 | 12,767 | 1,492 | 64 | 3,763 | 18,086 |

| | <i>The Bank</i> | | | | |
|---|------------------------------|-------------------------|-----------------------|---------------------------------|--------------|
| | <i>Plant & buildings</i> | <i>Office equipment</i> | <i>Motor vehicles</i> | <i>Construction in progress</i> | <i>Total</i> |
| Cost | | | | | |
| 31 December 2020 | 9,772 | 4,174 | 357 | 9,527 | 23,830 |
| Additions during the year | 45 | 416 | 9 | 198 | 668 |
| Transfers from construction in progress | 3,102 | 13 | - | - | 3,115 |
| Transfers from investment properties (Note VII.9) | 58 | - | - | - | 58 |
| Decreases during the year | (5) | (56) | (51) | (123) | (235) |
| Transfers out during the year | - | - | - | (3,115) | (3,115) |
| 31 December 2021 | 12,972 | 4,547 | 315 | 6,487 | 24,321 |
| Additions during the year | 10 | 544 | 5 | 365 | 924 |
| Transfers from construction in progress | 3,074 | - | - | - | 3,074 |
| Decreases during the year | (255) | (81) | (14) | (5) | (355) |
| Transfers out during the year | - | - | - | (3,074) | (3,074) |
| 31 December 2022 | 15,801 | 5,010 | 306 | 3,773 | 24,890 |
| Accumulated depreciation | | | | | |
| 31 December 2020 | (2,259) | (2,818) | (278) | - | (5,355) |
| Charge for the year (Note VII.39) | (330) | (404) | (10) | - | (744) |
| Transfers from investment properties (Note VII.9) | (28) | - | - | - | (28) |
| Decreases during the year | 4 | 50 | 45 | - | 99 |
| 31 December 2021 | (2,613) | (3,172) | (243) | - | (6,028) |
| Charge for the year (Note VII.39) | (450) | (428) | (11) | - | (889) |
| Decreases during the year | 2 | 56 | 10 | - | 68 |
| 31 December 2022 | (3,061) | (3,544) | (244) | - | (6,849) |
| Provision for impairment | | | | | |
| 31 December 2021 | - | (2) | - | (11) | (13) |
| 31 December 2022 | - | (2) | - | (11) | (13) |
| Net carrying amount | | | | | |
| 31 December 2021 | 10,359 | 1,373 | 72 | 6,476 | 18,280 |
| 31 December 2022 | 12,740 | 1,464 | 62 | 3,762 | 18,028 |

11 Right-of-use assets

| | <i>The Group</i> | | <i>The Bank</i> | |
|-----------------------------------|------------------|-----------------|-----------------|-----------------|
| | <i>31</i> | <i>31</i> | <i>31</i> | <i>31</i> |
| | <i>December</i> | <i>December</i> | <i>December</i> | <i>December</i> |
| | <i>2022</i> | <i>2021</i> | <i>2022</i> | <i>2021</i> |
| Costs of right-of-use assets | 8,232 | 6,847 | 7,800 | 6,536 |
| Accumulated depreciation | (2,482) | (1,326) | (2,361) | (1,277) |
| Net amount of right-of-use assets | <u>5,750</u> | <u>5,521</u> | <u>5,439</u> | <u>5,259</u> |

Statement of changes in right-of-use assets

| | <i>The Group</i> | | |
|-----------------------------------|------------------------------|-----------------------|--------------|
| | <i>Plant & buildings</i> | <i>Motor vehicles</i> | <i>Total</i> |
| Cost: | | | |
| 1 January 2021 | 5,412 | - | 5,412 |
| Additions during the year | 1,779 | 1 | 1,780 |
| Decreases during the year | (345) | - | (345) |
| 31 December 2021 | 6,846 | 1 | 6,847 |
| Additions during the year | 1,770 | - | 1,770 |
| Decreases during the year | (385) | - | (385) |
| 31 December 2022 | 8,231 | 1 | 8,232 |
| Accumulated depreciation: | | | |
| 1 January 2021 | - | - | - |
| Charge for the year (Note VII.39) | (1,332) | - | (1,332) |
| Decreases during the year | 6 | - | 6 |
| 31 December 2021 | (1,326) | - | (1,326) |
| Charge for the year (Note VII.39) | (1,520) | - | (1,520) |
| Decreases during the year | 364 | - | 364 |
| 31 December 2022 | (2,482) | - | (2,482) |
| Net carrying amount: | | | |
| 1 January 2022 | 5,520 | 1 | 5,521 |
| 31 December 2022 | 5,749 | 1 | 5,750 |

| | <u>The Bank</u> <u>Plant & buildings</u> |
|------------------------------------|---|
| Cost: | |
| 1 January 2021 | 5,175 |
| Additions during the year | 1,706 |
| Decreases during the year | (345) |
| | <hr/> |
| 31 December 2021 | 6,536 |
| Additions during the year | 1,649 |
| Decreases during the year | (385) |
| | <hr/> |
| 31 December 2022 | <hr/> 7,800 <hr/> |
| Accumulated depreciation: | |
| 1 January 2021 | - |
| Charge for the year (Note VII.39) | (1,283) |
| Decreases during the year | 6 |
| | <hr/> |
| 31 December 2021 | (1,277) |
| Charge for the year (Note VII.39) | (1,448) |
| Decreases during the year | 364 |
| | <hr/> |
| 31 December 2022 | <hr/> (2,361) <hr/> |
| Net amount of right-of-use assets: | |
| 1 January 2022 | <hr/> 5,259 <hr/> |
| 31 December 2022 | <hr/> 5,439 <hr/> |

12 Intangible assets

| | <i>The Group</i> | | <i>The Bank</i> | |
|---------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 31 <i>December</i> 2022 | 31 <i>December</i> 2021 | 31 <i>December</i> 2022 | 31 <i>December</i> 2021 |
| Cost of intangible assets | 952 | 830 | 936 | 815 |
| Accumulated amortisation | (229) | (168) | (220) | (160) |
| Net amount of intangible assets | <u>723</u> | <u>662</u> | <u>716</u> | <u>655</u> |

13 Deferred tax assets and liabilities

(1) Deferred tax assets and liabilities at net amount

The deferred tax assets and deferred tax liabilities after offsetting are as follows:

| | <i>The Group</i> | | <i>The Bank</i> | |
|--------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 31 <i>December</i> 2022 | 31 <i>December</i> 2021 | 31 <i>December</i> 2022 | 31 <i>December</i> 2021 |
| Deferred tax assets | 32,947 | 28,537 | 32,191 | 27,807 |
| Deferred tax liabilities | (923) | (1,182) | (913) | (1,165) |
| Net amount | <u>32,024</u> | <u>27,355</u> | <u>31,278</u> | <u>26,642</u> |

(2) Deferred tax assets and liabilities at total amount

The deferred tax assets and deferred tax liabilities before offsetting and the corresponding temporary differences are as follows:

Deferred tax assets

The Group

| | <i>Deductible temporary differences</i> | | <i>Deferred tax assets</i> | |
|---|---|-----------------|----------------------------|-----------------|
| | <i>31</i> | <i>31</i> | <i>31</i> | <i>31</i> |
| | <i>December</i> | <i>December</i> | <i>December</i> | <i>December</i> |
| | <i>2022</i> | <i>2021</i> | <i>2022</i> | <i>2021</i> |
| Provision for impairment of assets | 126,128 | 110,375 | 31,532 | 27,595 |
| Wages payable | 2,895 | 2,669 | 724 | 667 |
| Financial instruments and derivative financial instruments at FVTPL | 397 | 229 | 100 | 57 |
| Commissions received in advanced | 208 | 349 | 52 | 87 |
| Financial assets at FVOCI | 1,698 | 34 | 424 | 9 |
| Provisions for litigation losses | 76 | 69 | 19 | 17 |
| Others | 388 | 422 | 96 | 105 |
| Total | <u>131,790</u> | <u>114,147</u> | <u>32,947</u> | <u>28,537</u> |

Deferred tax liabilities

The Group

| | <i>Taxable temporary differences</i> | | <i>Deferred tax liabilities</i> | |
|---|--------------------------------------|-----------------|---------------------------------|-----------------|
| | <i>31</i> | <i>31</i> | <i>31</i> | <i>31</i> |
| | <i>December</i> | <i>December</i> | <i>December</i> | <i>December</i> |
| | <i>2022</i> | <i>2021</i> | <i>2022</i> | <i>2021</i> |
| Financial instruments and derivative financial instruments at FVTPL | 1,591 | 1,961 | 399 | 490 |
| Financial assets at FVOCI | 2,072 | 2,077 | 517 | 519 |
| Interest income from loans and bonds with lump-sum interest payment at maturity | - | 664 | - | 166 |
| Others | 28 | 25 | 7 | 7 |
| Total | <u>3,691</u> | <u>4,727</u> | <u>923</u> | <u>1,182</u> |

The deferred tax assets and deferred tax liabilities before offsetting and the corresponding temporary differences are as follows:

Deferred tax assets

The Bank

| | <i>Deductible temporary differences</i> | | <i>Deferred tax assets</i> | |
|---|---|-----------------|----------------------------|-----------------|
| | <i>31</i> | <i>31</i> | <i>31</i> | <i>31</i> |
| | <i>December</i> | <i>December</i> | <i>December</i> | <i>December</i> |
| | <i>2022</i> | <i>2021</i> | <i>2022</i> | <i>2021</i> |
| Provision for impairment of assets | 123,432 | 107,893 | 30,858 | 26,974 |
| Wages payable | 2,831 | 2,623 | 708 | 656 |
| Financial instruments and derivative financial instruments at FVTPL | 397 | 229 | 99 | 57 |
| Financial assets at FVOCI | 1,698 | 34 | 424 | 9 |
| Provisions for litigation losses | 76 | 69 | 19 | 17 |
| Others | 329 | 377 | 83 | 94 |
| Total | <u>128,763</u> | <u>111,225</u> | <u>32,191</u> | <u>27,807</u> |

Deferred tax liabilities

The Bank

| | <i>Taxable temporary differences</i> | | <i>Deferred tax liabilities</i> | |
|---|--------------------------------------|-----------------|---------------------------------|-----------------|
| | <i>31</i> | <i>31</i> | <i>31</i> | <i>31</i> |
| | <i>December</i> | <i>December</i> | <i>December</i> | <i>December</i> |
| | <i>2022</i> | <i>2021</i> | <i>2022</i> | <i>2021</i> |
| Financial instruments and derivative financial instruments at FVTPL | 1,554 | 1,894 | 389 | 473 |
| Financial assets at FVOCI | 2,073 | 2,077 | 517 | 519 |
| Interest income from loans and bonds with lump-sum interest payment at maturity | - | 664 | - | 166 |
| Others | 25 | 25 | 7 | 7 |
| Total | <u>3,652</u> | <u>4,660</u> | <u>913</u> | <u>1,165</u> |

(3) Changes in deferred tax assets/liabilities are set out below:

| | <i>The Group</i> | | <i>The Bank</i> | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 31 <i>December</i> 2022 | 31 <i>December</i> 2021 | 31 <i>December</i> 2022 | 31 <i>December</i> 2021 |
| Balance at the beginning of the year | 27,355 | 24,769 | 26,642 | 24,135 |
| Unrealised income / (losses) of financial assets measured at FVOCI | 417 | (190) | 417 | (191) |
| Deferred income taxes included in profit or loss (Note VII.43) | 4,252 | 2,776 | 4,219 | 2,698 |
| Balance at the end of the year | 32,024 | 27,355 | 31,278 | 26,642 |

(4) The deferred income tax effects included in the current income statement consists of the following temporary differences:

| | <i>The Group</i> | | <i>The Bank</i> | |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 31 <i>December</i> 2022 | 31 <i>December</i> 2021 | 31 <i>December</i> 2022 | 31 <i>December</i> 2021 |
| Provision for impairment of assets | 3,937 | 3,094 | 3,884 | 2,962 |
| Financial instruments and derivative financial instruments at FVTPL | 134 | (269) | 126 | (252) |
| Provisions for litigation losses | 2 | 7 | 2 | 7 |
| Wages payable | 57 | 22 | 52 | 22 |
| Interest income from loans and bonds with lump-sum interest payment at maturity | 166 | (24) | 166 | (24) |
| Commissions received in advanced | (35) | (37) | - | - |
| Others | (9) | (17) | (11) | (17) |
| Net amount | 4,252 | 2,776 | 4,219 | 2,698 |

14 Other assets

| | <i>The Group</i> | | <i>The Bank</i> | |
|--------------------------------|------------------------|------------------------|------------------------|------------------------|
| | 31 December 2022 | 31 December 2021 | 31 December 2022 | 31 December 2021 |
| Foreclosed assets | 698 | 694 | 692 | 694 |
| Less: Provision for impairment | (495) | (463) | (495) | (463) |
| Sub-total | 203 | 231 | 197 | 231 |
| Other receivables | 13,332 | 4,108 | 13,224 | 3,901 |
| Less: Provision for impairment | (1,816) | (1,607) | (1,810) | (1,607) |
| Sub-total | 11,516 | 2,501 | 11,414 | 2,294 |
| Clearing and settlement | 10,125 | 7,355 | 10,125 | 7,355 |
| Precious metals leased out | 3,462 | 3,761 | 3,462 | 3,761 |
| Long-term deferred expenses | 1,545 | 1,630 | 1,501 | 1,589 |
| Interest receivable | 796 | 283 | 796 | 283 |
| Others | 1,172 | 1,340 | 1,170 | 1,171 |
| Total | 28,819 | 17,101 | 28,665 | 16,684 |

Changes in provisions for impairment of foreclosed assets

| | <i>The Group and the Bank</i> | |
|--------------------------------------|-------------------------------|------|
| | 2022 | 2021 |
| Balance at the beginning of the year | 463 | 380 |
| Charge for the year | 32 | 83 |
| Balance at the end of the year | 495 | 463 |

Changes in provision for impairment of other receivables

| | <i>The Group and the Bank</i> | |
|--------------------------------------|-------------------------------|--------------------|
| | <i>31 December</i> | <i>31 December</i> |
| | <i>2022</i> | <i>2021</i> |
| Balance at the beginning of the year | 1,607 | 1,496 |
| Charge for the year | 209 | 111 |
| Balance at the end of the year | 1,816 | 1,607 |

15 Borrowings from the central bank

| | <i>The Group</i> | | <i>The Bank</i> | |
|----------------------------------|------------------|-----------------|-----------------|-----------------|
| | <i>31</i> | <i>31</i> | <i>31</i> | <i>31</i> |
| | <i>December</i> | <i>December</i> | <i>December</i> | <i>December</i> |
| | <i>2022</i> | <i>2021</i> | <i>2022</i> | <i>2021</i> |
| Borrowings from the central bank | 124,463 | 126,276 | 124,415 | 126,207 |
| Interest accrued | 966 | 1,303 | 966 | 1,303 |
| Total | 125,429 | 127,579 | 125,381 | 127,510 |

16 Deposits and placements from banks and other financial institutions

| | <i>The Group</i> | | <i>The Bank</i> | |
|---|------------------|-----------------|-----------------|-----------------|
| | <i>31</i> | <i>31</i> | <i>31</i> | <i>31</i> |
| | <i>December</i> | <i>December</i> | <i>December</i> | <i>December</i> |
| | <i>2022</i> | <i>2021</i> | <i>2022</i> | <i>2021</i> |
| Deposits and placements from domestic banks | 73,703 | 68,019 | 76,431 | 68,563 |
| Deposits and placements from non-banking financial institutions | 309,570 | 297,386 | 309,587 | 298,347 |
| Sub-total | 383,273 | 365,405 | 386,018 | 366,910 |
| Interest accrued | 1,339 | 3,714 | 1,346 | 3,718 |
| Total | 384,612 | 369,119 | 387,364 | 370,628 |

17 Loans from banks and other financial institutions

| | <i>The Group</i> | | <i>The Bank</i> | |
|---------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | <i>31 December 2022</i> | <i>31 December 2021</i> | <i>31 December 2022</i> | <i>31 December 2021</i> |
| Loans from domestic banks | 45,456 | 46,029 | 48,621 | 44,389 |
| Loans from overseas banks | 28,213 | 8,180 | 28,213 | 8,180 |
| Sub-total | 73,669 | 54,209 | 76,834 | 52,569 |
| Interest accrued | 239 | 16 | 239 | 14 |
| Total | 73,908 | 54,225 | 77,073 | 52,583 |

18 Financial assets sold under repurchase agreements

| | <i>The Group and the Bank</i> | |
|------------------|-------------------------------|-----------------------------|
| | <i>31 December 2022</i> | <i>31 December 2021</i> |
| Bonds, by issuer | | |
| - Governments | 36,314 | 30,120 |
| - Policy banks | 33,586 | 8,383 |
| Sub-total | 69,900 | 38,503 |
| Bills | 13,322 | 5,171 |
| Total | 83,222 | 43,674 |

19 Deposits from customers

| | <i>The Group</i> | | <i>The Bank</i> | |
|---------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | <i>31 December 2022</i> | <i>31 December 2021</i> | <i>31 December 2022</i> | <i>31 December 2021</i> |
| Corporate demand deposits | 631,144 | 597,669 | 630,170 | 596,790 |
| Savings demand deposits | 165,046 | 146,522 | 164,982 | 146,233 |
| Corporate time deposits | 584,819 | 551,273 | 581,712 | 550,892 |
| Savings time deposits | 374,251 | 298,930 | 372,785 | 295,703 |
| Margin deposits | 158,098 | 104,943 | 158,039 | 104,852 |
| Sub-total | 1,913,358 | 1,699,337 | 1,907,688 | 1,694,470 |
| Interest accrued | 31,662 | 24,500 | 31,514 | 24,423 |
| Total | 1,945,020 | 1,723,837 | 1,939,202 | 1,718,893 |

Details of margin deposits included in deposits from customers are set out below:

| | <i>The Group</i> | | <i>The Bank</i> | |
|----------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | <i>31 December 2022</i> | <i>31 December 2021</i> | <i>31 December 2022</i> | <i>31 December 2021</i> |
| Deposits for acceptance bills | 122,779 | 54,560 | 122,779 | 54,560 |
| Deposits for guarantees | 19,113 | 30,402 | 19,054 | 30,311 |
| Deposits for letter of credit | 12,602 | 15,941 | 12,602 | 15,941 |
| Deposits for letter of guarantee | 2,276 | 2,515 | 2,276 | 2,515 |
| Others | 1,328 | 1,525 | 1,328 | 1,525 |
| Total | 158,098 | 104,943 | 158,039 | 104,852 |

20 Employee benefits payable

| <i>The Group</i> | | | | |
|--|---------------------------------|--|---------------------------------|---------------------------------|
| | <i>31 December 2021</i> | <i>Additions during the year</i> | <i>Paid during the year</i> | <i>31 December 2022</i> |
| Salaries, bonuses and allowances | 3,528 | 5,827 | (6,249) | 3,106 |
| Staff welfare | - | 381 | (381) | - |
| Retirement benefits ⁽¹⁾ | 151 | 4 | (8) | 147 |
| Social welfare | | | | |
| Including: Basic pension insurance | 65 | 564 | (556) | 73 |
| Medical insurance | 21 | 716 | (711) | 26 |
| Unemployment insurance | 3 | 18 | (18) | 3 |
| Work-related injury insurance | 2 | 7 | (7) | 2 |
| Maternity insurance | - | 4 | (4) | - |
| Housing fund | 2 | 489 | (484) | 7 |
| Annuity | 17 | 230 | (227) | 20 |
| Labour union fee, staff and workers' education fee | 1 | 142 | (142) | 1 |
| Total ⁽²⁾ | <u>3,790</u> | <u>8,382</u> | <u>(8,787)</u> | <u>3,385</u> |

| <i>The Group</i> | | | | |
|--|---------------------------------|--|---------------------------------|---------------------------------|
| | <i>31 December 2020</i> | <i>Additions during the year</i> | <i>Paid during the year</i> | <i>31 December 2021</i> |
| Salaries, bonuses and allowances | 3,688 | 5,334 | (5,494) | 3,528 |
| Staff welfare | - | 338 | (338) | - |
| Retirement benefits ⁽¹⁾ | 155 | 4 | (8) | 151 |
| Social welfare | | | | |
| Including: Basic pension insurance | 43 | 485 | (463) | 65 |
| Medical insurance | 21 | 685 | (685) | 21 |
| Unemployment insurance | 2 | 17 | (16) | 3 |
| Work-related injury insurance | 2 | 6 | (6) | 2 |
| Maternity insurance | 1 | 3 | (4) | - |
| Housing fund | 2 | 427 | (427) | 2 |
| Annuity | 15 | 190 | (188) | 17 |
| Labour union fee, staff and workers' education fee | 1 | 140 | (140) | 1 |
| Total ⁽²⁾ | <u>3,930</u> | <u>7,629</u> | <u>(7,769)</u> | <u>3,790</u> |

| | <i>The Bank</i> | | | |
|--|---------------------------------|--|---------------------------------|---------------------------------|
| | <i>31 December 2021</i> | <i>Additions during the year</i> | <i>Paid during the year</i> | <i>31 December 2022</i> |
| Salaries, bonuses and allowances | 3,457 | 5,653 | (6,103) | 3,007 |
| Staff welfare | - | 374 | (374) | - |
| Retirement benefits ⁽¹⁾ | 151 | 4 | (8) | 147 |
| Social welfare | | | | |
| Including: Basic pension insurance | 64 | 550 | (542) | 72 |
| Medical insurance | 21 | 709 | (705) | 25 |
| Unemployment insurance | 3 | 18 | (18) | 3 |
| Work-related injury insurance | 2 | 7 | (7) | 2 |
| Maternity insurance | - | 4 | (4) | - |
| Housing fund | 2 | 479 | (474) | 7 |
| Annuity | 17 | 227 | (224) | 20 |
| Labour union fee, staff and workers' education fee | 1 | 140 | (140) | 1 |
| Total ⁽²⁾ | <u>3,718</u> | <u>8,165</u> | <u>(8,599)</u> | <u>3,284</u> |

| | <i>The Bank</i> | | | |
|--|---------------------------------|--|---------------------------------|---------------------------------|
| | <i>31 December 2020</i> | <i>Additions during the year</i> | <i>Paid during the year</i> | <i>31 December 2021</i> |
| Salaries, bonuses and allowances | 3,630 | 5,186 | (5,359) | 3,457 |
| Staff welfare | - | 330 | (330) | - |
| Retirement benefits ⁽¹⁾ | 155 | 4 | (8) | 151 |
| Social welfare | | | | |
| Including: Basic pension insurance | 43 | 478 | (457) | 64 |
| Medical insurance | 21 | 675 | (675) | 21 |
| Unemployment insurance | 2 | 17 | (16) | 3 |
| Work-related injury insurance | 2 | 6 | (6) | 2 |
| Maternity insurance | 1 | 3 | (4) | - |
| Housing fund | 2 | 418 | (418) | 2 |
| Annuity | 15 | 188 | (186) | 17 |
| Labour union fee, staff and workers' education fee | 1 | 139 | (139) | 1 |
| Total ⁽²⁾ | <u>3,872</u> | <u>7,444</u> | <u>(7,598)</u> | <u>3,718</u> |

- (1) As at 31 December 2022, the Group adopted the projected unit credit method to calculate and recognise the post-retirement benefit obligation liability of RMB147 million (31 December 2021: RMB151 million), with no balance of benefit obligation liability during the early retirement period (31 December 2021: Nil). The post-retirement benefit plan covers certain retirees, early retirees and current employees in Beijing, and the early retirement benefit plan covers current early retirees.
- (2) As at 31 December 2022 and 31 December 2021, the Group had no balance of the above closing balance of employee benefit payable that was in arrears.

The main actuarial assumptions adopted by the Group as at the balance sheet date are as follows:

| | 31 December 2022 | 31 December 2021 |
|----------------|---|---|
| Discount rate | 2.84% | 2.88% |
| Mortality rate | Pension Business Table under China Life Insurance Mortality Table (2010 - 2013) | Pension Business Table under China Life Insurance Mortality Table (2010 - 2013) |

The future mortality assumption is determined based on the China Life Insurance Mortality Table, which is public statistics in China.

As at 31 December 2022 and 31 December 2021, the amounts of changes in the retirement benefit plan liabilities resulting from the movements in the above actuarial assumptions were not significant.

The cost of benefits for retired and early retired employees included in the above retirement benefits is as follows:

| | 2022 | 2021 |
|-------------------|----------|----------|
| Interest expenses | 4 | 4 |
| Actuarial losses | - | - |
| Total | <u>4</u> | <u>4</u> |

Salaries, bonuses and allowances, retirement benefits and other social insurance included in the above employee benefits payable are issued or paid in accordance with relevant laws and regulations as well as the time limits set stipulated by the Group.

21 Taxes payable

| | <i>The Group</i> | | <i>The Group</i> | |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 31 <i>December</i> 2022 | 31 <i>December</i> 2021 | 31 <i>December</i> 2022 | 31 <i>December</i> 2021 |
| Corporate income tax payable | 2,205 | 2,588 | 2,056 | 2,436 |
| VAT payable | 799 | 1,127 | 777 | 1,126 |
| Urban maintenance and construction tax as well as education surcharges payable | 62 | 78 | 62 | 77 |
| Others | 124 | 65 | 121 | 64 |
| Total | <u>3,190</u> | <u>3,858</u> | <u>3,016</u> | <u>3,703</u> |

22 Provisions

| | <i>The Group and the Bank</i> | |
|---|-------------------------------|---------------------|
| | 31 December 2022 | 31 December 2021 |
| Provisions for impairment of credit commitments | 4,035 | 4,432 |
| Expected litigation losses (Note VIII.6) | 64 | 61 |
| Others | 12 | 8 |
| Total | <u>4,111</u> | <u>4,501</u> |

Changes in provisions

| | <i>The Group and the Bank</i> | |
|--------------------------------------|-------------------------------|---------------------|
| | 31 December 2022 | 31 December 2021 |
| Balance at the beginning of the year | 4,501 | 5,506 |
| Written-back during the year | (406) | (969) |
| Paid during the year | - | (18) |
| Changes in exchange rates and others | 16 | (18) |
| Balance at the end of the year | <u>4,111</u> | <u>4,501</u> |

23 Debentures payable

| | Note | The Group | | The Bank | |
|---------------------------------|------|------------------------|------------------------|------------------------|------------------------|
| | | 31 December 2022 | 31 December 2021 | 31 December 2022 | 31 December 2021 |
| General financial bonds payable | (1) | 100,200 | 64,200 | 99,000 | 63,000 |
| Interbank deposits payable | (2) | 301,739 | 318,256 | 301,739 | 318,256 |
| Sub-total | | 401,939 | 382,456 | 400,739 | 381,256 |
| Interest accrued | | 2,114 | 1,547 | 2,095 | 1,528 |
| Total | | 404,053 | 384,003 | 402,834 | 382,784 |

(1) General financial bonds payable

(i) In 2022, the Bank was approved by the Yin Xu Zhun Yu Jue Zi [2022] No.21 issued by the People's Bank of China (PBOC) and the Jing Yin Bao Jian Fu [2021] No.916 issued by China Banking and Insurance Regulatory Commission Beijing Office to issue green financial bonds, details are set out as follows:

- The 2022 three-year fixed-rate financial bonds were issued with a face value of RMB9 billion, and the annual interest rate is 2.78%, which is paid once per year.

(ii) In 2020 and 2021, the Bank was approved by the Yin Shi Chang Xu Zhun Yu Zi [2020] No.22 issued by the People's Bank of China (PBOC) and the Jing Yin Bao Jian Fu [2020] No.94 issued by China Banking and Insurance Regulatory Commission Beijing Office to issue special financial bonds for small and micro-sized enterprises, details are set out as follows:

- The 2020 three-year fixed-rate financial bonds were issued with a face value of RMB30 billion, and the annual interest rate is 2.85%, which is paid once per year.
- The 2020 five-year fixed-rate financial bonds are issued with a face value of RMB10 billion, and the annual interest rate is 3.10%, which is paid once per year.
- The 2020 three-year fixed-rate financial bonds are issued with a face value of RMB6 billion, and the annual interest rate is 3.40%, which is paid once per year.
- The 2021 three-year fixed-rate financial bonds were issued with a face value of RMB8 billion, and the annual interest rate is 3.50%, which is paid once per year.

- The 2021 three-year fixed-rate financial bonds are issued with a face value of RMB4 billion, and the annual interest rate is 3.39%, which is paid once per year.
- The 2021 three-year fixed-rate financial bonds are issued with a face value of RMB2 billion, and the annual interest rate is 3.38%, which is paid once per year.

In 2022, the Bank was approved by the Yin Shi Chang Xu Zhun Yu Zi [2021] No.219 issued by the People's Bank of China (PBOC) and the Jing Yin Bao Jian Fu [2021] No.916 issued by China Banking and Insurance Regulatory Commission Beijing Office to issue special financial bonds for small and micro-sized enterprises, details are set out as follows:

- The 2022 three-year fixed-rate financial bonds are issued with a face value of RMB20 billion, and the annual interest rate is 2.78%, which is paid once per year.
- The 2022 three-year fixed-rate financial bonds are issued with a face value of RMB2 billion, and the annual interest rate is 2.80%, which is paid once per year.

In 2022, the Bank was approved by the Yin Shi Chang Xu Zhun Yu Zi [2022] No.163 issued by the People's Bank of China (PBOC) and the Jing Yin Bao Jian Fu [2021] No.916 issued by China Banking and Insurance Regulatory Commission Beijing Office to issue special financial bonds for small and micro-sized enterprises, details are set out as follows:

- The 2022 three-year fixed-rate financial bonds were issued with a face value of RMB8 billion, and the annual interest rate is 2.47%, which is paid once per year.

(iii) In 2020, Bank of Beijing Finance Leasing Company, a subsidiary of the Bank was approved by the Yin Shi Chang Xu Zhun Yu Zi [2020] No.83 issued by the People's Bank of China (PBOC) and the Jing Yin Bao Jian Chou [2018] No.22 issued by China Banking and Insurance Regulatory Commission Beijing Office to issue financial bonds, details are set out as follows:

- The 2020 three-year fixed-rate financial bonds are issued with a face value of RMB1.2 billion, and the annual interest rate is 2.80%, which is paid once per year.

(2) Interbank deposits payable

As at 31 December 2022, the balance of RMB interbank deposits issued by the Bank in the national interbank market was RMB304.760 billion, all with a face value of RMB100 and maturities ranging from 3 months to 1 year, all of which were issued at discount or at par.

24 Other liabilities

| | Note | <i>The Group</i> | | <i>The Bank</i> | |
|------------------------------|------|------------------------|------------------------|------------------------|------------------------|
| | | 31 December 2022 | 31 December 2021 | 31 December 2022 | 31 December 2021 |
| Borrowings from banks | (1) | 32,979 | 29,579 | - | - |
| Payables for fund settlement | | 2,368 | 3,661 | 2,368 | 3,661 |
| Other payables | | 5,850 | 3,756 | 5,129 | 2,775 |
| Precious metals leased | | 279 | 1,919 | 279 | 1,919 |
| Deposits received | | 1,275 | 1,372 | - | - |
| Dividends payable | | 127 | 110 | 119 | 110 |
| Others | | 1,779 | 1,690 | 1,780 | 1,690 |
| Total | | 44,657 | 42,087 | 9,675 | 10,155 |

- (1) Bank of Beijing Finance Leasing Company, a subsidiary of the Bank, borrowed from banks for the finance leasing business. As at 31 December 2022, the remaining maturity of the bank borrowings ranged from 4 days to 2,497 days (31 December 2021: 13 days to 2,862 days) and the interest rates ranged from 2.20% to 4.76% (31 December 2021: 2.95% to 4.90%).

25 Share capital

| | <i>The Group and the Bank</i> | |
|----------------------------------|-------------------------------|---------------------|
| | 31 December 2022 | 31 December 2021 |
| Unrestricted RMB ordinary shares | 21,143 | 21,143 |

26 Other equity instruments

- (1) Financial instruments (including preference shares and perpetual bonds) that remain outstanding at the end of the year are set out as follows:

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| Outstanding financial instruments | Issuance date | Accounting classification | Initial dividend yield | Issuance price | Quantity (million shares) | Amount (RMB million) | Maturity date or renewal status | Conditions for conversion | Conversion status |
|-----------------------------------|---------------|---------------------------|------------------------|----------------|---------------------------|----------------------|---------------------------------|---------------------------|-------------------|
| | | | | RMB / share | | | | | |
| Issuance of preference shares | | | | | | | | | |
| Beiyinyou 1 | December 2015 | Equity instrument | 4.50% | 100 | 49 | 4,900 | No maturity date | Mandatory conversion | No conversion |
| Beiyinyou 2 | July 2016 | Equity instrument | 4.00% | 100 | 130 | 13,000 | No maturity date | Mandatory conversion | No conversion |
| Issuance of perpetual bonds | | | | | | | | | |
| Perpetual bonds 1 | October 2021 | Equity instrument | 4.35% | 100 | 400 | 40,000 | No maturity date | No conversion | No conversion |
| Perpetual bonds 2 | December 2021 | Equity instrument | 3.84% | 100 | 200 | 20,000 | No maturity date | No conversion | No conversion |

- (2) Movement of the financial instruments (including preference shares and perpetual bonds) that remain outstanding at the end of the year:

The Group and the Bank

| | Note | 1 January 2022 | | Additions during the year | | 31 December 2022 | |
|--|-------|---------------------------|-----------------|---------------------------|-----------------|---------------------------|-----------------|
| | | Quantity (million shares) | Carrying amount | Quantity (million shares) | Carrying amount | Quantity (million shares) | Carrying amount |
| Issuance of preference shares | | | | | | | |
| Beiyinyou 1 | (i) | 49 | 4,872 | - | - | 49 | 4,872 |
| Beiyinyou 2 | (ii) | 130 | 12,969 | - | - | 130 | 12,969 |
| Sub-total | | 179 | 17,841 | - | - | 179 | 17,841 |
| Issuance of perpetual bonds | (iii) | | | | | | |
| 2021 capital bonds with unfixed terms (Phase I) | | - | 39,993 | - | - | - | 39,993 |
| 2021 capital bonds with unfixed terms (Phase II) | | - | 19,997 | - | - | - | 19,997 |
| Sub-total | | - | 59,990 | - | - | - | 59,990 |
| Total | | | 77,831 | | - | | 77,831 |

- (i) Approved by the relevant regulatory authorities in China, the Bank issued the non-cumulative preferred shares (Beiyinyou 1) in China on 8 December 2015, with a total par value of RMB4.9 billion, a par value of RMB100 per share and a number of 49,000,000 shares. The initial annual dividend yield is 4.50%, and the subsequent dividend yield is adjusted every 5 years (the dividend yield is determined according to the benchmark interest rate plus a fixed premium). The fixed premium is 1.55% of the difference between the coupon dividend yield determined for the issuance and the benchmark interest rate for the first period, and the fixed premium remains constant during the duration. The Bank adjusted the coupon dividend yield to 4.67% on 8 December 2020.

The preferred shares have no initial maturity date, but the Bank may choose to redeem all or part of the preferred shares on 8 December 2020 or any dividend payment date thereafter at the price of the par value of the preferred shares plus the current dividend payable, provided that the conditions precedent to redemption are met and prior approval of the China Banking and Insurance Regulatory Commission (CBIRC) is obtained.

- (ii) Approved by the relevant regulatory authorities in China, the Bank issued the non-cumulative preferred shares (Beiyinyou 2) in China on 25 July 2016, with a total par value of RMB13 billion, a par value of RMB100 per share and a number of 130,000,000 shares. The initial annual dividend yield is 4.00%, and the subsequent dividend yield is adjusted every 5 years (the dividend yield is determined according to the benchmark interest rate plus a fixed premium). The fixed premium is 1.34% of the difference between the coupon dividend yield determined for the issuance and the benchmark interest rate for the first period, and the fixed premium remains constant during the duration. The Bank adjusted the coupon dividend yield to 4.20% on 25 July 2021.

The preferred shares have no initial maturity date, but the Bank may choose to redeem all or part of the preferred shares on 25 July 2021 or any dividend payment date thereafter at the price of the par value of the preferred shares plus the current dividend payable, provided that the conditions precedent to redemption are met and prior approval of the China Banking and Insurance Regulatory Commission (CBIRC) is obtained.

All of the above preferred shares issued by the Bank are paid in the form of non-cumulative dividends, i.e. the dividends not paid to the shareholders of the preferred shares issued for such issuance or the difference between the dividends not paid in full will not be accumulated to the next interest-bearing year and the Bank has the right to cancel the dividends of the above preferred shares and does not constitute an event of default. After the shareholders of preferred shares for such issuance receiving the dividends distributed at the agreed coupon dividend yield, these shareholders will no longer participate in the remaining profit distribution together with the ordinary shareholders. In the event of a mandatory conversion trigger event, it will be reported to the CBIRC for review and decision, and the preferred shares will be fully or partially converted into A-share ordinary shares.

- (iii) Approved by the relevant authorities in China, the Bank issued the capital bonds with unfixed term, with a total amount of RMB40 billion in the national interbank bond market on 15 October 2021, and such issuance was completed on 19 October 2021. The unit par value of the bond is RMB100, and the coupon rate for the first five years is 4.35%, which will be adjusted every five years. The Bank issued the capital bonds with unfixed term, with a total amount of RMB20 billion in the national interbank bond market on 8 December 2021, and such issuance was completed on 13 December 2021. The unit par value of the bond is RMB100, and the coupon rate for the first five years is 3.84%, which will be adjusted every five years.

The above bonds will continue to be outstanding so long as the Bank's business continues to operate. After 5 years from the date of issuance, the Bank has the right to redeem the above bonds in whole or in part on the annual interest payment date provided that the prerequisites for redemption are met and approval from the CBIRC is obtained. The Bank has the right to write down all or part of the above bonds issued and outstanding at that time in accordance with their total par value when the trigger conditions for write-down are met, subject to the approval of the CBIRC but without the consent of the bondholders. The repayment order of the principal of the above bonds is after depositors, general creditors and subordinated debts, and before the shares held by shareholders; the above bonds are paid in the same order as other tier-1 capital instruments with the same repayment order.

The funds raised from the Bank's aforementioned preferred shares and bond issuance, after deducting issuance costs, will be used to replenish the Bank's other tier-1 capital and increase the Bank's capital adequacy ratio.

27 Other comprehensive income

The Group

2022

| Item | Balance at the beginning of the year attributable to shareholders of the Company | Movements during the year | | | | Balance at the end of the year attributable to shareholders of the Company |
|---|--|---------------------------|--|---------------------------|---|--|
| | | Before-tax amount | Reclassification adjustments for amounts transferred to profit or loss | Less: Income tax expenses | Net-of-tax amount attributable to shareholders of the Company | |
| Items that will not be reclassified to profit or loss | | | | | | |
| Including: Remeasurement of defined benefit plan | (44) | . | . | . | . | (44) |
| Gains or losses from equity investments designated at FVOCI | 491 | 4 | . | 1 | 3 | 494 |
| Items that may be reclassified to profit or loss | | | | | | |
| Including: Other comprehensive income recognised under equity method | 384 | (357) | . | . | (357) | 27 |
| Changes in fair value of debt instruments at FVOCI | 223 | (679) | 1,920 | (650) | (1,949) | (1,726) |
| Allowance for credit losses on investments in debt instruments at FVOCI | 812 | 926 | . | 232 | 694 | 1,506 |
| Total | 1,866 | (106) | 1,920 | (417) | (1,609) | 257 |

2021

| Item | Balance at the beginning of the year attributable to shareholders of the Company | Movements during the year | | | | Balance at the end of the year attributable to shareholders of the Company |
|---|--|---------------------------|--|---------------------------|---|--|
| | | Before-tax amount | Less: Reclassification adjustments for amounts transferred to profit or loss | Less: Income tax expenses | Net-of-tax amount attributable to shareholders of the Company | |
| Items that will not be reclassified to profit or loss | | | | | | |
| Including: Remeasurement of defined benefit plan | (44) | | | | | (44) |
| Gains or losses from equity investments designated at FVOCI | 558 | (89) | | (22) | (67) | 491 |
| Items that may be reclassified to profit or loss | | | | | | |
| Including: Other comprehensive income recognised under equity method | 243 | 141 | | | 141 | 384 |
| Changes in fair value of debt instruments at FVOCI | (466) | 1,900 | 983 | 228 | 689 | 223 |
| Allowance for credit losses on investments in debt instruments at FVOCI | 861 | (65) | | (16) | (49) | 812 |
| Total | 1,152 | 1,887 | 983 | 190 | 714 | 1,866 |

The Bank

2022

| Item | Balance of other comprehensive income at the beginning of the year | Movements during the year | | | | Balance of other comprehensive income at the end of the year |
|---|--|---------------------------|--|---------------------------|---------------------------|--|
| | | Before-tax amount | Less: Reclassification adjustments for amounts transferred to profit or loss | Less: Income tax expenses | Net amount after taxation | |
| Items that will not be reclassified to profit or loss | | | | | | |
| Including: Remeasurement of defined benefit plan | (44) | | | | | (44) |
| Gains or losses from equity investments designated at FVOCI | 491 | 4 | | 1 | 3 | 494 |
| Items that may be reclassified to profit or loss | | | | | | |
| Including: Other comprehensive income recognised under equity method | 384 | (357) | | | (357) | 27 |
| Changes in fair value of debt instruments at FVOCI | 229 | (679) | 1,920 | (650) | (1,949) | (1,720) |
| Allowance for credit losses on investments in debt instruments at FVOCI | 812 | 926 | | 232 | 694 | 1,506 |
| Total | 1,872 | (106) | 1,920 | (417) | (1,609) | 263 |

2021

| Item | Balance of other comprehensive income at the beginning of the year | Movements during the year | | | | Balance of other comprehensive income at the end of the year |
|---|--|---------------------------|--|---------------------------|---------------------------|--|
| | | Before-tax amount | Less: Reclassification adjustments for amounts transferred to profit or loss | Less: Income tax expenses | Net amount after taxation | |
| Items that will not be reclassified to profit or loss | | | | | | |
| Including: Remeasurement of defined benefit plan | (44) | | | | | (44) |
| Gains or losses from equity investments designated at FVOCI | 558 | (89) | | (22) | (67) | 491 |
| Items that may be reclassified to profit or loss | | | | | | |
| Including: Other comprehensive income recognised under equity method | 243 | 141 | | | 141 | 384 |
| Changes in fair value of debt instruments at FVOCI | (459) | 1,900 | 983 | 229 | 689 | 230 |
| Allowance for credit losses on investments in debt instruments at FVOCI | 861 | (65) | | (16) | (50) | 811 |
| Total | 1,159 | 1,887 | 983 | 191 | 713 | 1,872 |

28 Surplus reserve

| | <i>The Group and the Bank</i> | | |
|-------------------------------|---------------------------------|--|---------------------------------|
| | <i>31 December 2021</i> | <i>Appropriation during the year</i> | <i>31 December 2022</i> |
| Statutory surplus reserve | 21,729 | 2,459 | 24,188 |
| Discretionary surplus reserve | 287 | - | 287 |
| Other surplus reserves | 79 | - | 79 |
| Total | 22,095 | 2,459 | 24,554 |

According to the Company Law of the People's Republic of China, the Bank's Articles of Association and the resolutions of the Board of Directors, the Bank shall make appropriation for statutory surplus reserve of 10% of the net profit after taxation in the statutory financial statements, which may be discontinued when the accumulated statutory surplus reserve reaches over 50% of the share capital. The statutory surplus reserve can be used to cover losses or increase the share capital after the approval. After the statutory surplus reserve is transferred to the share capital, the balance shall not be less than 25% of the share capital after the transfer. The Bank make appropriation for statutory surplus reserve of RMB2.459 billion (2021: RMB2.207 billion) based on 10% of the net profit in 2022.

29 General risk reserve

| | <i>The Group</i> | | <i>The Bank</i> | |
|--------------------------------------|------------------|-------------|-----------------|-------------|
| | <i>2022</i> | <i>2021</i> | <i>2022</i> | <i>2021</i> |
| Balance at the beginning of the year | 35,335 | 33,016 | 34,811 | 32,492 |
| Appropriation during the year | 3,316 | 2,319 | 3,314 | 2,319 |
| Balance at the end of the year | 38,651 | 35,335 | 38,125 | 34,811 |

Pursuant to the *Administrative Measures on the Appropriation for Reserves by Financial Enterprises (Caijin [2012] No.20)* and the *Rules for Financial Enterprises - Implementation Guide (Caijin [2007] No.23)*, the Bank sets up the general risk reserve to cover potential losses related risk assets that have not been identified by the Bank yet on the basis of provisions for impairment. The general risk reserve is treated as the appropriation of profits and is an integral part of shareholders' equity, and in principle should be no less than 1.5% of the closing balance of risk assets. If the ratio of the general risk reserve balance of a financial enterprise to the closing balance of risk assets is difficult to reach 1.5% at once, it can be made in years, in principle, shall not exceed 5 years. As at 31 December 2022, the Bank has made full appropriation for the general risk reserve at 1.5% of the closing balance of risk assets. Based on the resolution of the 2023 second meeting of the Board of Directors held on 6 April 2023, the Group made appropriation for the general risk reserve of RMB3.316 billion in 2022 (2021: RMB2.319 billion).

30 Retained earnings

| | <i>The Group</i> | | <i>The Bank</i> | |
|---|------------------|---------------|-----------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Retained earnings at the beginning of the year | 92,902 | 82,294 | 92,315 | 81,857 |
| Add: Net profits for the year attributable to shareholders of the Company | 24,760 | 22,226 | 24,593 | 22,076 |
| Less: Appropriation for statutory surplus reserve (Note VII.28) | (2,459) | (2,207) | (2,459) | (2,207) |
| Appropriation for general risk reserve (Note VII.29) | (3,316) | (2,319) | (3,314) | (2,319) |
| Dividends distributions (Note VII.32) | (9,732) | (7,092) | (9,732) | (7,092) |
| Retained earnings at the end of the year | <u>102,155</u> | <u>92,902</u> | <u>101,403</u> | <u>92,315</u> |

31 Non-controlling interests

Non-controlling interests attributable to minority shareholders of subsidiaries are as follows:

| | <i>31 December</i> 2022 | <i>31 December</i> 2021 |
|-----------------------|----------------------------|----------------------------|
| BBFL | 1,849 | 1,753 |
| Yanqing Rural Bank | 87 | 85 |
| Zhejiang Wencheng | 56 | 51 |
| Chongqing Yongchuan | 37 | 34 |
| Yunnan Xishan | 28 | 27 |
| Chongqing Xiushan | 27 | 25 |
| Yunnan Malong | 20 | 16 |
| Yunnan Xinping | 15 | 14 |
| Yunnan Yuanjiang | 15 | 10 |
| Yunnan Shiping | 9 | 9 |
| Changping Development | 1 | - |
| Total | <u>2,144</u> | <u>2,024</u> |

32 Dividends distributions

According to the dividend distribution plan proposed at the 2023 2nd meeting of the Board of Directors of the Bank held on 6 April 2023, the Bank will distribute a cash dividend of RMB3.10 per 10 shares (tax included) based on the total share capital of 21,143 million shares at the end of 2022.

According to the dividend distribution plan approved at the Bank's 2021 annual general meeting held on 20 May 2022, the Bank will pay a cash dividend of RMB3.05 (tax included) per 10 shares (2021: RMB3.00 (tax included) per 10 shares) on the basis of a total share capital of 21,143 million shares at the end of 2021, for a total cash dividend of RMB6.449 billion (tax included) (2021: RMB6.343 billion (tax included)). On 12 July 2022, the Bank announced the *Announcement on the Implementation of 2021 Annual Profit Distribution of Bank of Beijing Co., Ltd.*, which stated that the cash dividend distribution date is 15 July 2022, and the ex-dividend date is 15 July 2022.

On 28 April 2022, the Board of Directors of the Bank reviewed and approved the dividend distribution plan for “Beiyinyou 2”. Based on the coupon dividend yield of 4.20% for Beiyinyou 2, a cash dividend of RMB4.20 (tax included) per share will be distributed, totalling RMB546 million (tax included). The dividend distribution date is 28 July 2022.

On 27 October 2022, the Board of Directors of the Bank reviewed and approved the dividend distribution plan for “Beiyinyou 1”. Based on the coupon dividend yield of 4.67% for Beiyinyou 1, a cash dividend of RMB4.67 (tax included) per share will be distributed, totalling RMB229 million (tax included). The dividend distribution date is 12 December 2022.

On 12 October 2022, the Bank announced the interest payment for the 2021 capital bonds with unfixed terms (Phase I). The total issuance amount of 2021 capital bonds with unfixed terms (Phase I) is RMB40 billion, calculated at 4.35% for the current interest-bearing period, totalling RMB1.740 billion, with the interest payment date on 19 October 2022.

On 6 December 2022, the Bank announced the interest payment for the 2021 capital bonds with unfixed terms (Phase II). The total issuance amount of 2021 capital bonds with unfixed terms (Phase II) is RMB20 billion, calculated at 3.84% for the current interest-bearing period, totalling RMB768 million, with the interest payment date on 13 December 2022.

33 Net interest income

| | <i>The Group</i> | | <i>The Bank</i> | |
|---|------------------|----------|-----------------|----------|
| | 2022 | 2021 | 2022 | 2021 |
| Interest income | | | | |
| - Deposits with the central bank | 2,266 | 2,574 | 2,261 | 2,571 |
| - Deposits and placements with banks and other financial institutions | 215 | 165 | 155 | 110 |
| - Lendings to banks and other financial institutions | 4,394 | 4,762 | 4,491 | 4,864 |
| - Financial assets purchased under resale agreements | 1,605 | 1,674 | 1,605 | 1,670 |
| - Loans and advances to customers | | | | |
| - General corporate loans | 38,972 | 43,416 | 36,520 | 41,107 |
| - Personal loans | 32,825 | 27,862 | 32,591 | 27,735 |
| - Discount | 3,328 | 2,543 | 3,328 | 2,543 |
| - Bonds and other investments | 28,844 | 31,168 | 28,838 | 31,171 |
| Sub-total | 112,449 | 114,164 | 109,789 | 111,771 |
| Including: Interest income from impaired financial assets | 511 | 583 | 511 | 583 |
| Interest expenses | | | | |
| - Borrowings from the central bank | (3,317) | (3,465) | (3,308) | (3,465) |
| - Deposits and placements from banks and other financial institutions | (9,189) | (11,511) | (8,217) | (11,515) |
| - Loans from banks and other financial institutions | (1,340) | (2,303) | (1,317) | (1,285) |
| - Financial assets sold under repurchase agreements | (911) | (1,146) | (911) | (1,146) |
| - Deposits from customers | (36,619) | (32,723) | (36,454) | (32,591) |
| - Debentures payable | (9,615) | (11,619) | (9,581) | (11,494) |
| Sub-total | (60,991) | (62,767) | (59,788) | (61,496) |
| Net interest income | 51,458 | 51,397 | 50,001 | 50,275 |

Details of geographical region are as follows:

| | <i>The Group</i> | | | |
|-----------------|------------------------|--------------------------|------------------------|--------------------------|
| | <i>2022</i> | | <i>2021</i> | |
| | <i>Interest income</i> | <i>Interest expenses</i> | <i>Interest income</i> | <i>Interest expenses</i> |
| Beijing region | 68,593 | (47,274) | 69,182 | (50,747) |
| Shenzhen region | 7,348 | (3,282) | 6,823 | (2,945) |
| Shandong region | 6,154 | (1,059) | 6,368 | (1,279) |
| Shanghai region | 5,773 | (2,789) | 5,319 | (2,328) |
| Zhejiang region | 5,395 | (1,393) | 5,198 | (1,227) |
| Shaanxi region | 3,775 | (1,044) | 3,956 | (931) |
| Other regions | 15,411 | (4,150) | 17,318 | (3,310) |
| Total | 112,449 | (60,991) | 114,164 | (62,767) |

| | <i>The Bank</i> | | | |
|-----------------|------------------------|--------------------------|------------------------|--------------------------|
| | <i>2022</i> | | <i>2021</i> | |
| | <i>Interest income</i> | <i>Interest expenses</i> | <i>Interest income</i> | <i>Interest expenses</i> |
| Beijing region | 66,117 | (46,094) | 67,028 | (49,580) |
| Shenzhen region | 7,348 | (3,282) | 6,823 | (2,945) |
| Shandong region | 6,154 | (1,059) | 6,368 | (1,279) |
| Shanghai region | 5,773 | (2,789) | 5,319 | (2,328) |
| Zhejiang region | 5,289 | (1,345) | 5,114 | (1,184) |
| Shaanxi region | 3,775 | (1,044) | 3,956 | (931) |
| Other regions | 15,333 | (4,175) | 17,163 | (3,249) |
| Total | 109,789 | (59,788) | 111,771 | (61,496) |

34 Net fee and commission income

| | <i>The Group</i> | | <i>The Bank</i> | |
|---|------------------|-------|-----------------|-------|
| | 2022 | 2021 | 2022 | 2021 |
| Fee and commission income | | | | |
| - Agency and commission business | 5,615 | 4,195 | 5,600 | 4,194 |
| - Settlement and clearing business | 1,016 | 802 | 1,016 | 802 |
| - Letter of guarantee and commitment business | 451 | 742 | 451 | 742 |
| - Underwriting and consulting business | 326 | 70 | 326 | 70 |
| - Bank card business | 242 | 244 | 242 | 244 |
| - Others | 98 | 456 | 98 | 163 |
| Sub-total | 7,748 | 6,509 | 7,733 | 6,215 |
| Fee and commission expenses | (682) | (519) | (672) | (501) |
| Net fee and commission income | 7,066 | 5,990 | 7,061 | 5,714 |

35 Investment income

| | <i>The Group</i> | | <i>The Bank</i> | |
|--|------------------|-------|-----------------|-------|
| | 2022 | 2021 | 2022 | 2021 |
| Financial assets held for trading | 5,789 | 6,431 | 5,789 | 6,252 |
| Other debt investments | 587 | 201 | 587 | 198 |
| Losses arising from derecognition of financial assets measured at amortised cost | - | (113) | - | (113) |
| Loans and advances to customers at FVOCI | 1,362 | 758 | 1,363 | 758 |
| Derivative financial assets | 596 | 131 | 597 | 131 |
| Net income from associates under the equity method | 145 | 150 | 145 | 150 |
| Net income from joint ventures under the equity method | 3 | 3 | 3 | 3 |
| Dividend income | - | - | 96 | 130 |
| Others | (26) | 24 | (28) | 24 |
| Total | 8,456 | 7,585 | 8,552 | 7,533 |

36 (Losses) / gains from changes in fair value

| | <i>The Group</i> | | <i>The Bank</i> | |
|--|------------------|------------|-----------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| (Losses) / gains from changes in fair value of financial assets held for trading | (995) | 1,044 | (963) | 972 |
| Losses from changes in fair value of derivative financial instruments | (44) | (23) | (44) | (23) |
| Gains / (losses) from changes in fair value of precious metals | 122 | (30) | 122 | (30) |
| Total | <u>(917)</u> | <u>991</u> | <u>(885)</u> | <u>919</u> |

37 Other operating income

| | <i>The Group</i> | | <i>The Bank</i> | |
|--|------------------|------------|-----------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| Rental income from investment properties | 38 | 72 | 38 | 72 |
| Others ⁽¹⁾ | 112 | 97 | 76 | 70 |
| Total | <u>150</u> | <u>169</u> | <u>114</u> | <u>142</u> |

- (1) In 2022, the Group's other operating income included government grants related to daily operating activities of RMB31 million (2021: RMB67 million).

38 Taxes and surcharges

| | <i>The Group</i> | | <i>The Bank</i> | |
|--|------------------|------------|-----------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| Urban maintenance and construction tax | 317 | 333 | 316 | 333 |
| Education surcharges | 227 | 238 | 226 | 238 |
| Others | 239 | 206 | 235 | 203 |
| Total | <u>783</u> | <u>777</u> | <u>777</u> | <u>774</u> |

39 Operating and administrative expenses

| | <i>The Group</i> | | <i>The Bank</i> | |
|--|------------------|--------|-----------------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| Employee benefits | | | | |
| - Salaries and bonuses | 5,827 | 5,334 | 5,653 | 5,186 |
| - Others | 2,555 | 2,295 | 2,512 | 2,258 |
| Office expenses | 3,640 | 2,971 | 3,570 | 2,919 |
| Depreciation of fixed assets and right-of-use assets | 2,419 | 2,082 | 2,331 | 2,027 |
| Business promotion and development expenses | 1,313 | 1,574 | 1,310 | 1,566 |
| Others | 1,845 | 2,287 | 1,821 | 2,246 |
| Total | 17,599 | 16,543 | 17,203 | 16,202 |

40 Credit losses

| | <i>The Group</i> | | <i>The Bank</i> | |
|---|------------------|---------|-----------------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| Loans and advances to customers | | | | |
| Loans and advances at amortised cost (Note VII.6) | 13,020 | 14,347 | 12,572 | 13,570 |
| Loans and advances to customers at FVOCI (Note VII.6) | 353 | (218) | 353 | (218) |
| Sub-total | 13,373 | 14,129 | 12,925 | 13,352 |
| Financial investments | | | | |
| Financial assets at amortised cost (Note VII. 7.5) | 7,363 | 9,260 | 7,363 | 9,260 |
| Financial assets at FVOCI (Note VII. 7.5) | 570 | 153 | 570 | 151 |
| Sub-total | 7,933 | 9,413 | 7,933 | 9,411 |
| Credit commitment | (413) | (1,018) | (413) | (1,018) |
| Others | (46) | 998 | (124) | 1,011 |
| Total | 20,847 | 23,522 | 20,321 | 22,756 |

41 Non-operating income

| | <i>The Group</i> | | <i>The Bank</i> | |
|---|------------------|------|-----------------|------|
| | 2022 | 2021 | 2022 | 2021 |
| Government grants | 96 | 79 | 76 | 52 |
| Long-term suspended and pending customer deposits | - | 7 | - | 7 |
| Others | 74 | 42 | 31 | 40 |
| Total | 170 | 128 | 107 | 99 |

42 Non-operating expenses

| | <i>The Group</i> | | <i>The Bank</i> | |
|----------------------------------|------------------|------|-----------------|------|
| | 2022 | 2021 | 2022 | 2021 |
| Public welfare donations | 60 | 50 | 59 | 50 |
| Provisions for litigation losses | 3 | 47 | 3 | 47 |
| Others | 32 | 150 | 32 | 149 |
| Total | 95 | 247 | 94 | 246 |

43 Income tax expenses

| | <i>The Group</i> | | <i>The Bank</i> | |
|-------------------------------------|------------------|---------|-----------------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| Current income tax expenses | 6,341 | 5,562 | 6,169 | 5,338 |
| Deferred tax expenses (Note VII.13) | (4,252) | (2,776) | (4,219) | (2,698) |
| Total | 2,089 | 2,786 | 1,950 | 2,640 |

| | <i>The Group</i> | | <i>The Bank</i> | |
|--|------------------|--------------|-----------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| Profit before taxation | 27,019 | 25,178 | 26,543 | 24,716 |
| Income taxes at applicable income tax rate | 6,755 | 6,295 | 6,636 | 6,179 |
| Effect of tax-free income | (4,118) | (3,884) | (4,145) | (3,914) |
| Effect of non-deductible expenses and others | 272 | 414 | 270 | 414 |
| Effect of interest expense deductions on perpetual bonds | (626) | - | (626) | - |
| Adjustments of taxes for previous years | (194) | (39) | (185) | (39) |
| Income tax expenses | <u>2,089</u> | <u>2,786</u> | <u>1,950</u> | <u>2,640</u> |

44 Earnings per share

The Group

| | <i>The Group</i> | |
|--|------------------|---------------|
| | 2022 | 2021 |
| Net profit attributable to shareholders of the Bank | 24,760 | 22,226 |
| Less: Dividends declared on the Bank's preference shares for the current period | (775) | (749) |
| Less: Dividends declared for the current period | <u>(2,508)</u> | <u>-</u> |
| Net profit attributable to ordinary shareholders of the Bank | <u>21,477</u> | <u>21,477</u> |
| Weighted average number of ordinary shares outstanding shares ('00 million shares) | 211 | 211 |
| Basic earnings per share (RMB / share) | 1.02 | 1.02 |

Diluted earnings per share is calculated as dividing consolidated net profit attributable to the ordinary shareholders of the Company adjusted the diluted effects of potential ordinary shares by the adjusted weighted average number of ordinary shares. In 2022 and 2021, the Bank does not have any potential shares with diluted effects. Therefore, there was no difference between the basic and diluted earnings per share.

45 Notes to cash flow statement

(1) Reconciliation of net profit to cash flows from operating activities:

| | <i>The Group</i> | | <i>The Bank</i> | |
|---|------------------|-----------------|-----------------|-----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net profit | 24,930 | 22,392 | 24,593 | 22,076 |
| Add: Credit losses | 20,847 | 23,522 | 20,321 | 22,756 |
| Other impairment losses | 63 | 85 | 33 | 85 |
| Written-off and reversal of impaired loans to customers | (529) | (583) | (529) | (583) |
| Gains or losses from disposal of fixed assets and other long-term assets | 1 | 40 | 1 | 39 |
| Depreciation of investment properties, fixed assets and right-of-use assets | 2,433 | 2,097 | 2,351 | 2,042 |
| Amortisation of long-term deferred expenses and intangible assets | 703 | 839 | 670 | 805 |
| Interest income from bonds and other investments | (28,844) | (31,168) | (28,838) | (31,171) |
| Gains / (losses) from changes in fair value | 917 | (991) | 885 | (919) |
| Investment income | (735) | (241) | (831) | (368) |
| Interest expenses on issuance of debt | 9,615 | 11,619 | 9,581 | 11,494 |
| Increase in deferred tax assets | (4,252) | (2,776) | (4,219) | (2,698) |
| Increase in operating receivables | (194,990) | (141,260) | (195,375) | (140,838) |
| Increase in operating payables | 295,883 | 76,864 | 299,017 | 76,059 |
| Net cash flows generated from / (used in) operating activities | <u>126,042</u> | <u>(39,561)</u> | <u>127,660</u> | <u>(41,221)</u> |

(2) Changes in cash and cash equivalents:

| | <i>The Group</i> | | <i>The Bank</i> | |
|---|------------------|---------------|-----------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Cash at the end of the year | 3,042 | 3,370 | 2,987 | 3,338 |
| Less: Cash at the beginning of the year | (3,370) | (3,352) | (3,338) | (3,323) |
| Add: Cash equivalents at the end of the year | 346,199 | 234,263 | 345,221 | 233,326 |
| Less: Cash equivalents at the beginning of the year | (234,263) | (197,771) | (233,326) | (196,256) |
| Net increase in cash and cash equivalents | <u>111,608</u> | <u>36,510</u> | <u>111,544</u> | <u>37,085</u> |

(3) Cash and cash equivalents:

Cash and cash equivalents stated in the cash flow statement include:

| | <i>The Group</i> | | <i>The Bank</i> | |
|---|------------------|---------|-----------------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| Cash | 3,042 | 3,370 | 2,987 | 3,338 |
| Unrestricted deposits with the central bank | 20,586 | 23,055 | 20,407 | 22,921 |
| With an original maturity of 3 months or less: | | | | |
| - Deposits and placements with banks and other financial institutions | 19,743 | 7,279 | 18,943 | 6,926 |
| - Lendings to banks and other financial institutions | 27,769 | 18,830 | 27,769 | 18,380 |
| - Financial assets purchased under resale agreements | 74,584 | 42,705 | 74,584 | 42,705 |
| - Financial investments | 203,517 | 142,394 | 203,518 | 142,394 |
| Total | 349,241 | 237,633 | 348,208 | 236,664 |

46 Transfer of financial assets

Transfer of credit assets

During the ordinary course of business, the Group sells credit assets to special purpose entities, which in turn issue asset-backed securities or make trust share transfers to investors. The Group may hold a portion of asset-backed securities or trust shares in such business, thereby retaining a portion of the risks and rewards of the credit assets transferred. The Group analyses and determines whether to derecognise the related credit assets based on the degree of retention of risks and rewards.

For transfers of credit assets that qualify for derecognition, the Group derecognises all the transferred credit assets. The carrying amount of the Group's investment shares held in such credit asset transfers as at 31 December 2022 was RMB9 million (31 December 2021: RMB19 million) and its maximum exposure to losses approximates to the carrying amount.

Where substantially all the risks and rewards associated with ownership of the transferred credit asset are neither transferred nor retained, and the Group does not relinquish control over the credit asset, the Group recognises the asset according to the extent of its continuing involvement. In 2022, the Group had no continuing involvement in the transfer of credit assets (2021: RMB 10.011 billion). As at 31 December 2022, the value of assets that the Group continues to recognise was RMB1.161 billion (31 December 2021: RMB1.161 billion).

Factoring of finance lease receivables

As a part of the daily business, the Bank's subsidiary, BBFL, has entered into factoring arrangements with commercial banks for transferring factorings of certain finance lease receivables to commercial banks. Under the arrangement, the factoring bank has recourse to the lease receivables. When the lease receivables cannot be recovered from the lessee at maturity, the factoring bank can require BBFL to repurchase the lease receivables or return the financing. After the transfer, BBFL no longer retains the use right, including the right to sell, transfer or pledge to other third parties. BBFL continues to recognise the related finance lease receivables. As at 31 December 2022, the arrangement was due and settled (as at 31 December 2021, the balance of finance lease receivables transferred under the arrangement but not yet settled was RMB172 million).

47 Structured entities

(1) Interests in structured entities not included in the consolidated financial information

Structured entities not included in the consolidated financial information initiated by the Group mainly include non-principal-guaranteed wealth management products. The nature and purpose of these structured entities are mainly to manage the investors' assets and collect management fees. Its financing method is to issue investment products to investors. The Group's interests in these structured entities that are not included in the consolidated financial information mainly include direct holding of investments or collecting management fees through the management of these structured entities.

As at 31 December 2022, the balance of the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, was RMB303,828 million (31 December 2021: RMB355,564 million). In 2022, the Group's fee income related to the non-principal-guaranteed wealth management business was RMB3.827 billion (2021: RMB2.840 billion).

Pursuant to the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions* issued by PBOC and other 3 ministries as well as relevant regulatory requirements, the Group did not purchase any fixed-income assets from the above structured entities in 2022 (2021: RMB27.759 billion).

In addition, there were no transfers of credit assets to unconsolidated structured entities established by the Group in 2022 (2021: Nil).

(2) Interest in the structured entities sponsored by third-party institutions

As at 31 December 2022 and 31 December 2021, the carrying amounts of the interests enjoyed by the Group and the maximum exposure to losses in structured entities initiated by third parties through direct holding of the investment are as follows:

| <i>31 December 2022</i> | | | | | |
|---|--|-------------------------|-------------------------------|------------------------------|-----------------------------------|
| | <i>Financial assets held for trading</i> | <i>Debt investments</i> | <i>Other debt investments</i> | <i>Total carrying amount</i> | <i>Maximum exposure to losses</i> |
| Asset-backed securities | 980 | 1,221 | - | 2,201 | 2,201 |
| Asset management plans and trust schemes | 17,676 | 201,542 | - | 219,218 | 219,218 |
| Funds | 187,307 | - | - | 187,307 | 187,307 |
| Interbank wealth management products and others | 2,676 | - | - | 2,676 | 2,676 |
| | | | | | |
| <i>31 December 2021</i> | | | | | |
| | <i>Financial assets held for trading</i> | <i>Debt investments</i> | <i>Other debt investments</i> | <i>Total carrying amount</i> | <i>Maximum exposure to losses</i> |
| Asset-backed securities | 1,453 | 1,771 | - | 3,224 | 3,224 |
| Asset management plans and trust schemes | 4,281 | 239,106 | - | 243,387 | 243,387 |
| Funds | 137,726 | - | - | 137,726 | 137,726 |
| Interbank wealth management products and others | 12,790 | - | - | 12,790 | 12,790 |

48 Segment reporting

The management of the Group evaluates the operating performance of corporate banking, personal banking and treasury business respectively. The segment revenue, operating results and assets listed in the operating segment include related items that are directly attributable to each segment and those related items that can be allocated to the segments based on reasonable standards. As part of the asset and liability management, the Group's sources and uses of funds are allocated among the operating segments according to the nature of the business, and the internal transfer prices of funds are determined based on the benchmark interest rates published by the People's Bank of China (PBOC) and the level of market interest rates for the year, and such internal transactions are offset in the preparation of the financial statements.

The corporate banking refers to banking services provided to corporate customers, including local and foreign currency deposits, loans, trade-related products and services such as settlement, agency, entrustment and credit investigation.

The personal banking refers to banking services provided to individual customers, including domestic and foreign currency savings, custody, bank cards, credit and personal asset management, settlement, agency, credit investigation and other services.

The treasury business includes interest rate and foreign exchange derivatives trading, monetary market trading, proprietary bond investment trading, other interbank investments as well as asset and liability management.

Other business refers to other businesses that do not form a segment that can be presented separately or that cannot be allocated on a reasonable basis.

| | <i>The Group</i> | | | | |
|---|--------------------------|-------------------------|--------------------------|---------------|--------------|
| | <i>31 December 2022</i> | | | | |
| | <i>Corporate banking</i> | <i>Personal banking</i> | <i>Treasury business</i> | <i>Others</i> | <i>Total</i> |
| Operating income | 35,358 | 22,226 | 8,544 | 148 | 66,276 |
| Net interest income - external | 11,862 | 24,986 | 14,610 | - | 51,458 |
| Net interest income - inter-segment | 18,767 | (4,833) | (13,934) | - | - |
| Net interest income | 30,629 | 20,153 | 676 | - | 51,458 |
| Net fee and commission income | 4,478 | 2,068 | 520 | - | 7,066 |
| Investment income | - | - | 8,308 | 148 | 8,456 |
| Including: Income from investments in associates and joint ventures | - | - | - | 148 | 148 |
| Losses from changes in fair value | - | - | (917) | - | (917) |
| Exchange gains and losses | 248 | 5 | (190) | - | 63 |
| Other operating income | 3 | - | 147 | - | 150 |
| Operating expenses | (15,616) | (13,102) | (10,331) | (283) | (39,332) |
| Operating expenses ⁽¹⁾ | (10,272) | (5,425) | (2,685) | - | (18,382) |
| Credit losses | (5,344) | (7,637) | (7,646) | (220) | (20,847) |
| Other impairment losses | - | - | - | (63) | (63) |
| Other operating costs | - | (40) | - | - | (40) |
| Operating profit / (loss) | 19,742 | 9,124 | (1,787) | (135) | 26,944 |
| Net amount of non-operating income and non-operating expenses | - | - | - | 75 | 75 |
| Profit / (loss) before taxation | 19,742 | 9,124 | (1,787) | (60) | 27,019 |
| Income tax expenses | | | | | (2,089) |
| Net profit | | | | | 24,930 |
| Depreciation and amortisation | 1,418 | 940 | 778 | - | 3,136 |
| Capital expenditure | 599 | 411 | 334 | - | 1,344 |
| 31 December 2022 | | | | | |
| Segment assets | 1,114,111 | 766,686 | 1,470,636 | 4,495 | 3,355,928 |
| Segment liabilities | (1,439,548) | (561,288) | (1,075,232) | (1,267) | (3,077,335) |

| | The Group | | | | |
|---|----------------------|---------------------|----------------------|---------|-------------|
| | 31 December 2021 | | | | |
| | Corporate banking | Personal banking | Treasury business | Others | Total |
| Operating income | 36,510 | 18,280 | 11,332 | 153 | 66,275 |
| Net interest income - external | 18,510 | 20,364 | 12,523 | - | 51,397 |
| Net interest income - inter- segment | 14,443 | (3,947) | (10,496) | - | - |
| Net interest income | 32,953 | 16,417 | 2,027 | - | 51,397 |
| Net fee and commission income | 3,467 | 1,856 | 667 | - | 5,990 |
| Investment income | - | - | 7,432 | 153 | 7,585 |
| Including: Income from investments in associates and joint ventures | - | - | - | 153 | 153 |
| Gains from changes in fair value | - | - | 991 | - | 991 |
| Exchange gains and losses | 86 | 5 | 52 | - | 143 |
| Other operating income | 4 | 2 | 163 | - | 169 |
| Operating expenses | (22,132) | (5,955) | (12,827) | (64) | (40,978) |
| Operating expenses ⁽¹⁾ | (9,836) | (5,034) | (2,450) | - | (17,320) |
| Credit losses | (12,213) | (890) | (10,355) | (64) | (23,522) |
| Other impairment losses | (83) | - | (2) | - | (85) |
| Other operating costs | - | (31) | (20) | - | (51) |
| Operating profit / (loss) | 14,378 | 12,325 | (1,495) | 89 | 25,297 |
| Net amount of non- operating income and non-operating expenses | - | - | - | (119) | (119) |
| Profit / (loss) before taxation | 14,378 | 12,325 | (1,495) | (30) | 25,178 |
| Income tax expenses | | | | | (2,786) |
| Net profit | | | | | 22,392 |
| Depreciation and amortisation | 1,312 | 860 | 764 | - | 2,936 |
| Capital expenditure | 763 | 489 | 455 | - | 1,707 |
| 31 December 2021 | | | | | |
| Segment assets | 1,061,762 | 694,806 | 1,271,918 | 3,118 | 3,031,604 |
| Segment liabilities | (1,311,510) | (464,929) | (984,146) | (1,296) | (2,761,881) |

- (1) Operating expenses include taxes and surcharges, operating and administrative expenses.

| | The Bank | | | | |
|---|----------------------|---------------------|----------------------|---------|-------------|
| | 31 December 2022 | | | | |
| | Corporate banking | Personal banking | Treasury business | Others | Total |
| Operating income | 32,944 | 22,131 | 9,681 | 148 | 64,904 |
| Net interest income - external | 9,433 | 24,891 | 15,677 | - | 50,001 |
| Net interest income - inter-segment | 18,767 | (4,833) | (13,934) | - | - |
| Net interest income | 28,200 | 20,058 | 1,743 | - | 50,001 |
| Net fee and commission income | 4,493 | 2,068 | 500 | - | 7,061 |
| Investment income | - | - | 8,404 | 148 | 8,552 |
| Including: Income from investments in associates and joint ventures | - | - | - | 148 | 148 |
| Losses from changes in fair value | - | - | (885) | - | (885) |
| Exchange gains and losses | 248 | 5 | (192) | - | 61 |
| Other operating income | 3 | - | 111 | - | 114 |
| Operating expenses | (15,037) | (12,972) | (10,119) | (246) | (38,374) |
| Operating expenses ⁽¹⁾ | (10,133) | (5,293) | (2,554) | - | (17,980) |
| Credit losses | (4,904) | (7,639) | (7,565) | (213) | (20,321) |
| Other impairment losses | - | - | - | (33) | (33) |
| Other operating costs | - | (40) | - | - | (40) |
| Operating profit / (loss) | 17,907 | 9,159 | (438) | (98) | 26,530 |
| Net amount of non-operating income and non-operating expenses | - | - | - | 13 | 13 |
| Profit / (loss) before taxation | 17,907 | 9,159 | (438) | (85) | 26,543 |
| Income tax expenses | | | | | (1,950) |
| Net profit | | | | | 24,593 |
| Depreciation and amortisation | 1,373 | 911 | 737 | - | 3,021 |
| Capital expenditure | 595 | 395 | 319 | - | 1,309 |
| 31 December 2022 | | | | | |
| Segment assets | 1,073,171 | 762,571 | 1,471,931 | 8,771 | 3,316,444 |
| Segment liabilities | (1,403,092) | (556,704) | (1,079,556) | (1,274) | (3,040,626) |

| | The Bank | | | | |
|---|----------------------|---------------------|----------------------|---------|-------------|
| | 31 December 2021 | | | | |
| | Corporate banking | Personal banking | Treasury business | Others | Total |
| Operating income | 35,269 | 18,189 | 11,116 | 153 | 64,727 |
| Net interest income - external | 17,545 | 20,273 | 12,457 | - | 50,275 |
| Net interest income - inter-segment | 14,443 | (3,947) | (10,496) | - | - |
| Net interest income | 31,988 | 16,326 | 1,961 | - | 50,275 |
| Net fee and commission income | 3,191 | 1,856 | 667 | - | 5,714 |
| Investment income | - | - | 7,380 | 153 | 7,533 |
| Including: Income from investments in associates and joint ventures | - | - | - | 153 | 153 |
| Gains from changes in fair value | - | - | 919 | - | 919 |
| Exchange gains and losses | 86 | 5 | 53 | - | 144 |
| Other operating income | 4 | 2 | 136 | - | 142 |
| Operating expenses | (21,268) | (5,828) | (12,708) | (60) | (39,864) |
| Operating expenses ⁽¹⁾ | (9,719) | (4,920) | (2,337) | - | (16,976) |
| Credit losses | (11,466) | (877) | (10,353) | (60) | (22,756) |
| Other impairment losses | (83) | - | (2) | - | (85) |
| Other operating costs | - | (31) | (16) | - | (47) |
| Operating profit / (loss) | 14,001 | 12,361 | (1,592) | 93 | 24,863 |
| Net amount of non-operating income and non-operating expenses | - | - | - | (147) | (147) |
| Profit / (loss) before taxation | 14,001 | 12,361 | (1,592) | (54) | 24,716 |
| Income tax expenses | | | | | (2,640) |
| Net profit | | | | | 22,076 |
| Depreciation and amortisation | 1,279 | 835 | 733 | - | 2,847 |
| Capital expenditure | 721 | 472 | 414 | - | 1,607 |
| 31 December 2021 | | | | | |
| Segment assets | 1,020,777 | 691,085 | 1,273,117 | 5,354 | 2,990,333 |
| Segment liabilities | (1,277,958) | (461,292) | (982,610) | (1,271) | (2,723,131) |

- (1) Operating expenses include taxes and surcharges, operating and administrative expenses.

VIII. Commitments and contingencies

1 Credit commitment

| | <i>The Group and the Bank</i> | |
|------------------------------------|-------------------------------|-----------------------------|
| | <i>31 December 2022</i> | <i>31 December 2021</i> |
| Bank acceptance bills | 290,447 | 188,092 |
| Issuance of letter of guarantee | 48,510 | 62,140 |
| Issuance of letter of credit | 61,924 | 55,175 |
| Loans and other credit commitments | 54,493 | 50,695 |
| Total | 455,374 | 356,102 |

2 Capital expenditure commitment

| | <i>The Group and the Bank</i> | |
|---------------------------------|-------------------------------|-----------------------------|
| | <i>31 December 2022</i> | <i>31 December 2021</i> |
| Contracted for but not paid | 1,129 | 1,474 |
| Approved but not contracted for | 256 | 274 |

The above capital commitments refer to capital expenditure commitments for the purchase of properties, equipment and system development, etc. The management of the Group believes that the Group's level of liquidity and future profitability can meet the above commitment requirements.

3 Pledged assets

| | <i>The Group and the Bank</i> | |
|-------------------------|-------------------------------|-----------------------------|
| | <i>31 December 2022</i> | <i>31 December 2021</i> |
| Bonds | | |
| - Governments | 195,091 | 164,588 |
| - Policy banks | 34,086 | 40,391 |
| - Other financial bonds | 19,848 | 500 |
| Sub-total | 249,025 | 205,47 |
| Bills | 13,389 | 5,17 |
| Total | 262,414 | 210,650 |

The Group uses the above assets as pledges under the time deposits from the treasury, borrowings from the central bank and items sold under repurchase agreements. As at 31 December 2022 and 31 December 2021, in a repurchase agreement in which bonds are pledged, the party receiving the pledge does not have the right to sell or re-pledge the underlying bonds.

The pledges accepted by the Group in the related assets purchased under resale agreements cannot be sold or re-pledged.

4 Securities underwriting commitment

As at 31 December 2022 and 31 December 2021, the Group had no outstanding securities commitments under the underwriting obligations assumed.

5 Treasury bonds payment commitment

The Bank is entrusted by the Ministry of Finance as its agent to underwrite part of the treasury bonds. Holders of the treasury bonds may request early payment of the treasury bonds held, and the Bank is obligated to fulfil its payment obligations. The Ministry of Finance will not make immediate payment for such treasury bonds that are redeemed in advance, but will pay the principal and interest in a lump sum when they mature. The early payment of the Bank's treasury bonds is the principal amount of treasury bonds underwritten and sold by the Bank and the interest payable as determined under the early payment agreement.

As at 31 December 2022, the balance of the Bank's treasury bonds with early payment obligations is RMB11.823 billion (31 December 2021: RMB22.027 billion), with an original maturity ranging from three to five years.

6 Outstanding litigation

The Group is involved in certain matters in which the Group is a defendant and in which other claims may be litigated. As at 31 December 2022, the Group recognised a balance of RMB63.82 million (31 December 2021: RMB61.06 million) in the provision for litigation losses. The management of the Group believes that the final decisions and execution results of such matters will not have a significant impact on the Group's financial position or operating results.

IX. Related parties and related party transactions

1 Related party relationship

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties. In addition to the related parties stated above, the Group determines related parties based on the disclosure requirements of the *Administrative Procedures on the Information Disclosures of Listed Companies* issued by the CSRC. In addition, the Group also determines related parties in accordance with the *Provisional Measures on Administration of Equities of Commercial Banks* and the *Administrative Measures on Related-party Transactions of Banking and Insurance Institutions* promulgated by the former Banking Regulatory Commission.

(1) Shareholders with 5% or more of the Bank's shares

As at 31 December 2022, names and shareholdings of shareholders with 5% or more of the Bank's shares are as follows:

| <i>Name of shareholder</i> | <i>Registered place</i> | <i>Registered capital</i> | <i>Business nature and business scope</i> | <i>number of shares held (million)</i> | <i>Shareholding percentage</i> |
|---|-------------------------|---------------------------|---|--|--------------------------------|
| INGBANKN.V. | Netherlands | EUR525 million | Financial institution, providing retail and commercial banking services | 2,755 | 13.03% |
| Beijing State-owned Assets Management Co., Ltd. | Beijing | RMB10,000 million | Property rights management and capital operation of state-owned assets | 1,825 | 8.63% |
| Beijing Energy Group Co., Ltd. | Beijing | RMB22,082 million | Energy Investment, development, operation and management | 1,816 | 8.59% |

(2) Subsidiaries, associates and joint ventures

For the basic information of the Bank's subsidiaries as well as their registered capital and shares held, please refer to Note VI.

| | <i>Principal place of business</i> | <i>Registered place</i> | <i>Sharehold ing percentag e (%)</i> | <i>Registered capital (RMB million)</i> | <i>Principal activities</i> |
|--|--|-----------------------------|--|---|---------------------------------|
| Associates | | | | | |
| Bank of Beijing Consumer Finance Company Limited ("BOBCF") | Beijing | Beijing | 35.29 | 850 | Consumer finance |
| Nongan Beiyin Rural Bank Co., Ltd. | Nongan | Nongan | 19.02 | 122 | Commercial banking business |
| Heibei Lizhou BOB Rural Commercial Bank Company Limited | Lixian | Lixian | 30.00 | 300 | Commercial banking business |
| Bank of Beijing Scotiabank Asset Management Co.Ltd. ("BOBSAM") | Beijing | Beijing | 44.00 | 465 | Fund management |
| Joint venture | | | | | |
| Ing-BOB Life Insurance Co., Ltd. | Dalian | Dalian | 50.00 | 3,570 | Life insurance business |

(3) Other related parties

Other related parties include key management personnel and enterprises controlled, jointly controlled or significantly influenced by key management personnel or their closely related family members.

2 Related party transactions

The Bank conducts normal banking transactions with related parties in the ordinary course of business. These transactions include deposits from customers and loans granted.

(1) Transactions and balances with subsidiaries

| | <i>31 December 2022</i> | <i>31 December 2021</i> |
|---|-----------------------------|-----------------------------|
| Deposits and placements with banks and other financial institutions | 159 | 123 |
| Lendings to banks and other financial institutions | 3,177 | 2,555 |
| Other receivables | 4 | 6 |
| Deposits and placements from banks and other financial institutions | 3,075 | 1,593 |
| Bank acceptance bills | 300 | - |
| Issuance of letter of credit | 200 | - |

| | 2022 | 2021 |
|---|---------------|---------------|
| Interest rate / rate ranges | | |
| Deposits and placements with banks and other financial institutions | 2.45% - 3.85% | 3.25% - 4.30% |
| Lendings to banks and other financial institutions | 2.00% - 3.45% | 2.10% - 4.30% |
| Financial assets purchased under resale agreements | - | 1.00% - 1.02% |
| Loans and advances to customers | - | 4.28% |
| Bond investments | - | 3.94% |
| Deposits and placements from banks and other financial institutions | 0.35% - 1.90% | 0.30% - 2.40% |
| Bank acceptance bills | 0.05% | - |
| Issuance of letter of credit | 2.50% | - |

| | 2022 | 2021 |
|-------------------|------|------|
| Interest income | 70 | 117 |
| Interest expenses | (33) | (30) |
| Fee income | 7 | - |

The Group's related party transactions described above were conducted under general commercial terms and normal business processes, and the pricing principles were consistent with those adopted in transactions with independent third-parties.

(2) Transactions and balances with associates

| | 31 December 2022 | 31 December 2021 |
|---|---------------------|---------------------|
| Lendings to banks and other financial institutions | 2,868 | 2,950 |
| Deposits and placements from banks and other financial institutions | 558 | 652 |
| Other receivables | 75 | 75 |

| | 2022 | 2021 |
|---|---------------|---------------|
| Interest rate ranges | | |
| Lendings to banks and other financial institutions | 3.00% - 3.95% | 2.17% - 4.75% |
| Deposits and placements from banks and other financial institutions | 1.81% - 3.10% | 0.35% - 3.10% |

| | 2022 | 2021 |
|-------------------|------|------|
| Interest income | 83 | 100 |
| Interest expenses | (47) | (78) |
| Fee income | 6 | 22 |

The Group's related party transactions described above were conducted under general commercial terms and normal business processes, and the pricing principles were consistent with those adopted in transactions with independent third-parties.

(3) Transactions and balances with joint ventures

| | 31 December 2022 | 31 December 2021 |
|-------------------------|---------------------|---------------------|
| Deposits from customers | 740 | 720 |
| Other receivables | - | 451 |

| | 2022 | 2021 |
|-------------------------|---------------|---------------|
| Interest rate ranges | | |
| Deposits from customers | 0.25% - 5.20% | 0.30% - 5.20% |

| | 2022 | 2021 |
|-------------------|------|------|
| Interest expenses | (35) | (33) |
| Fee income | 148 | 123 |

The Group's related party transactions described above were conducted under general commercial terms and normal business processes, and the pricing principles were consistent with those adopted in transactions with independent third-parties.

(4) Transactions and balances with shareholders holding 5% or more of the shares

| | 31 December 2022 | 31 December 2021 |
|---|---------------------|---------------------|
| Deposits and placements with banks and other financial institutions | 22 | 18 |
| Lendings to banks and other financial institutions | - | 922 |
| Loans and advances to customers | 10,407 | 2,002 |
| Deposits from customers | 813 | 710 |
| | 2022 | 2021 |
| Interest rate ranges | | |
| Deposits and placements with banks and other financial institutions | - | - |
| Lendings to banks and other financial institutions | 1.23% - 2.24% | 0.50% - 2.22% |
| Loans and advances to customers | 2.40% - 3.70% | 3.10% - 3.70% |
| Deposits and placements from banks and other financial institutions | - | 0.00%-0.35% |
| Deposits from customers | 0.25% - 3.40% | 0.30% - 3.60% |
| | 2022 | 2021 |
| Interest income | 152 | 63 |
| Interest expenses | (44) | (175) |
| Fee income | 3 | - |

The Group's related party transactions described above were conducted under general commercial terms and normal business processes, and the pricing principles were consistent with those adopted in transactions with independent third-parties.

(5) Transactions and balances with other related parties

As at 31 December 2022, there were 9 organisations that constitute related party relationships with the Bank as key management personnel of the Bank hold the positions of chairman and general manager outside the Bank.

| | 31 December 2022 | 31 December 2021 |
|---|-------------------------|-------------------------|
| Deposits and placements with banks and other financial institutions | 398 | 234 |
| Lendings to banks and other financial institutions | 1,310 | 12,947 |
| Financial assets purchased under resale agreements | - | 1,992 |
| Loans and advances to customers | 10,597 | 9,952 |
| Bond investments | 10,625 | 2,790 |
| Debt investments | - | 693 |
| Other receivables | 27 | 27 |
| Deposits and placements from banks and other financial institutions | 21,062 | 2,981 |
| Loans from banks and other financial institutions | 8,862 | 15,508 |
| Deposits from customers | 14,363 | 5,393 |
| Bank acceptance bills | 217 | - |
| Issuance of letter of guarantee | 57 | 32 |
| | <u>2022</u> | <u>2021</u> |
| Interest rate / rate ranges | | |
| Deposits and placements with banks and other financial institutions | 0.35% | 0.35% |
| Lendings to banks and other financial institutions | 0.02% - 3.10% | 0.01% - 3.15% |
| Financial assets purchased under resale agreements | 0.88% - 4.50% | 1.40% - 3.64% |
| Loans and advances to customers | 3.00% - 6.60% | 3.05% - 6.60% |
| Bond investments | 1.54% - 4.38% | 2.73% - 4.10% |
| Debt investments | 3.55% - 3.70% | 5.54% |
| Deposits and placements from banks and other financial institutions | 0.01% - 3.25% | 0.35% - 2.20% |
| Loans from banks and other financial institutions | 0.03% - 4.31% | 0.01% - 3.06% |
| Financial assets sold under repurchase agreements | 0.50% - 2.25% | 0.62% - 3.19% |
| Deposits from customers | 0.01% - 4.50% | 0.01% - 4.50% |
| Bank acceptance bills | 0.05% | - |
| Issuance of letter of guarantee | 1.00‰ - 50.0‰ / quarter | 1.00‰ - 5.00‰ / quarter |

| | 2022 | 2021 |
|-------------------|-------|-------|
| Interest income | 546 | 435 |
| Interest expenses | (526) | (413) |
| Fee income | 113 | 32 |

The Group's related party transactions described above were conducted under general commercial terms and normal business processes, and the pricing principles were consistent with those adopted in transactions with independent third-parties.

(6) Transactions with key management personnel

Key management personnel are those persons who have the authority and are responsible, directly or indirectly, for the planning, direction and control of the Bank's business, including directors, supervisors and senior management.

| | 31 December 2022 | 31 December 2021 |
|----------|---------------------|---------------------|
| Deposits | 1 | 7 |

| | 31 December 2022 | 31 December 2021 |
|-------------------------------------|---------------------|---------------------|
| Shares of the Bank (million shares) | 4 | 4 |

| | 2022 | 2021 |
|---|------|------|
| Remuneration and short-term benefits | 20 | 19 |
| Retirement benefit plans, post-employment plans and other long-term benefits | 1 | 1 |

Remuneration and short-term benefits include remuneration and benefits paid to foreign directors by the Bank.

The Group's related party transactions described above were conducted under general commercial terms and normal business processes, and the pricing principles were consistent with those adopted in transactions with independent third-parties.

(7) Transactions with related natural persons

As at 31 December 2022, the balance of the Bank's loans to related natural persons as defined in the *Administrative Measures on Affiliated Transactions between Commercial Banks and their Insiders or Shareholders* totalled RMB324 million (31 December 2021: RMB80 million); the balance of the Bank's loans to related natural persons as defined in the *Administrative Measures on Information Disclosure by Listed Companies* totalled RMB0.63 million (31 December 2021: RMB1.84 million).

X. Financial risk management

1 Overview of financial risk management

Financial instruments are extensively applied in the Group's operating activities. The Group absorbs fixed-rate or floating-rate deposits of different maturities and invests such funds in high-quality assets to obtain higher-than-average interest rate spreads. Short-term funds are used for long-term loans with higher interest rates to obtain higher spreads, while maintaining sufficient liquidity to ensure timely repayment of due liabilities. The Group mainly conducts business in Chinese Mainland under the interest rate system set by the PBOC.

Higher-than-average interest rate spreads are achieved by the Group through provision of various forms of credit services to corporates or individuals. Such type of financial instrument includes loans to customers on the balance sheet, and provision of guarantees and other commitments, such as letters of credit, guarantees and acceptances.

The Group has exposure to various financial risks in the normal course of operations, mainly including credit risks, market risks and liquidity risks. The Group's risk management activities can be mainly summarised as identification, measurement, monitoring and control of various risks faced in its operating activities, as well as compliance with the requirements of regulators, depositors and other stakeholders.

The Group's Board of Directors is the highest decision-making body for risk management, which is responsible for determining the overall risk appetite and risk tolerance of the Group. The Risk Management Committee under the Board of Directors is responsible for approving risk management strategies, policies, and procedures as authorised by the Board of Directors. The Group has established, under the senior management, the Credit Approval Committee, Credit Risk Policy Committee, Asset Liability Committee, Operational Risk Management Committee, which are responsible for control of credit risks, market risks, and liquidity risks, and approval of the relevant policies and procedures within the scope of authorisation. In addition, the Group has established a Risk Management Headquarters, together with the subordinated Risk Management Department (including Market Risk Office and Risk Policy Office), Credit Approval Department, Post-Investment Management Department and Legal Compliance Department (including Operational Risk Office), to perform various management functions to enhance the Group's overall risk management capability covering the credit risks, market risks, and liquidity risks.

2 Credit risk

The credit risk faced by the Group refers to the risk that the counterparty fails to fulfil its relevant obligations under the contractual terms. Credit risk is the most significant risk faced by the Group during its operations, and the management adopts the prudence principle in managing the Group's exposure to credit risk. The Group's credit risks mainly arise from its loan portfolios, investment portfolios, trade financing, inter-bank businesses, guarantees and other payment commitments.

The Risk Management Committee under the Board of Directors is responsible for decision-making and overall coordination to prevent credit risks. Management adopts professional credit review, central monitoring, centralised operation and settlement of troubled assets and other major methods for credit risk management. The Group's risk management bodies can be divided into the following levels: the Bank's Risk Management Department, and the Head Office's risk management departments such as the Credit Approval Department, Post-Investment Management Department, Asset Preservation Department and Legal Compliance Department, which coordinate with each other to perform the Group's overall credit risk control functions; the Group's Credit Approval Department, SME Loan Approval Centre, Individual Loan Approval Centre, Document and Ticket Centre and other professional institutions that are responsible for credit risk management by product or business type designed based on credit risks; and the regional management departments or branch risk management departments that are established as necessary to perform credit management on institutions within their jurisdiction.

(1) Credit risk measurement

(a) Loans and advances to customers

The Risk Management Headquarters is responsible for centralised monitoring and assessment of credit risks regarding loans and advances to customers and off-balance sheet credit commitments, and for regular reporting to senior management and the Board of Directors.

The Group supervises and manages the quality of corporate and individual loans in accordance with the Guidance for Risk-based Loan Classification issued by the CBIRC. Under the Guidance for Risk-based Loan Classification, commercial banks in China are required to classify corporate and individual loans into the following five categories: pass, special-mention, substandard, doubtful and loss, of which, substandard, doubtful and loss loans are regarded as non-performing loans.

The core definitions of categories of credit assets in the Guidance for Risk-based Loan Classification are as follows:

| | |
|------------------|--|
| Pass: | Borrowers can honour the terms of the contracts. There is no reason to doubt their ability to repay the principals and interests of loans in full and on a timely basis. |
| Special-mention: | Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors. |
| Substandard: | Borrowers' ability to service their loans is in question and they cannot rely entirely on normal operating revenues to repay principal and interest. Losses may ensue even when collaterals or guarantees are invoked. |
| Doubtful: | Borrowers are unable to repay the principals and interests of the loans in full, and significant losses will incur, even when guarantees are invoked. |
| Loss: | Principals and interests of loans cannot be recovered or only a small portion can be recovered after taking all possible measures and resorting to necessary legal procedures. |

(b) Bonds and others bills

The Credit Risk Committee under the Group's management and the authorised approval institutions set credit lines for all fund trading customers (including counterparties, bond issuers, etc.) and conduct dynamic credit line management. Credit utilisation of derivative financial instruments is calculated by applying conversion coefficients matching with their risk factors and terms. The Funds Trading Department conducts bonds investments and derivative financial instrument transactions within such a limit.

Investments in foreign currency bonds mainly include sovereign bonds issued abroad by the Government of the PRC or bonds issued domestically and abroad by policy banks and other quasi-sovereign issuers, sovereign bonds issued by countries with a sovereign rating of AA - or above in their main convertible currencies, or quasi-sovereign bonds issued by quasi-sovereign issuers such as government agencies, and bonds with a rating of A or above issued by financial institutions.

Investments in RMB bonds mainly include treasury bonds issued by the Ministry of Finance, bills issued by the PBOC in the open market, and financial bonds issued by national policy banks in China. Other bonds credit entities shall meet the relevant requirements of regulators and the basic conditions stipulated by the Group.

(c) Other businesses

The Group's other businesses mainly include structural investments, inter-bank businesses, guarantees and other payment commitments. The Credit Risk Committee under the Group and the authorised approval institutions set credit lines for all business counterparties, and conduct dynamic credit line management. And the Investment Approval Committee under the Group is responsible for risk assessment and credit approval to prevent credit risks arising from new businesses.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses for financial instruments with a risk of default. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The Group applies a three-stage model for measurement of ECLs based on the changes of credit risk of financial instruments after initial recognition:

Stage 1: Financial instruments with no significant increase in credit risk since initial recognition are included in stage 1, and their loss allowance are measured at an amount equal to 12-month ECLs;

Stage 2: Financial instruments with significant increase in credit risk since initial recognition, but without objective evidence of impairment are included in stage 2, and their loss allowance are measured at an amount equal to lifetime ECLs;

Stage 3: Financial assets with objective evidence of impairment on the balance sheet date are included in stage 3, and their loss allowance are measured at an amount equal to lifetime ECLs.

For financial instruments with loss allowance measured at an amount equal to lifetime ECLs in the previous account period, but, on the balance sheet date of the current period, are no longer belong to the category with significant increase in credit risk since initial recognition, the Group measures their loss allowance at an amount equal to 12-month ECLs, at the balance sheet date of the current period.

The Group measures the ECL of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money;
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

When measuring ECL, the Group may not need to identify every possible scenario, but it should consider the risk or probability of the occurrence of credit loss to reflect the possibility of the occurrence and non-occurrence of credit loss, even if the probability of occurrence is very low.

Based on forward-looking information, the Group assesses the expected credit losses, the measurement of which requires the use of complex models and significant assumptions about future macroeconomic conditions and borrowers' credit positions (e.g. the likelihood of customers defaulting and the resulting losses). In accordance with accounting standards, the Group applies in the measurement of ECLs certain judgements, assumptions and estimates, such as:

- Judgement criteria for a significant increase in credit risk
- Definition of credit-impaired asset
- Parameters used in ECL measurement
- Forward-looking information
- Modification of contractual cash flows

Judgement criteria for a significant increase in credit risk

At each balance sheet date, the Group assesses whether the credit risks of related financial instruments have been significantly increased since initial recognition. In so doing, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including qualitative and quantitative analysis based on historical data, external credit rating and forward-looking information. On a separate basis or on a collective basis (for financial instruments with similar credit risk characteristics), the Group compares the risk of occurrence of default on the financial instrument at the balance sheet date with the risk of occurrence of default at the date of initial recognition to determine the changes in the default risk during the expected lifetime of the financial instrument.

When one or more quantitative and qualitative thresholds or upper limits are reached, the Group considers that the credit risk of the financial instrument has increased significantly:

Qualitative criterion

- Significant adverse changes in the debtor's business operation or financial position
- The transfer of financial instrument into the special-mention category
- The inclusion of the customer on the early warning list

Upper limits

- The debtor's contractual payment (including principal and interest) is more than 30 days past due

Definition of asset defaulted and credit-impaired

When a financial asset is credit-impaired, the Group identifies the financial asset as a default. To determine whether a financial instrument is credit-impaired under the IFRS 9, the Group adopts a criteria consistent with the internal credit risk management objectives for relevant financial instruments, and considers quantitative and qualitative indicators. To assess whether a debtor is subject to credit impairment, the Group mainly considers the following factors:

- significant financial difficulties of the issuer or debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- for economic or contractual reasons relating to the debtor's financial difficulty, the Group having granted to the debtor a concession that would not otherwise consider;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for the financial asset because of financial difficulties of the issuer or debtor;
- the purchase or origination of a financial asset at a significant discount that reflects the fact of credit losses;
- any principal, advances, interest or investments in corporate bonds due from the debtor to the Group is past due over 90 days.

The credit impairment of a financial asset may be caused by the combined effect of multiple events rather than any single identifiable event.

Parameters used in ECL measurement

The Group recognises a loss allowance for different financial instruments at an amount equal to 12-month or lifetime ECLs, based on whether there has been a significant increase in credit risk and whether the financial instrument is credit-impaired. Key parameters used in the ECL measurement include probability of default (PD), loss given default (LGD), exposure at default (EAD). Under its existing risk management framework consistent with the New Basel Capital Accord, and in accordance with the provisions of the new financial instruments standards, the Group considers quantitative analysis based on its historical statistical data (such as counterparty rating, guarantee method, collateral type, repayment methods, etc.) and forward-looking information to establish PD, LGD and EAD models.

The relevant definitions are as follows:

- PD refers to the likelihood of a debtor defaulting on its financial obligations, either over the next 12 months, or over the remaining lifetime of the obligations. The Group's PD is adjusted based on the results of the internal rating model under the New Basel Capital Accord, by incorporating forward-looking information and eliminating prudential adjustments, to reflect the debtor's probability of default in points of time under the current macroeconomic environment.
- LGD is the Group's estimation regarding the extent of the EAD. LGD varies by the type of counterparty, the method and priority of recourse, and the type of collateral;
- EAD refers to the amount that the Group should be repaid in the event of default in the next 12 months or over the remaining lifetime.

Forward-looking information and management overlay adjustments

Forward-looking information is involved both in the assessment on whether the credit risk has increased significantly since the initial recognition and in the calculation of ECLs. Based on historical data analysis, the Group has identified key macroeconomic indicators that affect the credit risks and ECLs of various types of business, such as GDP, CPI, Total Retail Sales of Consumer Goods, Real Estate Climate Index, Fixed Asset Investment Completion Value, Industrial Added Value, etc. Among them, the GDP used in ECL estimation is predicted to achieve a YoY growth rate of 4.5% under the 2023 benchmark scenario for the current period.

The impact of these economic indicators on PD and LGD is different for various types of business. The Group applies expert judgement and, based on the relevant results, predicts the economic indicators on a quarterly basis. It also determines the impact of these economic indicators on PD and LGD through regression analysis.

In addition to the benchmark economic scenario provided, the Group also combines statistical analysis and expert judgement results to determine other possible scenarios and the respective scenario weighting. The Group has established a measurement model to determine the weighting of the positive, benchmark, negative and extremely negative scenarios. The relevant loss allowance is measured based on the weighted 12-month ECLs (stage 1) or weighted lifetime ECLs (stage 2 and stage 3). The above weighted ECLs are calculated by multiplying the expected credit loss under each scenario by the corresponding scenario weighting.

The Group makes additional loss allowance for specific industry and customer portfolio risks that cannot be reflected through the model, in order to address potential risk factors and enhance the Group's risk mitigation capability.

Modification of contractual cash flows

The Group may modify or renegotiate contracts with counterparties, which lead to no derecognition of financial assets, but result in changes in contractual cash flows. Such type of contractual modification includes loan extension, modification of repayment schedule, and change of interest settlement method. Where the contractual modification results in no substantial changes and leads to no derecognition of the original asset, the Group assesses, on the reporting date, the default risk of the post-modification asset by comparing against the default risk upon the initial recognition under the original contractual terms, and recalculates the carrying amount of the financial assets, with the gains or losses recognised in profit or loss. The carrying amount of the recalculated financial asset is determined based on the present value of the contractual cash flows to be renegotiated or modified by applying the original effective discount rate of the financial asset.

The Group continues to monitor the asset after the modification of contractual cash flows. And based on its judgement, the credit risk of the assets after the contractual modification has been improved significantly, thus the relevant asset has been transferred from stage 3 or stage 2 to stage 1. Meanwhile, the calculation basis for the loss allowance is changed from lifetime ECLs to the 12-month ECLs. As at 31 December 2022, the carrying amounts of financial assets with modifications of contractual cash flows are not material.

(2) Risk limit management and mitigation measures

The methods adopted by the Group for credit risk control mainly include development and implementation of strict loan investigation, approval, and granting procedures, regular analysis on the principal and interest repayment capabilities of existing and potential customers, appropriate adjustments of credit lines, and timely formulation of risk control measures, etc. The Group also requires collaterals and obtains guarantees for credit risk control purpose.

Risk limit management

(a) Loans and advances to customers

The Group has formulated guidelines for credit risk limit management, by stipulating the credit risk limits for individual customer, single group, region and industry. The Bank's credit guidelines shall be approved by the Risk Management Committee under the Board of Directors before being implemented. Business with credit lines exceeding the limits shall be reported to the President's Office Meeting or Risk Management Committee and other institutions for approval.

The Group's Risk Management Headquarters analyses the implementation of the relevant risk limits on a regular basis, based on the regulatory indicators and the concentration index specified in the credit policies, and reports the implementation to the senior management on a monthly basis, and to the risk management committee and regulators on a quarterly basis. It also regularly discloses relevant information to the public in accordance with information disclosure regulations and the regulators' information disclosure requirements.

(b) Bonds and other investments

The Group has established a risk limit structure, which stipulates limits for bond portfolios, issuers, single issuance and credit lines of borrowers, to manage the credit risks arising from the underlying assets of bonds and other investments on a collective basis.

Risk mitigation measures

(c) Guarantees and collaterals

Based on the levels of credit risks, the Group may require guarantees or collaterals from borrowers to mitigate credit risks. Collaterals are commonly used in credit business as one of the risk mitigation measures. The collaterals accepted by the Group include valuable documents, bonds, equities, properties, land use rights, machinery and equipment, vehicles, etc.

The Group designates a professional intermediary agency to evaluate the collaterals, and uses the evaluation report issued by the intermediary agency as reference for decision-making during the business review process. The Credit Risk Committee under the Group and the approval institutions authorised by the Head Office will confirm the evaluation results and finally determine the collateral ratio for loans or structural investments.

The Group enhances post-credit management by understanding and monitoring the dynamics of the collaterals, such as the ownership, status, quantity, market value and liquidity, and arranging for collateral re-evaluation on a yearly basis. For credit-impaired loans and structural investments, the Group determines whether to require additional collaterals or collaterals with stronger liquidity from customers based on the value of the collaterals.

For loans and structural investments with third-party guarantors, the Group evaluates the financial positions, credit records and obligation fulfilment capabilities of the guarantors by following the same procedures and criteria applying to the main borrower.

For financial assets other than loans and structural investments, the relevant collaterals depend on the types of financial instruments. The Group generally requires no collaterals for bonds, and usually uses subordinated bonds as credit enhancement to mitigate credit risks of asset-backed securities.

(d) Netting arrangements

The Group further restricts its exposure to credit losses by entering into netting arrangements with counterparties with which it undertakes a significant volume of transactions. Netting arrangements do not generally result in an offset of assets and liabilities on the balance sheet, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis.

(e) Credit commitment

Credit commitments are mainly used to ensure the access to necessary funds by customers. The Group has made irrevocable commitments, in issuing letters of guarantee and letters of credit, that it will pay for the customers if they fail to fulfil their payment obligations to third parties. Therefore, the Group is exposed to the same credit risks associated with loans. In certain circumstances, the Group collects security deposits to reduce the credit risks associated with rendering of such a service. The amount of the security deposit is charged at a certain percentage of the commitment amount based on the customer's credit rating and business risk level.

(3) Maximum exposure to credit risk

The Group's maximum exposure to credit risk (not considering collaterals and other credit enhancement measures) as at 31 December 2022 and 31 December 2021 are as follows. For on-balance sheet items, the risk exposure of financial assets is the carrying amount as at the balance sheet date.

| | <i>The Group</i> | | <i>The Bank</i> | |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | <i>31 December 2022</i> | <i>31 December 2021</i> | <i>31 December 2022</i> | <i>31 December 2021</i> |
| On-balance sheet credit risk exposure: | | | | |
| Deposits with the central bank | 160,603 | 159,440 | 160,067 | 158,957 |
| Deposits and placements with banks and other financial institutions | 21,310 | 7,321 | 20,435 | 7,086 |
| Lending to banks and other financial institutions | 162,111 | 157,183 | 165,111 | 159,298 |
| Derivative financial assets | 713 | 211 | 713 | 211 |
| Financial assets purchased under resale agreements | 74,572 | 42,691 | 74,572 | 42,691 |
| Loans and advances to customers | | | | |
| - Loans and advances to corporates | 1,119,982 | 1,045,479 | 1,079,132 | 1,004,954 |
| - Personal loans | 629,125 | 582,342 | 625,703 | 579,087 |
| Financial investments: | | | | |
| Financial assets held for trading | 283,260 | 185,386 | 283,260 | 185,142 |
| Debt investments | 675,148 | 654,774 | 674,756 | 654,774 |
| Other debt investments | 163,539 | 142,173 | 163,539 | 142,173 |
| Other financial assets | 23,599 | 11,300 | 23,496 | 11,093 |
| Sub-total | <u>3,313,962</u> | <u>2,988,300</u> | <u>3,270,784</u> | <u>2,945,466</u> |
| Off-balance sheet credit risk exposure: | | | | |
| Bank acceptance bills | 290,447 | 188,092 | 290,447 | 188,092 |
| Issuance of letters of guarantee | 48,510 | 62,140 | 48,510 | 62,140 |
| Issuance of letters of credit | 61,924 | 55,175 | 61,924 | 55,175 |
| Loans and other credit commitments | 54,493 | 50,695 | 54,493 | 50,695 |
| Sub-total | <u>455,374</u> | <u>356,102</u> | <u>455,374</u> | <u>356,102</u> |
| Total | <u><u>3,769,336</u></u> | <u><u>3,344,402</u></u> | <u><u>3,726,158</u></u> | <u><u>3,301,568</u></u> |

(4) Credit-impaired financial assets

(i) Loans and advances to customers

Loans and advances to customers are analysed by collateral types as below:

| | <i>The Group</i> | | <i>The Bank</i> | |
|------------------------|------------------|-----------------|-----------------|-----------------|
| | <i>31</i> | <i>31</i> | <i>31</i> | <i>31</i> |
| | <i>December</i> | <i>December</i> | <i>December</i> | <i>December</i> |
| | <i>2022</i> | <i>2021</i> | <i>2022</i> | <i>2021</i> |
| Unsecured loans | 6,653 | 4,128 | 6,645 | 4,125 |
| Guaranteed loans | 10,012 | 13,277 | 9,891 | 13,120 |
| Loans with collaterals | | | | |
| - Mortgage loans | 8,747 | 6,901 | 8,643 | 6,884 |
| - Pledged loans | 300 | 872 | 6 | 551 |
| Total | <u>25,712</u> | <u>25,178</u> | <u>25,185</u> | <u>24,680</u> |

As at 31 December 2022, the fair value of the Bank's collaterals for credit-impaired loans and advances to customers was RMB 46.859 billion (31 December 2021: RMB 43.986 billion). Such collaterals include lands, properties, equipment and others.

(ii) Other credit-impaired financial assets

For credit-impaired debt investments that are measured on an individual basis for ECLs, it is critical to estimate their future cash flows. The Group considers whether there is any objective evidence of impairment and the resulting decrease in estimated future cash flows to determine whether a debt investment is credit-impaired. As at 31 December 2022, the fair value of the Bank's collaterals for debt investments individually assessed as credit-impaired was RMB 70.930 billion (31 December 2021: RMB 46.456 billion). Such collaterals are mainly properties.

(5) Restructured loans

Restructured loans refer to loans with contractual repayment terms adjusted by the Group due to the deterioration of financial condition or inability to repay of the borrower. If conditions permit, the Group will strive to restructure loans rather than acquiring ownership of the collaterals. This may involve payment extension and agreement on new terms of credit. Upon re-negotiation of credit terms, the loans will no longer be considered overdue. Management continues to review restructured loans to ensure that all conditions have been met and that future payments are highly probable.

(6) Risk exposure of loans and advances to customers by stage

Loans and advances to customers (excluding interest accrued) analysed by five-tier classification and stage are as follows:

| <i>The Group</i> | | | | |
|-------------------------|-------------------------|---------------------|----------------|--------------|
| <i>31 December 2022</i> | | | | |
| | <i>12-month ECL</i> | <i>Lifetime ECL</i> | | <i>Total</i> |
| | <i>Stage 1</i> | <i>Stage 2</i> | <i>Stage 3</i> | |
| Pass | 1,741,074 | 1,563 | - | 1,742,637 |
| Special-mention | - | 28,970 | - | 28,970 |
| Substandard | - | - | 12,691 | 12,691 |
| Doubtful | - | - | 9,358 | 9,358 |
| Loss | - | - | 3,663 | 3,663 |
| Total | 1,741,074 | 30,533 | 25,712 | 1,797,319 |

| <i>The Group</i> | | | | |
|-------------------------|-------------------------|---------------------|----------------|--------------|
| <i>31 December 2021</i> | | | | |
| | <i>12-month ECL</i> | <i>Lifetime ECL</i> | | <i>Total</i> |
| | <i>Stage 1</i> | <i>Stage 2</i> | <i>Stage 3</i> | |
| Pass | 1,621,393 | 3,000 | - | 1,624,393 |
| Special-mention | - | 23,667 | 1,057 | 24,724 |
| Substandard | - | - | 14,764 | 14,764 |
| Doubtful | - | - | 5,889 | 5,889 |
| Loss | - | - | 3,468 | 3,468 |
| Total | 1,621,393 | 26,667 | 25,178 | 1,673,238 |

| <i>The Bank</i> | | | | |
|-------------------------|-------------------------|---------------------|----------------|--------------|
| <i>31 December 2022</i> | | | | |
| | <i>12-month ECL</i> | <i>Lifetime ECL</i> | | <i>Total</i> |
| | <i>Stage 1</i> | <i>Stage 2</i> | <i>Stage 3</i> | |
| Pass | 1,697,200 | 1,563 | - | 1,698,763 |
| Special-mention | - | 26,874 | - | 26,874 |
| Substandard | - | - | 12,484 | 12,484 |
| Doubtful | - | - | 9,071 | 9,071 |
| Loss | - | - | 3,630 | 3,630 |
| Total | 1,697,200 | 28,437 | 25,185 | 1,750,822 |

| <i>The Bank</i> | | | | |
|-------------------------|-------------------------|---------------------|----------------|--------------|
| <i>31 December 2021</i> | | | | |
| | <i>12-month ECL</i> | <i>Lifetime ECL</i> | | <i>Total</i> |
| | <i>Stage 1</i> | <i>Stage 2</i> | <i>Stage 3</i> | |
| Pass | 1,578,534 | 3,000 | - | 1,581,534 |
| Special-mention | - | 21,622 | 1,057 | 22,679 |
| Substandard | - | - | 14,290 | 14,290 |
| Doubtful | - | - | 5,872 | 5,872 |
| Loss | - | - | 3,461 | 3,461 |
| Total | 1,578,534 | 24,622 | 24,680 | 1,627,836 |

(7) Financial investments

The table below shows the distribution of carrying amounts (excluding interest accrued) of bonds and other financial assets held by the Group as at 31 December 2022 and 31 December 2021, based on rating results from external agency:

| <i>The Group</i> | | | | |
|--|--|-----------------------------|-----------------------------------|-------------------------|
| <i>31 December 2022</i> | | | | |
| | <i>Financial assets held for trading</i> | <i>Debt investments</i> | <i>Other debt investments</i> | <i>Total</i> |
| Medium and long-term RMB bonds (with a repayment term of 1 year or above): | | | | |
| AAA | 12,838 | 22,114 | 16,488 | 51,440 |
| AA- to AA+ | 307 | 6,739 | 2,753 | 9,799 |
| BBB- | - | 128 | - | 128 |
| Not rated | | | | |
| – Government bonds | 3,287 | 262,762 | 56,725 | 322,774 |
| - Policy bank bonds | 7,453 | 78,360 | 28,067 | 113,880 |
| - Corporate bonds | 949 | 1,970 | - | 2,919 |
| - Other financial institutions | 73 | - | - | 73 |
| Sub-total | <u>24,907</u> | <u>372,073</u> | <u>104,033</u> | <u>501,013</u> |
| Short-term RMB bonds (with a repayment term within 1 year): | | | | |
| AAA | 21,324 | 11,131 | 29,812 | 62,267 |
| AA- to AA+ | - | 2,797 | 1,876 | 4,673 |
| C to CC | - | 299 | - | 299 |
| Not rated | | | | |
| – Government bonds | 13,747 | 25,426 | 23,220 | 62,393 |
| - Policy bank bonds | 3,960 | 8,280 | 1,501 | 13,741 |
| - Corporate bonds | 10,113 | 1,390 | - | 11,503 |
| Sub-total | <u>49,144</u> | <u>49,323</u> | <u>56,409</u> | <u>154,876</u> |
| Foreign currency bonds: | | | | |
| AAA | 339 | - | - | 339 |
| A+ | - | 830 | 244 | 1,074 |
| A | - | 479 | - | 479 |
| A- | - | 1,452 | - | 1,452 |
| BBB- to BBB+ | 320 | 16,967 | 183 | 17,470 |
| BB- to BB+ | - | 2,340 | - | 2,340 |
| C to CCC | - | 137 | - | 137 |
| Not rated | - | 23,195 | 967 | 24,162 |
| Sub-total | <u>659</u> | <u>45,400</u> | <u>1,394</u> | <u>47,453</u> |
| Other financial assets | <u>208,097</u> | <u>231,843</u> | <u>-</u> | <u>439,940</u> |
| Total | <u><u>282,807</u></u> | <u><u>698,639</u></u> | <u><u>161,836</u></u> | <u><u>1,143,282</u></u> |

| <i>The Group</i> | | | | |
|---|--|-----------------------------|-----------------------------------|--------------|
| <i>31 December 2021</i> | | | | |
| | <i>Financial assets held for trading</i> | <i>Debt investments</i> | <i>Other debt investments</i> | <i>Total</i> |
| Medium and long-term RMB bonds (with a repayment term of 1 year or above): | | | | |
| AAA | 6,160 | 45,952 | 33,959 | 86,071 |
| AA- to AA+ | 732 | 3,962 | 1,166 | 5,860 |
| Not rated | | | | |
| – Government bonds | 1,979 | 206,238 | 34,957 | 243,174 |
| - Policy bank bonds | 985 | 50,512 | 589 | 52,086 |
| - Corporate bonds | 74 | 2,082 | 24,082 | 26,238 |
| - Other financial institutions | 1,363 | - | - | 1,363 |
| Sub-total | 11,293 | 308,746 | 94,753 | 414,792 |
| Short-term RMB bonds (with a repayment term within 1 year): | | | | |
| AAA | 705 | 10,131 | 6,418 | 17,254 |
| AA- to AA+ | - | 1,090 | - | 1,090 |
| A-1 | - | - | 113 | 113 |
| BBB | - | 70 | - | 70 |
| C to CC | - | 299 | - | 299 |
| Not rated | | | | |
| – Government bonds | 7,818 | 37,855 | 23,549 | 69,222 |
| - Policy bank bonds | 538 | 6,237 | 4,958 | 11,733 |
| - Corporate bonds | 4,521 | 2,330 | 791 | 7,642 |
| - Other financial institutions | 4,305 | - | 9,721 | 14,026 |
| Sub-total | 17,887 | 58,012 | 45,550 | 121,449 |
| Foreign currency bonds: | | | | |
| A+ | 127 | 707 | - | 834 |
| A | - | 356 | - | 356 |
| A- | - | 671 | - | 671 |
| BBB- to BBB+ | - | 10,630 | 117 | 10,747 |
| BB- to BB+ | - | 2,252 | - | 2,252 |
| C to CCC | - | 126 | - | 126 |
| Not rated | 636 | 12,828 | - | 13,464 |
| Sub-total | 763 | 27,570 | 117 | 28,450 |
| Other financial assets | 155,131 | 282,355 | - | 437,486 |
| Total | 185,074 | 676,683 | 140,420 | 1,002,177 |

| <i>The Bank</i> | | | | |
|--|--|-----------------------------|-----------------------------------|-------------------------|
| <i>31 December 2022</i> | | | | |
| | <i>Financial assets held for trading</i> | <i>Debt investments</i> | <i>Other debt investments</i> | <i>Total</i> |
| Medium and long-term RMB bonds (with a repayment term of 1 year or above): | | | | |
| AAA | 12,838 | 22,114 | 16,488 | 51,440 |
| AA- to AA+ | 307 | 6,739 | 2,753 | 9,799 |
| BBB- | - | 128 | - | 128 |
| Not rated | | | | |
| – Government bonds | 3,287 | 262,524 | 56,725 | 322,536 |
| - Policy bank bonds | 7,453 | 78,360 | 28,067 | 113,880 |
| - Corporate bonds | 949 | 1,970 | - | 2,919 |
| - Other financial institutions | 73 | - | - | 73 |
| Sub-total | <u>24,907</u> | <u>371,835</u> | <u>104,033</u> | <u>500,775</u> |
| Short-term RMB bonds (with a repayment term within 1 year): | | | | |
| AAA | 21,324 | 11,131 | 29,812 | 62,267 |
| AA- to AA+ | - | 2,797 | 1,876 | 4,673 |
| C to CC | - | 299 | - | 299 |
| Not rated | | | | |
| – Government bonds | 13,747 | 25,276 | 23,220 | 62,243 |
| - Policy bank bonds | 3,960 | 8,280 | 1,501 | 13,741 |
| - Corporate bonds | 10,113 | 1,390 | - | 11,503 |
| Sub-total | <u>49,144</u> | <u>49,173</u> | <u>56,409</u> | <u>154,726</u> |
| Foreign currency bonds: | | | | |
| AAA | 339 | - | - | 339 |
| A+ | - | 830 | 244 | 1,074 |
| A | - | 479 | - | 479 |
| A- | - | 1,452 | - | 1,452 |
| BBB- to BBB+ | 320 | 16,967 | 183 | 17,470 |
| BB- to BB+ | - | 2,340 | - | 2,340 |
| C to CCC | - | 137 | - | 137 |
| Not rated | - | 23,195 | 967 | 24,162 |
| Sub-total | <u>659</u> | <u>45,400</u> | <u>1,394</u> | <u>47,453</u> |
| Other financial assets | <u>208,097</u> | <u>231,843</u> | <u>-</u> | <u>439,940</u> |
| Total | <u><u>282,807</u></u> | <u><u>698,251</u></u> | <u><u>161,836</u></u> | <u><u>1,142,894</u></u> |

| <i>The Bank</i> | | | | |
|---|--|-----------------------------|-----------------------------------|--------------|
| <i>31 December 2021</i> | | | | |
| | <i>Financial assets held for trading</i> | <i>Debt investments</i> | <i>Other debt investments</i> | <i>Total</i> |
| Medium and long-term RMB bonds (with a repayment term of 1 year or above): | | | | |
| AAA | 6,160 | 45,952 | 33,959 | 86,071 |
| AA- to AA+ | 732 | 3,962 | 1,166 | 5,860 |
| Not rated | | | | |
| – Government bonds | 1,971 | 206,238 | 34,957 | 243,166 |
| - Policy bank bonds | 754 | 50,512 | 589 | 51,855 |
| - Corporate bonds | 74 | 2,082 | 24,082 | 26,238 |
| - Other financial institutions | 1,363 | - | - | 1,363 |
| Sub-total | 11,054 | 308,746 | 94,753 | 414,553 |
| Short-term RMB bonds (with a repayment term within 1 year): | | | | |
| AAA | 705 | 10,131 | 6,418 | 17,254 |
| AA- to AA+ | - | 1,090 | - | 1,090 |
| A-1 | - | - | 113 | 113 |
| BBB | - | 70 | - | 70 |
| C to CC | - | 299 | - | 299 |
| Not rated | | | | |
| – Government bonds | 7,818 | 37,855 | 23,549 | 69,222 |
| - Policy bank bonds | 538 | 6,237 | 4,958 | 11,733 |
| - Corporate bonds | 4,521 | 2,330 | 791 | 7,642 |
| - Other financial institutions | 4,305 | - | 9,721 | 14,026 |
| Sub-total | 17,887 | 58,012 | 45,550 | 121,449 |
| Foreign currency bonds: | | | | |
| A+ | 127 | 707 | - | 834 |
| A | - | 356 | - | 356 |
| A- | - | 671 | - | 671 |
| BBB- to BBB+ | - | 10,630 | 117 | 10,747 |
| BB- to BB+ | - | 2,252 | - | 2,252 |
| C to CCC | - | 126 | - | 126 |
| Not rated | 636 | 12,828 | - | 13,464 |
| Sub-total | 763 | 27,570 | 117 | 28,450 |
| Other financial assets | 155,131 | 282,355 | - | 437,486 |
| Total | 184,835 | 676,683 | 140,420 | 1,001,938 |

Bonds investments (excluding interest accrued) analysed by external credit rating and stage are as follows:

| The Group | | | | |
|------------------|-----------------|--------------|---------|---------|
| 31 December 2022 | | | | |
| | 12-month ECL | Lifetime ECL | | Total |
| | Stage 1 | Stage 2 | Stage 3 | |
| Not rated | 509,663 | 207 | 1,993 | 511,863 |
| A and above | 94,672 | 451 | 140 | 95,263 |
| Below A | 21,069 | - | 437 | 21,506 |
| Total | 625,404 | 658 | 2,570 | 628,632 |

| The Group | | | | |
|------------------|-----------------|--------------|---------|---------|
| 31 December 2021 | | | | |
| | 12-month ECL | Lifetime ECL | | Total |
| | Stage 1 | Stage 2 | Stage 3 | |
| Not rated | 414,563 | 706 | 1,460 | 416,729 |
| A and above | 103,301 | 553 | - | 103,854 |
| Below A | 13,670 | 126 | 369 | 14,165 |
| Total | 531,534 | 1,385 | 1,829 | 534,748 |

| The Bank | | | | |
|------------------|-----------------|--------------|---------|---------|
| 31 December 2022 | | | | |
| | 12-month ECL | Lifetime ECL | | Total |
| | Stage 1 | Stage 2 | Stage 3 | |
| Not rated | 509,275 | 207 | 1,993 | 511,475 |
| A and above | 94,672 | 451 | 140 | 95,263 |
| Below A | 21,069 | - | 437 | 21,506 |
| Total | 625,016 | 658 | 2,570 | 628,244 |

| The Bank | | | | |
|------------------|-----------------|--------------|---------|---------|
| 31 December 2021 | | | | |
| | 12-month ECL | Lifetime ECL | | Total |
| | Stage 1 | Stage 2 | Stage 3 | |
| Not rated | 414,563 | 706 | 1,460 | 416,729 |
| A and above | 103,301 | 553 | - | 103,854 |
| Below A | 13,670 | 126 | 369 | 14,165 |
| Total | 531,534 | 1,385 | 1,829 | 534,748 |

As at 31 December 2022 and 31 December 2021, the above bonds investments excluded financial assets held for trading.

Other financial assets (excluding interest accrued) analysed by five-tier classification and stage are as follows:

| The Group and the Bank | | | | |
|------------------------|-----------------|--------------|---------|---------|
| 31 December 2022 | | | | |
| | 12-month ECL | Lifetime ECL | | Total |
| | Stage 1 | Stage 2 | Stage 3 | |
| Pass | 184,616 | - | - | 184,616 |
| Special-mention | - | 5,739 | - | 5,739 |
| Substandard | - | - | 21,108 | 21,108 |
| Doubtful | - | - | 16,303 | 16,303 |
| Loss | - | - | 4,077 | 4,077 |
| Total | 184,616 | 5,739 | 41,488 | 231,843 |

| The Group and the Bank | | | | |
|------------------------|-----------------|--------------|---------|---------|
| 31 December 2021 | | | | |
| | 12-month ECL | Lifetime ECL | | Total |
| | Stage 1 | Stage 2 | Stage 3 | |
| Pass | 229,618 | - | - | 229,618 |
| Special-mention | - | 9,878 | - | 9,878 |
| Substandard | - | - | 20,509 | 20,509 |
| Doubtful | - | - | 16,533 | 16,533 |
| Loss | - | - | 5,817 | 5,817 |
| Total | 229,618 | 9,878 | 42,859 | 282,355 |

As at 31 December 2022 and 31 December 2021, the above other financial assets excluded financial assets held for trading.

(8) Foreclosed assets

The types and carrying amounts of foreclosed assets held by the Group are as follows:

| | The Group | | The Bank | |
|--------------------|------------------------|------------------------|------------------------|------------------------|
| | 31 December 2022 | 31 December 2021 | 31 December 2022 | 31 December 2021 |
| Plant & buildings | 203 | 198 | 197 | 198 |
| Documents of title | - | 33 | - | 33 |

Foreclosed assets will be sold immediately upon the satisfaction of certain conditions after the balance sheet date. Foreclosed assets are presented under other assets in the balance sheet.

(9) Concentration risk analysis for financial assets with credit risk exposure

Concentration analysis by geography

As at 31 December 2022 and 31 December 2021, financial assets, financial guarantees, and related credit commitments held by the Group were mainly concentrated in Chinese Mainland. Concentration analysis of loans and advances to customers by location of issuing branch is disclosed in Note VII. 6.

Concentration analysis by industry

As at 31 December 2022 and 31 December 2021, financial assets held by the Group mainly represented loans and advances to customers, investments in securities (including financial assets held for trading, debt investments, other debt investments, other investments in equity instruments) and financial assets purchased under resale agreements. Concentration analysis of loans and advances to customers by industry is disclosed in Note VII. 6.

3 Market risk

Market risk is the risk of loss of the on-balance and off-balance sheet businesses due to adverse changes in market prices (interest rates and foreign exchange rates).

The Group classifies its operations into trading accounts and bank accounts. Trading accounts include freely tradable positions in financial instruments and commodities that are held for trading purposes and for avoiding market risks in trading accounts. Trading accounts are designed to obtain profits from short-term price fluctuations. Bank accounts represent assets and liabilities other than trading accounts (including investment accounts resulting from the Group's use of surplus funds to purchase financial instruments). The Risk Management Headquarters performs risk identification, measurement and monitoring functions for trading accounts and investment bank accounts. The Planning and Finance Department performs the risk identification, measurement and monitoring functions for other bank accounts.

(1) Market risk measurement techniques

The Group currently has established a limit structure system including regulatory limits, position limits, risk limits and stop loss limits to implement the identification, monitoring and control on market risks. The Group's trading accounts are based on market conditions and technical conditions, using the value-at-risk method under normal market conditions. The Group performs stress tests market risk by making scenario assumptions about extreme adverse scenarios in which the market may change significantly.

The Group currently assesses the interest rate and exchange rate risks to which its bank accounts are exposed through sensitivity analysis by periodically calculating the difference between interest-earning assets and interest-bearing liabilities that mature or need to be repriced within a certain period (the gap), and using the gap data to perform sensitivity analysis under changes in benchmark interest rates, market interest rates and exchange rates to provide guidance for the Group in adjusting the repricing term structure of interest-earning assets and interest-bearing liabilities. The Group has established a reporting system for the sensitivity analysis, regularly summarises the results of sensitivity analysis and submits these results to the Asset and Liability Committee and the Risk Management Committee for review.

(2) Foreign currency risk

Most of the Group's business is in RMB, with a few of businesses in USD, HKD and other foreign currencies.

The Group's financial position and cash flows are affected by changes in exchange rates. The impact of foreign currency risk on the Group is not significant due to the low volume of the Group's foreign currency operations. The Group's main principle in controlling foreign currency risk is to match assets and liabilities against currencies to the extent possible and to monitor currency exposures on a daily basis.

The following table summarises the distribution of foreign currency exposures for each of the Group's financial assets and financial liabilities, with the carrying amounts of each original currency asset, liability, financial guarantee and related credit commitment translated into RMB.

| | The Group | | | | |
|---|------------------|----------------------------|----------------------------|--|-------------|
| | 31 December 2022 | | | | |
| | RMB | USD (RMB equivalent) | HKD (RMB equivalent) | Other currencies (RMB equivalent) | Total |
| Financial assets | | | | | |
| Cash and deposits with the central bank | 159,999 | 3,556 | 51 | 39 | 163,645 |
| Deposits and placements with banks and other financial institutions | 19,028 | 1,704 | 104 | 474 | 21,310 |
| Lendings to banks and other financial institutions | 148,605 | 11,369 | - | 2,137 | 162,111 |
| Derivative financial assets | 251 | 208 | - | 254 | 713 |
| Financial assets purchased under resale agreements | 74,572 | - | - | - | 74,572 |
| Loans and advances to customers | 1,734,784 | 13,847 | 213 | 263 | 1,749,107 |
| Financial investments: | | | | | |
| Financial assets held for trading | 287,045 | 659 | - | - | 287,704 |
| Debt investments | 630,384 | 41,572 | 416 | 2,776 | 675,148 |
| Other debt investments | 162,136 | 1,403 | - | - | 163,539 |
| Investments in other equity instruments | 845 | 5 | - | - | 850 |
| Other financial assets | 23,599 | - | - | - | 23,599 |
| Total financial assets | 3,241,248 | 74,323 | 784 | 5,943 | 3,322,298 |
| Financial liabilities | | | | | |
| Borrowings from the central bank | (125,429) | - | - | - | (125,429) |
| Deposits and placements from banks and other financial institutions | (384,135) | (477) | - | - | (384,612) |
| Loans from banks and other financial institutions | (36,669) | (37,128) | - | (111) | (73,908) |
| Derivative financial liabilities | (310) | (9) | - | (78) | (397) |
| Financial assets sold under repurchase agreements | (83,222) | - | - | - | (83,222) |
| Deposits from customers | (1,900,702) | (29,699) | (7,069) | (7,550) | (1,945,020) |
| Debentures payable | (404,053) | - | - | - | (404,053) |
| Lease liabilities | (5,351) | - | - | - | (5,351) |
| Other financial liabilities | (43,210) | (210) | (2) | (42) | (43,464) |
| Total financial liabilities | (2,983,081) | (67,523) | (7,071) | (7,781) | (3,065,456) |
| Net balance sheet position | 258,167 | 6,800 | (6,287) | (1,838) | 256,842 |
| Off-balance sheet credit commitments | 444,117 | 7,572 | - | 3,685 | 455,374 |

| <i>The Group</i> | | | | | |
|---|--------------------|-------------------------------------|-------------------------------------|--|--------------------|
| <i>31 December 2021</i> | | | | | |
| | <i>RMB</i> | <i>USD (RMB equivalent)</i> | <i>HKD (RMB equivalent)</i> | <i>Other currencies (RMB equivalent)</i> | <i>Total</i> |
| Financial assets | | | | | |
| Cash and deposits with the central bank | 157,118 | 5,525 | 125 | 42 | 162,810 |
| Deposits and placements with banks and other financial institutions | 5,091 | 1,822 | 86 | 322 | 7,321 |
| Lendings to banks and other financial institutions | 133,862 | 22,740 | 41 | 540 | 157,183 |
| Derivative financial assets | 142 | 39 | - | 30 | 211 |
| Financial assets purchased under resale agreements | 42,691 | - | - | - | 42,691 |
| Loans and advances to customers | 1,602,499 | 25,263 | - | 59 | 1,627,821 |
| Financial investments: | | | | | |
| Financial assets held for trading | 189,349 | 762 | - | - | 190,111 |
| Debt investments | 622,919 | 31,214 | 98 | 543 | 654,774 |
| Other debt investments | 142,055 | 118 | - | - | 142,173 |
| Investments in other equity instruments | 841 | 5 | - | - | 846 |
| Other financial assets | 11,300 | - | - | - | 11,300 |
| Total financial assets | <u>2,907,867</u> | <u>87,488</u> | <u>350</u> | <u>1,536</u> | <u>2,997,241</u> |
| Financial liabilities | | | | | |
| Borrowings from the central bank | (127,579) | - | - | - | (127,579) |
| Deposits and placements from banks and other financial institutions | (367,773) | (1,346) | - | - | (369,119) |
| Loans from banks and other financial institutions | (26,652) | (27,265) | - | (308) | (54,225) |
| Derivative financial liabilities | (145) | (37) | - | (47) | (229) |
| Financial assets sold under repurchase agreements | (43,674) | - | - | - | (43,674) |
| Deposits from customers | (1,661,601) | (58,923) | (1,283) | (2,030) | (1,723,837) |
| Debentures payable | (384,003) | - | - | - | (384,003) |
| Lease liabilities | (4,979) | - | - | - | (4,979) |
| Other financial liabilities | (38,846) | (391) | (3) | (52) | (39,292) |
| Total financial liabilities | <u>(2,655,252)</u> | <u>(87,962)</u> | <u>(1,286)</u> | <u>(2,437)</u> | <u>(2,746,937)</u> |
| Net balance sheet position | <u>252,615</u> | <u>(474)</u> | <u>(936)</u> | <u>(901)</u> | <u>250,304</u> |
| Off-balance sheet credit commitments | <u>331,314</u> | <u>18,952</u> | <u>359</u> | <u>5,477</u> | <u>356,102</u> |

| The Bank | | | | | |
|---|-------------|----------------------------|----------------------------|--|-------------|
| 31 December 2022 | | | | | |
| | RMB | USD (RMB equivalent) | HKD (RMB equivalent) | Other currencies (RMB equivalent) | Total |
| Financial assets | | | | | |
| Cash and deposits with the central bank | 159,410 | 3,554 | 51 | 39 | 163,054 |
| Deposits and placements with banks and other financial institutions | 18,153 | 1,704 | 104 | 474 | 20,435 |
| Lendings to banks and other financial institutions | 151,605 | 11,369 | - | 2,137 | 165,111 |
| Derivative financial assets | 251 | 208 | - | 254 | 713 |
| Financial assets purchased under resale agreements | 74,572 | - | - | - | 74,572 |
| Loans and advances to customers | 1,690,513 | 13,847 | 213 | 262 | 1,704,835 |
| Financial investments: | | | | | |
| Financial assets held for trading | 286,958 | 659 | - | - | 287,617 |
| Debt investments | 629,992 | 41,572 | 416 | 2,776 | 674,756 |
| Other debt investments | 162,136 | 1,403 | - | - | 163,539 |
| Investments in other equity instruments | 845 | 5 | - | - | 850 |
| Other financial assets | 23,496 | - | - | - | 23,496 |
| Total financial assets | 3,197,931 | 74,321 | 784 | 5,942 | 3,278,978 |
| Financial liabilities | | | | | |
| Borrowings from the central bank | (125,381) | - | - | - | (125,381) |
| Deposits and placements with banks and other financial institutions | (386,887) | (477) | - | - | (387,364) |
| Loans from banks and other financial institutions | (39,834) | (37,128) | - | (111) | (77,073) |
| Derivative financial liabilities | (310) | (9) | (1) | (77) | (397) |
| Financial assets sold under repurchase agreements | (83,222) | - | - | - | (83,222) |
| Deposits from customers | (1,894,902) | (29,699) | (7,069) | (7,532) | (1,939,202) |
| Debentures payable | (402,834) | - | - | - | (402,834) |
| Lease liabilities | (5,067) | - | - | - | (5,067) |
| Other financial liabilities | (8,752) | (210) | (2) | (41) | (9,005) |
| Total financial liabilities | (2,947,189) | (67,523) | (7,072) | (7,761) | (3,029,545) |
| Net balance sheet position | 250,742 | 6,798 | (6,288) | (1,819) | 249,433 |
| Off-balance sheet credit commitments | 444,117 | 7,572 | - | 3,685 | 455,374 |

| <i>The Bank</i> | | | | | |
|---|--------------------|-------------------------------------|-------------------------------------|--|--------------------|
| <i>31 December 2021</i> | | | | | |
| | <i>RMB</i> | <i>USD (RMB equivalent)</i> | <i>HKD (RMB equivalent)</i> | <i>Other currencies (RMB equivalent)</i> | <i>Total</i> |
| Financial assets | | | | | |
| Cash and deposits with the central bank | 156,606 | 5,522 | 125 | 42 | 162,295 |
| Deposits and placements with banks and other financial institutions | 4,892 | 1,810 | 86 | 298 | 7,086 |
| Lendings to banks and other financial institutions | 135,977 | 22,740 | 41 | 540 | 159,298 |
| Derivative financial assets | 142 | 39 | - | 30 | 211 |
| Financial assets purchased under resale agreements | 42,691 | - | - | - | 42,691 |
| Loans and advances to customers | 1,558,719 | 25,263 | - | 59 | 1,584,041 |
| Financial investments: | | | | | |
| Financial assets held for trading | 188,985 | 762 | - | - | 189,747 |
| Debt investments | 622,919 | 31,214 | 98 | 543 | 654,774 |
| Other debt investments | 142,055 | 118 | - | - | 142,173 |
| Investments in other equity instruments | 841 | 5 | - | - | 846 |
| Other financial assets | 11,093 | - | - | - | 11,093 |
| Total financial assets | <u>2,864,920</u> | <u>87,473</u> | <u>350</u> | <u>1,512</u> | <u>2,954,255</u> |
| Financial liabilities | | | | | |
| Borrowings from the central bank | (127,510) | - | - | - | (127,510) |
| Deposits and placements from banks and other financial institutions | (369,282) | (1,346) | - | - | (370,628) |
| Loans from banks and other financial institutions | (25,010) | (27,265) | - | (308) | (52,583) |
| Derivative financial liabilities | (145) | (37) | - | (47) | (229) |
| Financial assets sold under repurchase agreements | (43,674) | - | - | - | (43,674) |
| Deposits from customers | (1,656,683) | (58,922) | (1,283) | (2,005) | (1,718,893) |
| Debentures payable | (382,784) | - | - | - | (382,784) |
| Lease liabilities | (4,753) | - | - | - | (4,753) |
| Other financial liabilities | (7,407) | (376) | (3) | (48) | (7,834) |
| Total financial liabilities | <u>(2,617,248)</u> | <u>(87,946)</u> | <u>(1,286)</u> | <u>(2,408)</u> | <u>(2,708,888)</u> |
| Net balance sheet position | <u>247,672</u> | <u>(473)</u> | <u>(936)</u> | <u>(896)</u> | <u>245,367</u> |
| Off-balance sheet credit commitments | <u>331,314</u> | <u>18,952</u> | <u>359</u> | <u>5,477</u> | <u>356,102</u> |

(3) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to the changes in market interest rates. The Group's interest rate risk exposure is exposed to fair value and cash flow interest rate risk arising from changes in RMB interest rates in the market.

Due to fluctuations in market interest rates, the Group's spreads may increase or decrease due to unanticipated changes. The Group operates primarily in mainland China under the interest rate system managed by the central bank. Based on historical experience, the central bank generally adjusts the benchmark interest rates for interest-bearing loans and interest-bearing deposits in the same direction (but not necessarily by the same amount), so the Bank controls interest rate risk mainly by controlling the maturity profile of loans and deposits.

The Group closely monitors the trend of local and foreign currency interest rates, keeps abreast of changes in market interest rates as well as adjusts local and foreign currency deposit and loan rates as appropriate to prevent interest rate risks.

The following table summarises the Group's risk exposure for interest rate risks. Financial assets and financial liabilities are classified at the earlier of contract repricing date and maturity date and are stated at carrying amount.

| | <i>The Group</i> | | | | | | |
|---|-------------------------|---|--|---|--------------------------|-----------------------------|------------------|
| | <i>31 December 2022</i> | | | | | | |
| | <i>Within 1 month</i> | <i>More than 1 month but less than 3 months</i> | <i>More than 3 months but less than 1 year</i> | <i>More than 1 year but less than 5 years</i> | <i>More than 5 years</i> | <i>Non-interest-bearing</i> | <i>Total</i> |
| Cash and deposits with the central bank | 156,797 | - | - | - | - | 6,848 | 163,645 |
| Deposits and placements with banks and other financial institutions | 16,384 | 3,450 | 115 | - | - | 1,361 | 21,310 |
| Lendings to banks and other financial institutions | 17,223 | 41,583 | 94,041 | 7,430 | - | 1,834 | 162,111 |
| Derivative financial assets | - | - | - | - | - | 713 | 713 |
| Financial assets purchased under resale agreements | 74,541 | - | - | - | - | 31 | 74,572 |
| Loans and advances to customers | 713,802 | 138,065 | 657,782 | 174,772 | 55,265 | 9,421 | 1,749,107 |
| Financial investments: | | | | | | | |
| Financial assets held for trading | 5,898 | 10,119 | 50,771 | 12,935 | 15,266 | 192,715 | 287,704 |
| Debt investments | 19,426 | 36,003 | 97,378 | 303,404 | 198,638 | 20,299 | 675,148 |
| Other debt investments | 6,178 | 9,591 | 40,911 | 66,447 | 38,708 | 1,704 | 163,539 |
| Investments in other equity instruments | - | - | - | - | - | 850 | 850 |
| Other financial assets | - | - | - | - | - | 23,599 | 23,599 |
| Total financial assets | <u>1,010,249</u> | <u>238,811</u> | <u>940,998</u> | <u>564,988</u> | <u>307,877</u> | <u>259,375</u> | <u>3,322,298</u> |

| | The Group | | | | | | |
|---|------------------|--|---|--|-------------------|----------------------|-------------|
| | 31 December 2022 | | | | | | |
| | Within 1 month | More than 1 month but less than 3 months | More than 3 months but less than 1 year | More than 1 year but less than 5 years | More than 5 years | Non-interest-bearing | Total |
| Borrowings from the central bank | (10,000) | (10,038) | (103,954) | - | - | (1,437) | (125,429) |
| Deposits and placements from banks and other financial institutions | (280,181) | (47,582) | (55,510) | - | - | (1,339) | (384,612) |
| Loans from banks and other financial institutions | (26,094) | (18,650) | (21,025) | (7,900) | - | (239) | (73,908) |
| Derivative financial liabilities | - | - | - | - | - | (397) | (397) |
| Financial assets sold under repurchase agreements | (73,989) | (4,925) | (4,281) | - | - | (27) | (83,222) |
| Deposits from customers | (1,010,104) | (108,913) | (483,108) | (311,232) | - | (31,663) | (1,945,020) |
| Debentures payable | (19,810) | (104,982) | (214,147) | (63,000) | - | (2,114) | (404,053) |
| Lease liabilities | - | (368) | (1,100) | (2,906) | (977) | - | (5,351) |
| Other financial liabilities | (3,315) | (8,400) | (16,783) | (3,761) | (424) | (10,781) | (43,464) |
| Total financial liabilities | (1,423,493) | (303,858) | (899,908) | (388,799) | (1,401) | (47,997) | (3,065,456) |
| Total interest rate sensitivity gap | (413,244) | (65,047) | 41,090 | 176,189 | 306,476 | 211,378 | 256,842 |

| | The Group | | | | | | |
|---|------------------|--|---|--|-------------------|----------------------|-----------|
| | 31 December 2021 | | | | | | |
| | Within 1 month | More than 1 month but less than 3 months | More than 3 months but less than 1 year | More than 1 year but less than 5 years | More than 5 years | Non-interest-bearing | Total |
| Cash and deposits with the central bank | 153,720 | - | - | - | - | 9,090 | 162,810 |
| Deposits and placements with banks and other financial institutions | 5,492 | 15 | - | - | - | 1,814 | 7,321 |
| Lendings to banks and other financial institutions | 52,706 | 36,982 | 64,954 | 696 | - | 1,845 | 157,183 |
| Derivative financial assets | - | - | - | - | - | 211 | 211 |
| Financial assets purchased under resale agreements | 42,673 | - | - | - | - | 18 | 42,691 |
| Loans and advances to customers | 749,969 | 133,763 | 513,157 | 158,344 | 55,217 | 17,371 | 1,627,821 |
| Financial investments: | | | | | | | |
| Financial assets held for trading | 4,877 | 5,723 | 19,018 | 11,426 | 5,970 | 143,097 | 190,111 |
| Debt investments | 17,892 | 26,889 | 90,406 | 296,229 | 192,719 | 30,639 | 654,774 |
| Other debt investments | 10,553 | 8,134 | 26,980 | 62,664 | 32,089 | 1,753 | 142,173 |
| Investments in other equity instruments | - | - | - | - | - | 846 | 846 |
| Other financial assets | - | - | - | - | - | 11,300 | 11,300 |
| Total financial assets | 1,037,882 | 211,506 | 714,515 | 529,359 | 285,995 | 217,984 | 2,997,241 |

| | The Group | | | | | | |
|---|------------------|--|---|--|-------------------|----------------------|-------------|
| | 31 December 2021 | | | | | | |
| | Within 1 month | More than 1 month but less than 3 months | More than 3 months but less than 1 year | More than 1 year but less than 5 years | More than 5 years | Non-interest-bearing | Total |
| Borrowings from the central bank | (9,723) | (4,538) | (112,015) | - | - | (1,303) | (127,579) |
| Deposits and placements from banks and other financial institutions | (167,232) | (47,939) | (150,234) | - | - | (3,714) | (369,119) |
| Loans from banks and other financial institutions | (11,027) | (7,843) | (19,459) | (15,880) | - | (16) | (54,225) |
| Derivative financial liabilities | - | - | - | - | - | (229) | (229) |
| Financial assets sold under repurchase agreements | (40,356) | (2,259) | (1,056) | - | - | (3) | (43,674) |
| Deposits from customers | (892,362) | (147,534) | (344,567) | (314,430) | - | (24,944) | (1,723,837) |
| Debentures payable | (21,247) | (59,522) | (240,487) | (61,200) | - | (1,547) | (384,003) |
| Lease liabilities | - | (365) | (885) | (2,686) | (1,043) | - | (4,979) |
| Other financial liabilities | (534) | (5,690) | (21,061) | (1,022) | (797) | (10,188) | (39,292) |
| Total financial liabilities | (1,142,481) | (275,690) | (889,764) | (395,218) | (1,840) | (41,944) | (2,746,937) |
| Total interest rate sensitivity gap | (104,599) | (64,184) | (175,249) | 134,141 | 284,155 | 176,040 | 250,304 |

| | The Bank | | | | | | |
|---|------------------|--|---|--|-------------------|----------------------|-----------|
| | 31 December 2022 | | | | | | |
| | Within 1 month | More than 1 month but less than 3 months | More than 3 months but less than 1 year | More than 1 year but less than 5 years | More than 5 years | Non-interest-bearing | Total |
| Cash and deposits with the central bank | 156,333 | - | - | - | - | 6,721 | 163,054 |
| Deposits and placements with banks and other financial institutions | 15,505 | 3,450 | 115 | - | - | 1,365 | 20,435 |
| Lendings to banks and other financial institutions | 20,223 | 41,583 | 94,041 | 7,430 | - | 1,834 | 165,111 |
| Derivative financial assets | - | - | - | - | - | 713 | 713 |
| Financial assets purchased under resale agreements | 74,541 | - | - | - | - | 31 | 74,572 |
| Loans and advances to customers | 685,662 | 137,465 | 652,443 | 168,504 | 51,486 | 9,275 | 1,704,835 |
| Financial investments: | | | | | | | |
| Financial assets held for trading | 5,898 | 10,119 | 50,771 | 12,935 | 15,266 | 192,628 | 287,617 |
| Debt investments | 19,426 | 36,003 | 97,228 | 303,214 | 198,590 | 20,295 | 674,756 |
| Other debt investments | 6,178 | 9,591 | 40,911 | 66,447 | 38,708 | 1,704 | 163,539 |
| Investments in other equity instruments | - | - | - | - | - | 850 | 850 |
| Other financial assets | - | - | - | - | - | 23,496 | 23,496 |
| Total financial assets | 983,766 | 238,211 | 935,509 | 558,530 | 304,050 | 258,912 | 3,278,978 |

| | The Bank | | | | | | |
|---|------------------|--|---|--|-------------------|----------------------|-------------|
| | 31 December 2022 | | | | | | |
| | Within 1 month | More than 1 month but less than 3 months | More than 3 months but less than 1 year | More than 1 year but less than 5 years | More than 5 years | Non-interest-bearing | Total |
| Borrowings from the central bank | (10,000) | (10,038) | (103,920) | - | - | (1,423) | (125,381) |
| Deposits and placements from banks and other financial institutions | (282,926) | (47,582) | (55,510) | - | - | (1,346) | (387,364) |
| Loans from banks and other financial institutions | (29,259) | (18,650) | (21,025) | (7,900) | - | (239) | (77,073) |
| Derivative financial liabilities | - | - | - | - | - | (397) | (397) |
| Financial assets sold under repurchase agreements | (73,989) | (4,925) | (4,281) | - | - | (27) | (83,222) |
| Deposits from customers | (1,007,758) | (108,690) | (482,374) | (308,866) | - | (31,514) | (1,939,202) |
| Debentures payable | (19,810) | (104,982) | (212,947) | (63,000) | - | (2,095) | (402,834) |
| Lease liabilities | - | (368) | (931) | (2,793) | (975) | - | (5,067) |
| Other financial liabilities | - | - | - | - | - | (9,005) | (9,005) |
| Total financial liabilities | (1,423,742) | (295,235) | (880,988) | (382,559) | (975) | (46,046) | (3,029,545) |
| Total interest rate sensitivity gap | (439,976) | (57,024) | 54,521 | 175,971 | 303,075 | 212,866 | 249,433 |

| | The Bank | | | | | | |
|---|------------------|--|---|--|-------------------|----------------------|-----------|
| | 31 December 2021 | | | | | | |
| | Within 1 month | More than 1 month but less than 3 months | More than 3 months but less than 1 year | More than 1 year but less than 5 years | More than 5 years | Non-interest-bearing | Total |
| Cash and deposits with the central bank | 153,237 | - | - | - | - | 9,058 | 162,295 |
| Deposits and placements with banks and other financial institutions | 5,182 | 57 | 35 | - | - | 1,812 | 7,086 |
| Lendings to banks and other financial institutions | 53,299 | 38,468 | 64,954 | 696 | - | 1,881 | 159,298 |
| Derivative financial assets | - | - | - | - | - | 211 | 211 |
| Financial assets purchased under resale agreements | 42,673 | - | - | - | - | 18 | 42,691 |
| Loans and advances to customers | 749,133 | 131,788 | 505,858 | 137,699 | 42,380 | 17,183 | 1,584,041 |
| Financial investments: | | | | | | | |
| Financial assets held for trading | 4,877 | 5,723 | 19,018 | 11,426 | 5,731 | 142,972 | 189,747 |
| Debt investments | 17,892 | 26,889 | 90,406 | 296,229 | 192,719 | 30,639 | 654,774 |
| Other debt investments | 10,553 | 8,134 | 26,980 | 62,664 | 32,089 | 1,753 | 142,173 |
| Investments in other equity instruments | - | - | - | - | - | 846 | 846 |
| Other financial assets | - | - | - | - | - | 11,093 | 11,093 |
| Total financial assets | 1,036,846 | 211,059 | 707,251 | 508,714 | 272,919 | 217,466 | 2,954,255 |

| | The Bank | | | | | | |
|---|------------------|--|---|--|-------------------|----------------------|-------------|
| | 31 December 2021 | | | | | | |
| | Within 1 month | More than 1 month but less than 3 months | More than 3 months but less than 1 year | More than 1 year but less than 5 years | More than 5 years | Non-interest-bearing | Total |
| Borrowings from the central bank | (9,700) | (4,531) | (111,976) | - | - | (1,303) | (127,510) |
| Deposits and placements from banks and other financial institutions | (168,777) | (47,899) | (150,234) | - | - | (3,718) | (370,628) |
| Loans from banks and other financial institutions | (9,587) | (7,643) | (19,459) | (15,880) | - | (14) | (52,583) |
| Derivative financial liabilities | - | - | - | - | - | (229) | (229) |
| Financial assets sold under repurchase agreements | (40,356) | (2,259) | (1,056) | - | - | (3) | (43,674) |
| Deposits from customers | (890,800) | (147,291) | (343,803) | (312,132) | - | (24,867) | (1,718,893) |
| Debentures payable | (21,247) | (59,522) | (240,487) | (60,000) | - | (1,528) | (382,784) |
| Lease liabilities | - | (365) | (864) | (2,650) | (874) | - | (4,753) |
| Other financial liabilities | - | - | - | - | - | (7,834) | (7,834) |
| Total financial liabilities | (1,140,467) | (269,510) | (867,879) | (390,662) | (874) | (39,496) | (2,708,888) |
| Total interest rate sensitivity gap | (103,621) | (58,451) | (160,628) | 118,052 | 272,045 | 177,970 | 245,367 |

Based on the above interest rate risk gap analysis, the potential impact on the Group's net interest income assuming a parallel shift of 25 basis points in each currency yield curve is analysed as follows:

Net interest income

| | <i>The Group</i> | | <i>The Bank</i> | |
|---|------------------------|------------------------|------------------------|------------------------|
| | 31 December 2022 | 31 December 2021 | 31 December 2022 | 31 December 2021 |
| 25 basis points increase in the benchmark interest rate curve | (1,087) | (549) | (1,122) | (521) |
| 25 basis points decrease in the benchmark interest rate curve | 1,087 | 549 | 1,122 | 521 |

In performing the above interest rate sensitivity tests, the Group made general assumptions with respect to business conditions and financial parameters, but did not consider the following matters:

- (i) Changes in operations subsequent to the balance sheet date, the above analysis is based on static gaps at the balance sheet date only;
- (ii) Effect of changes in interest rate on customer behaviours;
- (iii) The complex relationship between complex structured products and changes in interest rate;
- (iv) Effect of changes in interest rate on off-balance sheet products;
- (v) The frequency and range of changes in interest rates of demand deposit are lower than the characteristics of other products.

4 Liquidity risk

The liquidity risk is the risk of not being able to fully meet payment obligations due to the mismatch cash flows of assets and liabilities. The Group is exposed to various types of daily cash drawdown requirements, including call deposits, overnight borrowings, demand deposits, maturing time deposits, debentures payable, customer loan drawdowns, guarantees and other payment requirements for cash-settled derivative financial instruments. Based on historical experience, a significant portion of the maturing deposits are not withdrawn immediately at maturity but remain with the Group. However, at the same time, to ensure that the Group can respond to unpredictable funding requirements, the Group has established a minimum funding stock standard and a minimum amount of interbank borrowing and other borrowed funds to be maintained to meet various types of withdrawal requirements.

On 31 December 2022, the Bank is required to deposit 7.5% of its RMB deposits and 6% of its foreign currency deposits with the central bank as legal reserves. The Group's subsidiaries also deposit the legal reserves with the central bank in accordance with the deposit ratio set by the People's Bank of China (PBOC).

Maintaining the matching of asset and liability maturity structures and effectively controlling matching differences are significantly important to the management of the Group. Due to the uncertain maturity and different categories of banking operations, banks are rarely able to maintain an exact match between assets and liabilities. Unmatched positions may increase returns, but they also increase the liquidity risk.

(1) Liquidity risk management

The matching of the maturity structure of assets and liabilities as well as the Group's ability to replace interest-bearing liabilities when due at an acceptable cost are both important factors in evaluating the Group's liquidity risk.

The Group provides guarantees and issues spare letters of credit based on the credit level of the customers and the deposits made. Customers usually do not use the full amount committed under the guarantees provided or spare letters of credit issued by the Group, so the funds required for the Group to provide guarantees and issue spare letters of credit will generally be lower than the amounts of other commitments made by the Group. Meanwhile, many credit commitments may not need to be actually fulfilled due to expiration or termination, so the contractual amount of the credit commitments does not represent the necessary future funding requirements.

The Group's Asset-Liability Committee sets liquidity management strategies and policies. The Group's Asset and Liability Department is responsible for the daily liquidity management as well as the continuous monitoring and analysis of liquidity indicators.

The Group has adopted a series of liquidity indicators to evaluate and monitor the Group's liquidity risk and has established a daily, monthly and quarterly reporting mechanism on liquidity risk to ensure that the Group's risk Management Committee, Asset-Liability Committee and senior management to keep abreast of the liquidity indicators in a timely manner. The Group performs stress tests on the liquidity risk by making scenario assumptions about extreme adverse scenarios in which the market may change significantly.

(2) Financing channels

The Group monitors the level of decentralisation and diversification of the Group's financing from four aspects: types of creditors, products and instruments, market conditions, and concentration of major customer financing.

(3) Cash flow analysis of non-derivative financial instruments

The following table shows the distribution of the Group's remaining maturity cash flows for financial assets and financial liabilities other than derivative financial instruments, where the remaining maturity is from the balance sheet date to the contractual maturity date. The amounts included in each time period for financial liabilities are the undiscounted contractual cash flows; the amounts included in each time period for financial assets are the cash flows expected to be recovered.

| | The Group | | | | | | | |
|---|------------------|----------------|--|---|--|-------------------|----------------------|-----------|
| | 31 December 2022 | | | | | | | |
| | On demand | Within 1 month | More than 1 month but less than 3 months | More than 3 months but less than 1 year | More than 1 year but less than 5 years | More than 5 years | Overdue / open-ended | Total |
| Cash and deposits with the central bank | 20,891 | - | - | - | - | - | 142,754 | 163,645 |
| Deposits and placements with banks and other financial institutions | 11,758 | 6,014 | 3,452 | 105 | - | - | - | 21,329 |
| Lendings to banks and other financial institutions | - | 17,413 | 42,317 | 96,529 | 7,975 | - | 155 | 164,389 |
| Financial assets purchased under resale agreements | - | 74,596 | - | - | - | - | - | 74,596 |
| Loans and advances to customers | - | 156,244 | 188,535 | 638,219 | 545,669 | 617,585 | 44,185 | 2,190,437 |
| Financial investments: | | | | | | | | |
| Financial assets held for trading | 187,307 | 5,958 | 10,226 | 51,521 | 13,742 | 19,941 | 4,997 | 293,692 |
| Debt investments | - | 11,327 | 20,976 | 94,484 | 344,760 | 341,602 | 32,150 | 845,299 |
| Other debt investments | - | 6,188 | 9,621 | 41,780 | 72,012 | 49,525 | - | 179,126 |
| Investments in other equity instruments | - | - | - | - | - | - | 850 | 850 |
| Other financial assets | - | 10,126 | 11,516 | - | - | 1,161 | 796 | 23,599 |
| Total financial assets | 219,956 | 287,866 | 286,643 | 922,638 | 984,158 | 1,029,814 | 225,887 | 3,956,962 |

| | The Group | | | | | | | |
|---|------------------|----------------|--|---|--|-------------------|----------------------|-------------|
| | 31 December 2022 | | | | | | | |
| | On demand | Within 1 month | More than 1 month but less than 3 months | More than 3 months but less than 1 year | More than 1 year but less than 5 years | More than 5 years | Overdue / open-ended | Total |
| Borrowings from the central bank | - | (10,979) | (10,538) | (105,793) | - | - | - | (127,310) |
| Deposits and placements from banks and other financial institutions | (203,303) | (80,474) | (47,484) | (55,640) | - | - | - | (386,901) |
| Loans from banks and other financial institutions | - | (26,191) | (18,743) | (21,217) | (8,196) | - | - | (74,347) |
| Financial assets sold under repurchase agreements | - | (74,026) | (4,925) | (4,281) | - | - | - | (83,232) |
| Deposits from customers | (950,640) | (132,361) | (102,493) | (456,251) | (324,661) | - | - | (1,966,406) |
| Debentures payable | - | (19,850) | (106,517) | (219,870) | (68,085) | - | - | (414,322) |
| Lease liabilities | - | - | (369) | (1,133) | (3,183) | (1,262) | - | (5,947) |
| Other financial liabilities | (263) | (13,170) | (8,448) | (17,033) | (3,973) | (1,674) | - | (44,561) |
| Total financial liabilities | (1,154,206) | (357,051) | (299,517) | (881,218) | (408,098) | (2,936) | - | (3,103,026) |
| Liquidity exposure | (934,250) | (69,185) | (12,874) | 41,420 | 576,060 | 1,026,878 | 225,887 | 853,936 |

| | The Group | | | | | | | |
|---|------------------|----------------|--|---|--|-------------------|----------------------|-----------|
| | 31 December 2021 | | | | | | | |
| | On demand | Within 1 month | More than 1 month but less than 3 months | More than 3 months but less than 1 year | More than 1 year but less than 5 years | More than 5 years | Overdue / open-ended | Total |
| Cash and deposits with the central bank | 23,123 | - | - | - | - | - | 139,687 | 162,810 |
| Deposits and placements with banks and other financial institutions | 7,252 | 55 | 15 | - | - | - | - | 7,322 |
| Lendings to banks and other financial institutions | - | 53,232 | 37,878 | 67,345 | 747 | - | 20 | 159,222 |
| Financial assets purchased under resale agreements | - | 42,707 | - | - | - | - | - | 42,707 |
| Loans and advances to customers | - | 154,803 | 149,701 | 580,021 | 484,953 | 565,856 | 22,677 | 1,958,011 |
| Financial investments: | | | | | | | | |
| Financial assets held for trading | 137,640 | 4,888 | 5,794 | 19,745 | 12,911 | 6,252 | 4,738 | 191,968 |
| Debt investments | - | 16,867 | 30,540 | 107,594 | 349,374 | 245,456 | 28,499 | 778,330 |
| Other debt investments | - | 10,673 | 8,561 | 30,166 | 69,812 | 35,610 | - | 154,822 |
| Investments in other equity instruments | - | - | - | - | - | - | 846 | 846 |
| Other financial assets | - | 7,355 | 2,426 | 75 | - | 1,161 | 283 | 11,300 |
| Total financial assets | 168,015 | 290,580 | 234,915 | 804,946 | 917,797 | 854,335 | 196,750 | 3,467,338 |

| | The Group | | | | | | | |
|---|------------------|----------------|--|---|--|-------------------|----------------------|-------------|
| | 31 December 2021 | | | | | | | |
| | On demand | Within 1 month | More than 1 month but less than 3 months | More than 3 months but less than 1 year | More than 1 year but less than 5 years | More than 5 years | Overdue / open-ended | Total |
| Borrowings from the central bank | - | (10,010) | (4,922) | (115,071) | - | - | - | (130,003) |
| Deposits and placements from banks and other financial institutions | (158,774) | (10,785) | (48,518) | (154,089) | - | - | - | (372,166) |
| Loans from banks and other financial institutions | - | (11,086) | (7,881) | (19,732) | (16,355) | - | - | (55,054) |
| Financial assets sold under repurchase agreements | - | (40,368) | (2,266) | (1,063) | - | - | - | (43,697) |
| Deposits from customers | (757,405) | (138,349) | (153,774) | (383,136) | (345,033) | - | - | (1,777,697) |
| Debentures payable | - | (21,160) | (61,275) | (245,146) | (64,189) | - | - | (391,770) |
| Lease liabilities | - | - | (366) | (906) | (2,951) | (1,321) | - | (5,544) |
| Other financial liabilities | (473) | (5,706) | (6,017) | (22,340) | (4,114) | (2,676) | - | (41,326) |
| Total financial liabilities | (916,652) | (237,464) | (285,019) | (941,483) | (432,642) | (3,997) | - | (2,817,257) |
| Liquidity exposure | (748,637) | 53,116 | (50,104) | (136,537) | 485,155 | 850,338 | 196,750 | 650,081 |

| The Bank | | | | | | | | |
|---|-----------|----------------|--|---|--|-------------------|----------------------|-----------|
| 31 December 2022 | | | | | | | | |
| | On demand | Within 1 month | More than 1 month but less than 3 months | More than 3 months but less than 1 year | More than 1 year but less than 5 years | More than 5 years | Overdue / open-ended | Total |
| Cash and deposits with the central bank | 20,712 | - | - | - | - | - | 142,342 | 163,054 |
| Deposits and placements with banks and other financial institutions | 10,903 | 6,014 | 3,452 | 105 | - | - | - | 20,474 |
| Lendings to banks and other financial institutions | - | 20,578 | 42,317 | 96,529 | 7,975 | - | - | 167,399 |
| Financial assets purchased under resale agreements | - | 74,596 | - | - | - | - | - | 74,596 |
| Loans and advances to customers | - | 153,855 | 184,301 | 623,828 | 517,142 | 612,120 | 43,315 | 2,134,561 |
| Financial investments: | | | | | | | | |
| Financial assets held for trading | 187,307 | 5,958 | 10,226 | 51,521 | 13,742 | 19,941 | 4,910 | 293,605 |
| Debt investments | - | 11,324 | 20,935 | 94,028 | 344,910 | 341,544 | 32,150 | 844,891 |
| Other debt investments | - | 6,188 | 9,621 | 41,780 | 72,012 | 49,525 | - | 179,126 |
| Investments in other equity instruments | - | - | - | - | - | - | 850 | 850 |
| Other financial assets | - | 10,125 | 11,414 | - | - | 1,161 | 796 | 23,496 |
| Total financial assets | 218,922 | 288,638 | 282,266 | 907,791 | 955,781 | 1,024,291 | 224,363 | 3,902,052 |

| <i>The Bank</i> | | | | | | | | |
|---|--------------------|-----------------------|---|--|---|--------------------------|-----------------------------|--------------------|
| <i>31 December 2022</i> | | | | | | | | |
| | <i>On demand</i> | <i>Within 1 month</i> | <i>More than 1 month but less than 3 months</i> | <i>More than 3 months but less than 1 year</i> | <i>More than 1 year but less than 5 years</i> | <i>More than 5 years</i> | <i>Overdue / open-ended</i> | <i>Total</i> |
| Borrowings from the central bank | - | (10,978) | (10,532) | (105,757) | - | - | - | (127,267) |
| Deposits and placements from banks and other financial institutions | (206,056) | (80,474) | (47,484) | (55,640) | - | - | - | (389,654) |
| Loans from banks and other financial institutions | - | (29,356) | (18,743) | (21,217) | (8,196) | - | - | (77,512) |
| Financial assets sold under repurchase agreements | - | (74,026) | (4,925) | (4,281) | - | - | - | (83,232) |
| Deposits from customers | (948,251) | (131,707) | (102,302) | (455,561) | (322,718) | - | - | (1,960,539) |
| Debentures payable | - | (19,850) | (106,517) | (218,636) | (68,085) | - | - | (413,088) |
| Lease liabilities | - | - | (369) | (951) | (3,067) | (1,260) | - | (5,647) |
| Other financial liabilities | - | (7,844) | - | - | - | (1,161) | - | (9,005) |
| Total financial liabilities | <u>(1,154,307)</u> | <u>(354,235)</u> | <u>(290,872)</u> | <u>(862,043)</u> | <u>(402,066)</u> | <u>(2,421)</u> | <u>-</u> | <u>(3,065,944)</u> |
| Liquidity exposure | <u>(935,385)</u> | <u>(65,597)</u> | <u>(8,606)</u> | <u>45,748</u> | <u>553,715</u> | <u>1,021,870</u> | <u>224,363</u> | <u>836,108</u> |

| The Bank | | | | | | | | |
|---|-----------|----------------|--|---|--|-------------------|----------------------|-----------|
| 31 December 2021 | | | | | | | | |
| | On demand | Within 1 month | More than 1 month but less than 3 months | More than 3 months but less than 1 year | More than 1 year but less than 5 years | More than 5 years | Overdue / open-ended | Total |
| Cash and deposits with the central bank | 22,990 | - | - | - | - | - | 139,305 | 162,295 |
| Deposits and placements with banks and other financial institutions | 6,968 | 30 | 58 | 36 | - | - | - | 7,092 |
| Lendings to banks and other financial institutions | - | 53,627 | 39,407 | 67,348 | 747 | - | - | 161,129 |
| Financial assets purchased under resale agreements | - | 42,707 | - | - | - | - | - | 42,707 |
| Loans and advances to customers | - | 153,433 | 146,381 | 568,152 | 459,584 | 558,072 | 22,363 | 1,907,985 |
| Financial investments: | | | | | | | | |
| Financial assets held for trading | 137,640 | 4,888 | 5,787 | 19,745 | 12,882 | 5,984 | 4,618 | 191,544 |
| Debt investments | - | 16,867 | 30,540 | 107,594 | 349,374 | 245,456 | 28,499 | 778,330 |
| Other debt investments | - | 10,673 | 8,561 | 30,166 | 69,812 | 35,610 | - | 154,822 |
| Investments in other equity instruments | - | - | - | - | - | - | 846 | 846 |
| Other financial assets | - | 7,355 | 2,219 | 75 | - | 1,161 | 283 | 11,093 |
| Total financial assets | 167,598 | 289,580 | 232,953 | 793,116 | 892,399 | 846,283 | 195,914 | 3,417,843 |

| <i>The Bank</i> | | | | | | | | |
|---|------------------|-----------------------|---|--|---|--------------------------|-----------------------------|--------------|
| <i>31 December 2021</i> | | | | | | | | |
| | <i>On demand</i> | <i>Within 1 month</i> | <i>More than 1 month but less than 3 months</i> | <i>More than 3 months but less than 1 year</i> | <i>More than 1 year but less than 5 years</i> | <i>More than 5 years</i> | <i>Overdue / open-ended</i> | <i>Total</i> |
| Borrowings from the central bank | - | (9,986) | (4,915) | (115,032) | - | - | - | (129,933) |
| Deposits and placements from banks and other financial institutions | (160,289) | (10,745) | (48,477) | (154,089) | - | - | - | (373,600) |
| Loans from banks and other financial institutions | - | (9,643) | (7,679) | (19,732) | (16,355) | - | - | (53,409) |
| Financial assets sold under repurchase agreements | - | (40,368) | (2,266) | (1,063) | - | - | - | (43,697) |
| Deposits from customers | (756,215) | (137,897) | (153,523) | (382,339) | (342,465) | - | - | (1,772,439) |
| Debentures payable | - | (21,160) | (61,275) | (245,112) | (62,956) | - | - | (390,503) |
| Lease liabilities | - | - | (366) | (883) | (2,908) | (1,140) | - | (5,297) |
| Other financial liabilities | - | (5,109) | - | (221) | (1,343) | (1,161) | - | (7,834) |
| Total financial liabilities | (916,504) | (234,908) | (278,501) | (918,471) | (426,027) | (2,301) | - | (2,776,712) |
| Liquidity exposure | (748,906) | 54,672 | (45,548) | (125,355) | 466,372 | 843,982 | 195,914 | 641,131 |

(4) Cash flows of derivative financial instruments

(a) Derivative financial instruments settled on a net basis

The Group's derivative financial instruments settled on a net basis include interest rate derivative financial instruments, such as interest rate swaps and interest rate options.

The following table shows the distribution of the Group's remaining maturity cash flows of derivative financial instruments held for trading purposes that are settled on a net basis. The remaining maturity date is from the balance sheet date to the contractual maturity date. The amounts included in derivative financial instruments within each time period are undiscounted contractual cash flows.

| <i>The Group and the Bank</i> | | | | | | |
|--|-----------------------|---|--|---|--------------------------|--------------|
| <i>31 December 2022</i> | | | | | | |
| | <i>Within 1 month</i> | <i>More than 1 month but less than 3 months</i> | <i>More than 3 months but less than 1 year</i> | <i>More than 1 year but less than 5 years</i> | <i>More than 5 years</i> | <i>Total</i> |
| Interest rate derivative financial instruments | - | - | (4) | 3 | - | (1) |

| <i>The Group and the Bank</i> | | | | | | |
|--|-----------------------|---|--|---|--------------------------|--------------|
| <i>31 December 2021</i> | | | | | | |
| | <i>Within 1 month</i> | <i>More than 1 month but less than 3 months</i> | <i>More than 3 months but less than 1 year</i> | <i>More than 1 year but less than 5 years</i> | <i>More than 5 years</i> | <i>Total</i> |
| Interest rate derivative financial instruments | - | - | 4 | (7) | - | (3) |

(b) Derivative financial instruments settled on a gross basis

The Group's derivative financial instruments that are settled on a gross basis include currency derivative financial instruments, such as currency forwards and currency swaps.

The following table shows the distribution of the Group's remaining maturity cash flows of derivative financial instruments held for trading purposes that are settled on a gross basis. The remaining maturity date is from the balance sheet date to the contractual maturity date. The amounts included in derivative financial instruments within each time period are undiscounted contractual cash flows.

| <i>The Group and the Bank</i> | | | | | | |
|-------------------------------|-----------------------|---|--|---|--------------------------|--------------|
| <i>31 December 2022</i> | | | | | | |
| | <i>Within 1 month</i> | <i>More than 1 month but less than 3 months</i> | <i>More than 3 months but less than 1 year</i> | <i>More than 1 year but less than 5 years</i> | <i>More than 5 years</i> | <i>Total</i> |
| Currency derivatives | | | | | | |
| - Cash outflows | (6,634) | (13,681) | (8,088) | - | - | (28,403) |
| - Cash inflows | 6,867 | 13,987 | 8,135 | - | - | 28,989 |

| <i>The Group and the Bank</i> | | | | | | |
|-------------------------------|-----------------------|---|--|---|--------------------------|--------------|
| <i>31 December 2021</i> | | | | | | |
| | <i>Within 1 month</i> | <i>More than 1 month but less than 3 months</i> | <i>More than 3 months but less than 1 year</i> | <i>More than 1 year but less than 5 years</i> | <i>More than 5 years</i> | <i>Total</i> |
| Currency derivatives | | | | | | |
| - Cash outflows | (2,075) | (2,942) | (12,755) | - | - | (17,772) |
| - Cash inflows | 2,179 | 2,990 | 12,609 | - | - | 17,778 |

(5) Off-balance sheet commitments

The following table shows the distribution of the Group's remaining maturity cash flows of off-balance sheet commitments. The remaining maturity date is from the balance sheet date to the contractual maturity date. The amounts included in off-balance sheet commitments within each time period are undiscounted contractual cash flows.

| <i>The Group and the Bank</i> | | | | |
|-----------------------------------|----------------------|---|--------------------------|--------------|
| <i>31 December 2022</i> | | | | |
| | <i>Within 1 year</i> | <i>More than 1 year but less than 5 years</i> | <i>More than 5 years</i> | <i>Total</i> |
| Bank acceptance bills | 290,447 | - | - | 290,447 |
| Issuance of letter of guarantee | 20,113 | 25,518 | 2,879 | 48,510 |
| Issuance of letter of credit | 61,920 | 4 | - | 61,924 |
| Loan and other credit commitments | 54,493 | - | - | 54,493 |
| Total | 426,973 | 25,522 | 2,879 | 455,374 |

| <i>The Group and the Bank</i> | | | | |
|-----------------------------------|----------------------|---|--------------------------|--------------|
| <i>31 December 2021</i> | | | | |
| | <i>Within 1 year</i> | <i>More than 1 year but less than 5 years</i> | <i>More than 5 years</i> | <i>Total</i> |
| Bank acceptance bills | 188,092 | - | - | 188,092 |
| Issuance of letter of guarantee | 23,616 | 28,667 | 9,857 | 62,140 |
| Issuance of letter of credit | 55,115 | 60 | - | 55,175 |
| Loan and other credit commitments | 50,695 | - | - | 50,695 |
| Total | 317,518 | 28,727 | 9,857 | 356,102 |

5 Fair values of financial assets and financial liabilities

(1) Financial instruments not measured at fair value

Financial assets and liabilities that are not measured at fair value in the balance sheet mainly include: deposits with the central bank, deposits and placements with banks and other financial institutions, lendings to banks and other financial institutions, loans and advances measured at amortised cost, debt investments, financial assets purchased under repurchase agreements, deposits and placements from banks and other financial institutions, loans from banks and other financial institutions, financial assets sold under repurchase agreements, deposits from customers and debentures payable.

The following table presents the carrying amounts of debt investments and debentures payable not carried at fair value and the corresponding fair values as at 31 December 2022 and 31 December 2021.

Except these financial assets and liabilities, the carrying amounts of other financial assets and liabilities not measured at fair value in the balance sheet approximate to their fair values.

| | <i>The Group</i> | | | |
|-------------------------|-------------------------|-------------------|-------------------------|-------------------|
| | <u>31 December 2022</u> | | <u>31 December 2021</u> | |
| | <i>Carrying amount</i> | <i>Fair value</i> | <i>Carrying amount</i> | <i>Fair value</i> |
| Financial assets | | | | |
| Debt investments (i) | 675,148 | 694,073 | 654,774 | 661,114 |
| Financial liabilities | | | | |
| Debentures payable (ii) | <u>(404,053)</u> | <u>(400,048)</u> | <u>(384,003)</u> | <u>(378,887)</u> |

| | <i>The Bank</i> | | | |
|-------------------------|-------------------------|-------------------|-------------------------|-------------------|
| | <u>31 December 2022</u> | | <u>31 December 2021</u> | |
| | <i>Carrying amount</i> | <i>Fair value</i> | <i>Carrying amount</i> | <i>Fair value</i> |
| Financial assets | | | | |
| Debt investments (i) | 674,756 | 693,686 | 654,774 | 661,114 |
| Financial liabilities | | | | |
| Debentures payable (ii) | <u>(402,834)</u> | <u>(398,848)</u> | <u>(382,784)</u> | <u>(377,691)</u> |

(i) Debt investments

Debt investments mainly include bond investments and structured investments. The fair value of bond investments is based on market prices or broker / dealer quotes. If the relevant information is not available, the valuation is performed by referring to the price provided by the valuation service provider or by using a discounted cash flow model. The valuation parameters include market interest rates, expected default frequency, early repayment rates and market liquidity. The fair value of RMB bonds is mainly based on the valuation results of the China Central Depository & Clearing Co., Ltd. Structured investments are stated at the net amount less provision for impairment, and their estimated fair values are the discounted value of the expected future cash flows to be received at current market interest rates.

(ii) Debentures payable

The fair value of debentures payable is calculated based on quoted market prices. If there is no quoted market price, the fair value is calculated by the discounted cash flow model using the current market interest rate of similar debentures with similar remaining maturities as the discount rate.

(2) Determination of fair value by open market prices or valuation techniques

Financial instruments measured at fair value are classified into the following three levels.

- Level 1: measured using quoted prices (unadjusted) in active markets for identical assets or liabilities available to the Group at the reporting date, including exchange-traded securities and certain government bonds.
- Level 2: measured using valuation techniques - directly or indirectly all bonds that use observable inputs other than quoted market prices for assets or liabilities in Level 1, including most over-the-counter derivative contracts, to obtain prices (including CCDC valuation and CCDC settlement prices) from price providers or the website of the China Central Depository & Clearing Co., Ltd. ("CCDC").
- Level 3: use of valuation techniques - any inputs that are not based on observable market data (unobservable inputs) are used, including equity and debt instruments with significant unobservable inputs.

The Group's policy is to recognise transfers between fair value hierarchies at the end of the reporting period.

When quoted prices are not available from the open market, the Group uses some valuation techniques or enquiries to determine the fair value. For the financial instruments held by the Group, the main inputs used in its valuation techniques include bond prices, interest rates, exchange rates and their volatility and correlation, all of which are observable and available from the open market.

For certain low-liquidity bonds, private equity, and trust beneficiary rights held by the Group, the management uses valuation techniques to determine fair value, which include the asset-based approach, the market approach, and the income approach. The fair value measurements may use unobservable parameters that have a significant impact on the valuation and therefore the Group classifies these assets in Level 3. Management has assessed the impact of parameters such as macroeconomic variables, external appraiser valuations and loss coverage ratios to determine whether adjustments are necessary for the Level 3. The Group has established relevant internal control procedures to monitor its exposure to such instruments.

| <i>The Group</i> | | | | |
|---|----------------|----------------|----------------|--------------|
| <i>31 December 2022</i> | | | | |
| | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | <i>Total</i> |
| Assets measured at fair value | | | | |
| Financial assets held for trading | | | | |
| - Bonds | - | 72,115 | 3,010 | 75,125 |
| - Equity instruments | 108 | - | 4,336 | 4,444 |
| - Funds and others | - | 207,656 | 479 | 208,135 |
| Derivative financial assets | - | 713 | - | 713 |
| Loans and advances to customers | - | 196,611 | - | 196,611 |
| Other debt investments | - | 163,539 | - | 163,539 |
| Investments in other equity instruments | - | 850 | - | 850 |
| Liabilities measured at fair value | | | | |
| Derivative financial liabilities | - | (397) | - | (397) |

| <i>The Group</i> | | | | |
|---|----------------|----------------|----------------|--------------|
| <i>31 December 2021</i> | | | | |
| | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | <i>Total</i> |
| Assets measured at fair value | | | | |
| Financial assets held for trading | | | | |
| - Bonds | - | 30,095 | 74 | 30,169 |
| - Equity instruments | 157 | - | 4,568 | 4,725 |
| - Funds and others | - | 154,797 | 420 | 155,217 |
| Derivative financial assets | - | 211 | - | 211 |
| Loans and advances to customers | - | 162,588 | - | 162,588 |
| Other debt investments | - | 142,173 | - | 142,173 |
| Investments in other equity instruments | - | 846 | - | 846 |
| Liabilities measured at fair value | | | | |
| Derivative financial liabilities | - | (229) | - | (229) |

| <i>The Bank</i> | | | | |
|---|----------------|----------------|----------------|--------------|
| <i>31 December 2022</i> | | | | |
| | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | <i>Total</i> |
| Assets measured at fair value | | | | |
| Financial assets held for trading | | | | |
| - Bonds | - | 72,115 | 3,010 | 75,125 |
| - Equity instruments | 51 | - | 4,306 | 4,357 |
| - Funds and others | - | 207,656 | 479 | 208,135 |
| Derivative financial assets | - | 713 | - | 713 |
| Loans and advances to customers | - | 196,611 | - | 196,611 |
| Other debt investments | - | 163,539 | - | 163,539 |
| Investments in other equity instruments | - | 850 | - | 850 |
| Liabilities measured at fair value | | | | |
| Derivative financial liabilities | - | (397) | - | (397) |

| <i>The Bank</i> | | | | |
|---|----------------|----------------|----------------|--------------|
| <i>31 December 2022</i> | | | | |
| | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | <i>Total</i> |
| Assets measured at fair value | | | | |
| Financial assets held for trading | | | | |
| - Bonds | - | 29,851 | 74 | 29,925 |
| - Equity instruments | 67 | - | 4,538 | 4,605 |
| - Funds and others | - | 154,797 | 420 | 155,217 |
| Derivative financial assets | - | 211 | - | 211 |
| Loans and advances to customers | - | 162,588 | - | 162,588 |
| Other debt investments | - | 142,173 | - | 142,173 |
| Investments in other equity instruments | - | 846 | - | 846 |
| Liabilities measured at fair value | | | | |
| Derivative financial liabilities | - | (229) | - | (229) |

Reconciliation statement for Level 3 items

| | <i>The Group</i> | | |
|------------------------------|--|---------------------------|-------------------------|
| | <i>Financial assets at fair value through profit or loss</i> | | |
| | <i>Bonds</i> | <i>Equity instruments</i> | <i>Funds and others</i> |
| 1 January 2022 | 74 | 4,568 | 420 |
| Total profit or loss | | | |
| - Losses / (profits) | - | (228) | 59 |
| - Other comprehensive income | - | - | - |
| Purchase | 1,943 | - | - |
| Other changes | 993 | (4) | - |
| 31 December 2022 | 3,010 | 4,336 | 479 |

| | <i>The Group</i> | | |
|------------------------------|--|---------------------------|-------------------------|
| | <i>Financial assets at fair value through profit or loss</i> | | |
| | <i>Bonds</i> | <i>Equity instruments</i> | <i>Funds and others</i> |
| 1 January 2021 | 82 | 3,984 | 13 |
| Total profit or loss | | | |
| - Losses / (profits) | (8) | 64 | - |
| - Other comprehensive income | - | - | - |
| Purchase | - | 696 | 407 |
| Other changes | - | (176) | - |
| 31 December 2021 | 74 | 4,568 | 420 |

| <i>The Bank</i> | | | |
|--|--------------|---------------------------|-------------------------|
| <i>Financial assets at fair value through profit or loss</i> | | | |
| | <i>Bonds</i> | <i>Equity instruments</i> | <i>Funds and others</i> |
| 1 January 2022 | 74 | 4,538 | 420 |
| Total profit or loss | | | |
| - Losses / (profits) | - | (228) | 59 |
| - Other comprehensive income | - | - | - |
| Purchase | 1,943 | - | - |
| Other changes | 993 | (4) | - |
| 31 December 2022 | 3,010 | 4,306 | 479 |

| <i>The Bank</i> | | | |
|--|--------------|---------------------------|-------------------------|
| <i>Financial assets at fair value through profit or loss</i> | | | |
| | <i>Bonds</i> | <i>Equity instruments</i> | <i>Funds and others</i> |
| 1 January 2021 | 82 | 3,880 | 13 |
| Total profit or loss | | | |
| - Losses / (profits) | (8) | 63 | - |
| - Other comprehensive income | - | - | - |
| Purchase | - | 696 | 407 |
| Other changes | - | (101) | - |
| 31 December 2021 | 74 | 4,538 | 420 |

Effect of current profit or loss for assets in Level 3 is as follows:

| | <i>The Group and the Bank</i> | | | | | |
|---|-------------------------------|-------------------|--------------|-----------------|-------------------|--------------|
| | <i>2022</i> | | | <i>2021</i> | | |
| | <i>Realised</i> | <i>Unrealised</i> | <i>Total</i> | <i>Realised</i> | <i>Unrealised</i> | <i>Total</i> |
| Effects of net (losses) / profits during the year | - | (169) | (169) | - | 55 | 55 |

There were no significant transfers for financial assets and liabilities measured at fair value between Level 1 and Level 2 during 2022.

XI Capital management

The Group's capital management is centred on capital adequacy and return on capital, with the goal of achieving scientific unification of scale expansion and profitability, total capital and structural optimisation, optimal capital size and return on capital in close conjunction with the development planning.

Since 1 January 2013, the Group calculates the capital adequacy ratio in accordance with the requirements of *Administrative Measures on Capitals of Commercial Banks (For Trial)* and other relevant regulations. The weighted approach is used for credit risk-weighted assets, the standard approach is used for market risk-weighted assets, and the basic indicator approach is used for operational risk-weighted assets.

The Group measured the capital adequacy ratio in accordance with the *Administrative Measures on Capitals of Commercial Banks (For Trial)* issued by the China Banking Regulatory Commission (CBRC) in June 2012 and effective from 1 January 2013 as follows:

| | <i>The Group</i> | | <i>The Bank</i> | |
|------------------------------------|------------------------|------------------------|------------------------|------------------------|
| | 31 December 2022 | 31 December 2021 | 31 December 2022 | 31 December 2021 |
| Net core tier-1 capital | 224,327 | 214,102 | 215,758 | 208,047 |
| Net tier-1 capital | 302,434 | 292,128 | 293,590 | 285,879 |
| Net capital | 330,283 | 317,828 | 320,165 | 310,485 |
| Total risk-weighted assets | 2,352,106 | 2,172,331 | 2,288,255 | 2,115,713 |
| Core tier-1 capital adequacy ratio | 9.54% | 9.86% | 9.43% | 9.83% |
| Tier-1 capital adequacy ratio | 12.86% | 13.45% | 12.83% | 13.51% |
| Capital adequacy ratio | 14.04% | 14.63% | 13.99% | 14.68% |

XII Net profit excluding extraordinary gains and losses

According to provisions under the *Interpretive Pronouncement on the Preparation of Information Disclosures of Companies Issuing Public Shares No.1 - Extraordinary Gain and Loss (Announcement 2008)*, extraordinary gains and losses represent gains and losses arising from transactions and matters that are not directly related to the normal business of the Company, and transaction and matters related to the normal operation while affecting users of the financial statement to make correct judgements on the Company's operating performance and profitability with their special and sporadic nature.

The Group's net profit excluding extraordinary gains and losses in 2022 and 2021 are set out in the following table.

| | <i>The Group</i> | | <i>The Bank</i> | |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | <i>31 December 2022</i> | <i>31 December 2021</i> | <i>31 December 2022</i> | <i>31 December 2021</i> |
| Net profit | 24,930 | 22,392 | 24,593 | 22,076 |
| Add / (less): Extraordinary gains and losses | | | | |
| - Non-operating income | (170) | (128) | (107) | (99) |
| - Non-operating expenses | 95 | 247 | 94 | 246 |
| Income tax effect of extraordinary gains and losses | 41 | (15) | 25 | (21) |
| Net profit excluding extraordinary gains and losses | <u>24,896</u> | <u>22,496</u> | <u>24,605</u> | <u>22,202</u> |
| Net profit excluding extraordinary gains and losses attributable to shareholders of the Company | 24,744 | 22,338 | - | - |
| Net profit excluding extraordinary gains and losses attributable to non-controlling interests | <u>152</u> | <u>158</u> | <u>-</u> | <u>-</u> |

XIII Subsequent events

With the approval of China Banking and Insurance Regulatory Commission Beijing Office, the Bank acquired 17.74% equity interest in Bank of Beijing Finance Leasing Company held by Beijing Xinyue Union Automobile Service Co., Ltd. The registered capital of Bank of Beijing Finance Leasing Company is RMB3.100 billion, with a capital premium of RMB220 million; after the change in equity, the Bank's shareholding in it increased from 64.52% to 82.26%.

Apart from the above matters, the Group has no other material events subsequent to the balance sheet date that should be disclosed.

XIV Comparative figures

Individual comparative figures have been restated for consistency with the presentation of the financial statements for the year.

Bank of Beijing Co., Ltd.
Supplementary information of the financial statements
(Expressed in RMB million unless otherwise indicated)

I. Statement of extraordinary gains and losses

The table has been prepared in accordance with the relevant provisions of the *Interpretive Pronouncement on the Preparation of Information Disclosures of Companies Issuing Public Shares No.1 - Extraordinary Gain and Loss (2008)* (CSRC Announcement [2008] No.43) issued by CSRC.

The Group

| | 2022 | 2021 |
|--|-------------|------------|
| Other non-operating income and non-operating expenses, net | (75) | 119 |
| Income tax effect of extraordinary gains and losses | 41 | (15) |
| Total | <u>(34)</u> | <u>104</u> |
| Including: Extraordinary gains and losses attributable to ordinary shareholders of the Company | (16) | 113 |
| Extraordinary gains and losses attributable to non-controlling interests | <u>(18)</u> | <u>(9)</u> |

Extraordinary gains and losses represent gains and losses arising from transactions and matters that are not directly related to the normal business of the Company, and transaction and matters related to the normal operation while affecting users of the financial statement to make normal judgements on the Company's operating performance and profitability with their special and sporadic nature. Bank of Beijing Co., Ltd. (hereinafter referred to as "the Group") does not include investment income from "financial assets held for trading, debt investments, other debt investments and other equity instrument investments" in extraordinary gain and loss items, taking into account the nature and characteristics of its normal business.

II. Return on net assets and earnings per share

The calculation table has been prepared in accordance with the provisions of the *Interpretive Pronouncement on the Preparation of Information Disclosures of Companies Issuing Public Shares No.9 - Calculation and Disclosure of Return on Equity and Earnings per Share (2010 Revision)*. During the relevant period, basic earnings per share is calculated by dividing net income for the period by the weighted-average number of ordinary shares outstanding during the period.

The Group

2022

| | <i>Weighted average return on net assets</i> (%) | <i>Basic and diluted earnings per share</i> RMB / share |
|--|---|--|
| Net profit attributable to the Company's ordinary equity shareholders | 9.60 | 1.02 |
| Net profit excluding extraordinary gains and losses attributable to the Company's ordinary equity shareholders | 9.59 | 1.02 |

2021

| | <i>Weighted average return on net assets</i> (%) | <i>Basic and diluted earnings per share</i> RMB / share |
|--|---|--|
| Net profit attributable to the Company's ordinary equity shareholders | 10.29 | 1.02 |
| Net profit excluding extraordinary gains and losses attributable to the Company's ordinary equity shareholders | 10.34 | 1.02 |