中国农业银行
AGRICULTURAL BANK OF CHINA

# AGRICULTURAL BANK OF CHINA LIMITED

# 中國農業銀行股份有限公司

# 2022 CAPITAL ADEQUACY RATIO REPORT

# Contents

# 1 Overview

## 1.1 Profile

The predecessor of the Bank was Agricultural Cooperative Bank established in 1951. Since the resumption of establishment in February 1979, the Bank has evolved from a state-owned specialized bank to a wholly state-owned commercial bank and subsequently a state-controlled commercial bank. The Bank was restructured into a joint stock limited liability company in January 2009. In July 2010, the Bank was listed on both the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

The Bank is one of the major integrated financial service providers in China, aiming at high-quality development, highlighting the two positionings of “a leading bank serving rural revitalization” and “a major bank serving the real economy”, and fully implementing the three strategies in Sannong and County Areas, green finance and digital operation. Capitalizing on its comprehensive business portfolio, extensive distribution network and advanced IT platform, the Bank provides a diverse portfolio of corporate and retail banking products and services for a broad range of customers and conducts treasury operations and asset management. Our business scope also includes, among other things, investment banking, fund management, financial leasing and life insurance. At the end of 2022, the Bank had total assets of RMB33,927,533 million, total loans and advances to customers of RMB19,765,745 million and deposits from customers of RMB25,121,040million. Our capital adequacy ratio was17.20%. The Bank achieved a net profit of RMB258,688 million in 2022.

As at the end of 2022, we had 22,788 domestic branch outlets, including the Head Office, Business Department of the Head Office, four specialized institutions managed by the Head Office, four training institutes, 37 tier-1 branches, 407 tier-2 branches, 3,329 tier-1 sub-branches, 18,959 foundation-level branch outlets and 46 other establishments. Our overseas branch outlets consisted of 13 overseas branches and four overseas representative offices. We had 16 major subsidiaries, including 11 domestic subsidiaries and five overseas subsidiaries.

The Financial Stability Board has included the Bank into the list of Global Systemically Important Banks for nine consecutive years since 2014. In 2022, the Bank ranked No. 28 in the Fortune's Global 500, and ranked No. 3 in The Banker’s “Top 1000 World Banks” list in terms of tier 1 capital. At the date of this report, Standard & Poor's affirmed long-/short-term issuer credit ratings of the Bank at A/A-1 with stable outlook. Moody's affirmed long-/short-term bank deposit ratings of the Bank at A1/P-1 with stable outlook and Fitch Ratings affirmed long-/short-term issuer default ratings of the Bank at A/F1+ with stable outlook.

## 1.2 Capital Adequacy Ratio

In 2014, the China Banking and Insurance Regulatory Commission1 (hereinafter referred to as the “CBIRC”) approved the Bank's use of foundation Internal Ratings-Based (IRB) approach for non-retail exposure, IRB approach for retail exposure and standardized approach for operational risk on bank and group levels. As a result, the Bank became one of the first batch of domestic banks implementing advanced approaches for capital management in China. In January 2017, the CBIRC officially approved our application for the Internal Models Approach (IMA) for market risks, unification of the major benchmarks of non-retail ratings among domestic and overseas branches, and abolishment of the regulatory restriction which provides that retail risk weighted assets shall be not less than those calculated using the weighted approach. In accordance with the *Capital Rules for Commercial Banks (Provisional)* (Decree of CBRC [2012] No. 1), the CBIRC determined a parallel implementation period for a commercial bank approved to adopt the advanced approaches of capital management. During the parallel implementation period, the banks shall calculate its capital adequacy ratios under both advanced approaches and other approaches, and shall comply with the capital floor requirements.

As of the end of 2022, the Bank adopted the foundation IRB approach for non-retail exposure and IRB approach for retail exposure to measure credit risk-weighted assets, weighting approach for credit risk-weighted assets uncovered by IRB approach, IMA for market risk-weighted assets, standardized measurement approach to measure market risk-weighted assets uncovered by IMA, and standardized measurement approach to measure operational risk-weighted assets. Unless otherwise specified, such information as regulatory capital, risk exposure, capital requirement and risk-weighted assets contained herein were made by regulatory consolidation.

The table below sets out the net capital, risk-weighted assets and capital adequacy ratios calculated by the Bank pursuant to the *Capital Rules for Commercial Banks (Provisional)*.

*In millions of RMB, except for percentages*

**Table 1.2A: Capital Adequacy Ratio**

| Item | 31 December 2022 | | 31 December 2021 | |
|---|---|---|---|---|
| | The Group | The Bank | The Group | The Bank |
| CET 1 capital, net | 2,215,395 | 2,147,777 | 2,042,480 | 1,981,375 |

[1] Refer to China Banking and Insurance Regulatory Commission, or its predecessor, the former China Banking Regulatory Commission (CBRC), the same below.

| | | | | |
|---|---|---|---|---|
| Additional Tier 1 capital, net | 439,878 | 439,869 | 359,881 | 359,872 |
| Tier 1 capital, net | 2,655,273 | 2,587,646 | 2,402,361 | 2,341,247 |
| Tier 2 capital, net | 760,728 | 752,764 | 655,506 | 648,253 |
| Total capital, net | 3,416,001 | 3,340,410 | 3,057,867 | 2,989,500 |
| Risk-weighted assets | 19,862,505 | 19,203,893 | 17,849,566 | 17,248,186 |
| Credit risk-weighted assets | 18,498,973 | 17,866,609 | 16,564,562 | 15,988,871 |
| Portion covered by IRB | 12,533,224 | 12,533,224 | 11,148,032 | 11,148,033 |
| Portion uncovered by IRB | 5,965,749 | 5,333,385 | 5,416,530 | 4,840,838 |
| Market risk-weighted assets | 161,260 | 156,508 | 133,419 | 127,142 |
| Portion covered by IMA | 153,331 | 153,331 | 121,552 | 121,552 |
| Portion uncovered by IMA | 7,929 | 3,177 | 11,867 | 5,590 |
| Operational risk-weighted assets | 1,202,272 | 1,180,776 | 1,151,585 | 1,132,173 |
| Additional risk-weighted assets due to the requirement of the capital floor | - | - | - | - |
| CET 1 capital adequacy ratio | 11.15% | 11.18% | 11.44% | 11.49% |
| Tier 1 capital adequacy ratio | 13.37% | 13.47% | 13.46% | 13.57% |
| Capital adequacy ratio | 17.20% | 17.39% | 17.13% | 17.33% |

## 1.3 Disclosure Statement

Since 2013, the Bank has been disclosing to investors and the public the Capital Adequacy Ratio Report through public channels in accordance with the requirements of the *Capital Rules for Commercial Banks (Provisional)* issued by the CBIRC. With a view to regulating such process, the Bank formulated the *Administrative Measures on Information Disclosure of Capital Adequacy Ratio,* which was considered and approved by the Board of Directors.

The information disclosure of capital adequacy ratio of the Bank can be classified into provisional disclosure and regular disclosure. When changes arise from the common stocks and other capital instruments of the Bank, a provisional disclosure will be made in a timely manner. The Bank makes regular quarterly, interim and annual disclosures. The quarterly and interim disclosures are included in the reports of the listed company as to the same period, while the annual disclosure is presented as a separate report. Investors and the public can visit the Investor Relations at the Bank's official website (http://www.abchina.com) to inquire the Bank's disclosures.

This report was prepared pursuant to the regulatory requirements including the *Capital Rules for Commercial Banks (Provisional)* and the *Notice of the China Banking Regulatory Commission on Issuing the Supporting Policy Documents for the Capital Regulation of Commercial Banks* (CBRC [2013] No.33). On 30 March 2023, the Board of Directors of the Bank considered and approved this report in the 2nd meeting of 2023. On 30 March 2023, the Board of Supervisors of the Bank reviewed and approved this report in the 2nd meeting of 2023.

It should be noted that this report was prepared in accordance with the regulatory requirements of the CBIRC, and the annual report of the listed company was formulated in accordance with the PRC Accounting Standards and the International Financial Reporting Standards. As such, certain disclosure in this report is not directly comparable to the Bank's annual report of the listed company.

The report contains forward-looking statements on the Bank's financial positions, operation results and risk profile. These statements are made on basis of existing plans, estimates and forecast. The Bank believes that the expectations made in these forward-looking statements are reasonable. However, the Bank considers that the actual operation conditions is related to future external events, internal finance, progress of business development, risk occurrence condition or other performance, therefore, investors shall not heavily rely on these statements.

# 2 Information on Composition of Capital

## 2.1 Scope for Calculating Capital Adequacy Ratio

The scope for calculating the Bank's consolidated capital adequacy ratio includes the Bank and the financial institutions in which the Bank has direct or indirect investments in compliance with the requirements of the *Capital Rules for Commercial Banks (Provisional*). The scope for calculating the Bank's unconsolidated capital adequacy ratio covers all the domestic and overseas branches of the Bank.

The main difference between the scope of regulatory consolidation and the scope of accounting consolidation is that ABC Life Insurance Co., Ltd., which is controlled by the Bank, is not included in the scope of regulatory consolidation. As of the end of 2022, the Bank had 16 major subsidiaries. Pursuant to the *Capital Rules for Commercial Banks (Provisional),* capital deduction was adopted for investments in ABC Life Insurance Co., Ltd., while the remaining 15 subsidiaries were included in the scope of regulatory consolidation.

**Table 2.1A: Consolidation Treatments for Different Invested Entities**

| No. | Classification of Invested Entities | Consolidation Treatments |
|---|---|---|
| 1 | Financial institutions included in financial consolidation scope (excluding insurance companies) | Included into the scope of regulatory consolidation |
| 2 | Financial institutions not included in financial consolidation scope (excluding insurance companies) | Not included into the scope of regulatory consolidation |
| 3 | Insurance companies | Not included into the scope of regulatory consolidation |
| 4 | Other industrial and commercial enterprises | Not included into the scope of regulatory consolidation |

The following table sets out the basic information of invested entities within the calculation scope of consolidated capital adequacy ratio according to the balance of equity investment.

**Table 2.1B: Basic Information of the Invested Entities within the Calculation Scope of Consolidated Capital Adequacy Ratio**

| No. | Name of invested entity | Date of establish-ment | Place of Incorporation | Paid-in capital | Total Shareholding ratio (%) | Business nature and principal activities |
|---|---|---|---|---|---|---|
| 1 | China Agricultural Finance Co., Ltd. | 1988 | Hong Kong, PRC | HKD 588,790,000 | 100 | Investment holding |
| 2 | ABC-CA Fund Management Co., Ltd. | 2008 | Shanghai, PRC | RMB 1,750,000,001 | 51.67 | Fund management |

| | | | | | | |
|---|---|---|---|---|---|---|
| 3 | ABC Hubei Hanchuan Rural Bank Limited Liability Company | 2008 | Hubei, PRC | RMB 31,000,000 | 50 | Banking |
| 4 | ABC Hexigten Rural Bank Limited Liability Company | 2008 | Inner Mongolia, PRC | RMB 19,600,000 | 51.02 | Banking |
| 5 | ABC International Holdings Limited | 2009 | Hong Kong, PRC | HKD 4,113,392,450 | 100 | Investment holding |
| 6 | ABC Financial Leasing Co., Ltd. | 2010 | Shanghai, PRC | RMB 9,500,000,000 | 100 | Financial leasing |
| 7 | ABC Jixi Rural Bank Limited Liability Company | 2010 | Anhui, PRC | RMB 29,400,000 | 51.02 | Banking |
| 8 | ABC Ansai Rural Bank Limited Liability Company | 2010 | Shaanxi, PRC | RMB 40,000,000 | 51 | Banking |
| 9 | Agricultural Bank of China (UK) Limited | 2011 | London, UK | USD 100,000,002 | 100 | Banking |
| 10 | ABC Zhejiang Yongkang Rural Bank Limited Liability Company | 2012 | Zhejiang, PRC | RMB 210,000,000 | 51 | Banking |
| 11 | ABC Xiamen Tong'an Rural Bank Limited Liability Company | 2012 | Fujian, PRC | RMB 150,000,000 | 51 | Banking |
| 12 | Agricultural Bank of China (Luxembourg) Limited | 2014 | Luxembourg, Luxembourg | EUR 20,000,000 | 100 | Banking |
| 13 | Agricultural Bank of China (Moscow) Limited | 2014 | Moscow, Russia | RUB 7,556,038,271 | 100 | Banking |
| 14 | ABC Financial Asset Investment Company Limited | 2017 | Beijing, PRC | RMB 20,000,000,000 | 100 | Debt-to-equity swap and related services |
| 15 | Agricultural Bank of China Wealth Management Co., Ltd | 2019 | Beijing, PRC | RMB 12,000,000,000 | 100 | Wealth management |

**Table 2.1C: Basic Information about the Invested Entity Subjected to Deduction Treatment**

| No. | Name of invested entity | Date of establish-ment | Place of Incorporation | Paid-in capital | Total Shareholding ratio (%) | Business nature and principal activities |
|---|---|---|---|---|---|---|
| 1 | ABC Life Insurance Co., Ltd. | 2005 | Beijing, PRC | RMB 2,949,916,475 | 51 | Life insurance |

## 2.2 Regulatory Capital Shortfall of Invested Entities

There was no regulatory capital shortfall of the invested entities in which the Bank has a majority equity interest or control.

## 2.3 Restrictions on Intra-group Capital Transfers

The Bank carried out intra-group capital transfers pursuant to the *Law of the People's Republic of China on Commercial Banks, the Measures for Implementation of Administrative Licensing Matters Concerning Chinese-funded Commercial Banks,* other related laws and regulations as well as related requirements of regulatory authorities.

## 2.4 Contrast between Regulatory Consolidation and Financial Statement

The Bank compiled the balance sheet within the scope of regulatory consolidation in accordance with the *Capital Rules for Commercial Banks (Provisional)* and the *Notes of the China Banking Regulatory Commission on Issuing Supporting Policies for the Capital Regulation of Commercial Banks.* The contrast between the items of regulatory consolidation and financial statement is shown in the table below.

*In millions of RMB*

**Table 2.4: Balance Sheet as in Financial Statement and as under Regulatory Consolidation**

| Item | 31 December 2022 | | 31 December 2021 | | Code |
|---|---|---|---|---|---|
| | Financial Statement[1] | Regulatory Consolidation | Financial Statement | Regulatory Consolidation | |
| **Assets** | | | | | |
| Cash and balances with central banks | 2,549,130 | 2,549,130 | 2,321,406 | 2,321,358 | A01 |
| Deposits with banks and other financial institutions | 630,885 | 613,645 | 218,500 | 205,005 | A02 |
| Placements with and loans to banks and other financial institutions | 500,330 | 500,330 | 446,944 | 446,944 | A03 |
| Financial assets at fair value through profit or loss | 522,057 | 456,131 | 460,241 | 416,028 | A04 |
| Derivative financial assets | 30,715 | 30,715 | 21,978 | 21,978 | A05 |
| Financial assets held under resale agreements | 1,172,187 | 1,171,374 | 837,637 | 837,129 | A06 |
| Loans and advances to customers | 18,982,886 | 18,980,973 | 16,454,503 | 16,452,832 | A07 |

[1] For more information, please refer to the Balance Sheet in the Bank’s 2022 Annual Report.

| | | | | | |
|---|---|---|---|---|---|
| Debt instrument investments at amortized cost | 7,306,000 | 7,277,921 | 6,372,522 | 6,347,765 | A08 |
| Other debt instrument and other equity investments at fair value through other comprehensive income | 1,702,106 | 1,680,040 | 1,397,280 | 1,365,609 | A09 |
| Long-term equity investments | 8,092 | 11,921 | 8,297 | 12,129 | A10 |
| Property and equipment | 142,542 | 141,792 | 143,817 | 143,332 | A11 |
| Construction in progress | 10,030 | 10,029 | 9,482 | 9,259 | A12 |
| Land use rights | 19,982 | 19,982 | 20,384 | 20,384 | A13 |
| Deferred tax assets | 149,698 | 149,630 | 143,027 | 143,032 | A14 |
| Goodwill | 1,381 | - | 1,381 | - | A15 |
| Intangible assets | 7,885 | 7,643 | 6,188 | 5,915 | A16 |
| Other assets | 191,627 | 199,460 | 205,568 | 210,740 | A17 |
| **Total assets** | **33,927,533** | **33,800,716** | **29,069,155** | **28,959,439** | **A00** |
| **Liabilities** | | | | | |
| Borrowings from central banks | 901,116 | 901,116 | 747,213 | 747,213 | L01 |
| Deposits from banks and other financial institutions | 2,459,178 | 2,474,606 | 1,622,366 | 1,634,669 | L02 |
| Placements from banks and other financial institutions | 333,755 | 333,755 | 291,105 | 291,105 | L03 |
| Financial liabilities at fair value through profit or loss | 12,287 | 12,287 | 15,860 | 15,860 | L04 |
| Financial assets sold under repurchase agreements | 43,779 | 35,824 | 36,033 | 30,879 | L05 |
| Due to customers | 25,121,040 | 25,121,087 | 21,907,127 | 21,907,156 | L06 |
| Derivative financial liabilities | 31,004 | 31,004 | 19,337 | 19,337 | L07 |
| Debt securities issued | 1,869,398 | 1,864,096 | 1,507,657 | 1,502,382 | L08 |
| Staff costs payable | 71,469 | 71,035 | 59,736 | 59,300 | L09 |
| Taxes payable | 56,134 | 56,130 | 72,210 | 72,194 | L10 |
| Dividends payable | 1,936 | 1,936 | - | - | L11 |
| Deferred tax liabilities | 9 | 105 | 655 | 213 | L12 |
| Provisions | 40,788 | 40,788 | 33,809 | 33,809 | L13 |
| Other liabilities | 311,189 | 186,231 | 334,688 | 229,379 | L14 |
| **Total liabilities** | **31,253,082** | **31,130,000** | **26,647,796** | **26,543,496** | **L00** |
| **Equity** | | | | | |
| Ordinary shares | 349,983 | 349,983 | 349,983 | 349,983 | E01 |
| Other equity instruments | 440,000 | 440,000 | 360,000 | 360,000 | E02 |
| of which: Preference shares | 80,000 | 80,000 | 80,000 | 80,000 | E03 |
| Perpetual bonds | 360,000 | 360,000 | 280,000 | 280,000 | E04 |

| | | | | | |
|---|---|---|---|---|---|
| Capital reserve | 173,426 | 173,426 | 173,428 | 173,428 | E05 |
| Surplus reserve | 246,764 | 246,763 | 220,792 | 220,791 | E06 |
| General reserve | 388,600 | 388,600 | 351,616 | 351,616 | E07 |
| Undistributed profits | 1,032,524 | 1,032,457 | 925,955 | 925,259 | E08 |
| Non-controlling interests | 6,039 | 2,543 | 6,754 | 2,401 | E09 |
| Other comprehensive income | 37,115 | 36,944 | 32,831 | 32,465 | E10 |
| of which: foreign currency translation differences | 1,761 | 1,761 | (2,096) | (2,096) | E11 |
| **Total equity** | **2,674,451** | **2,670,716** | **2,421,359** | **2,415,943** | **E00** |

## 2.5 Composition of Capital

Pursuant to the *Capital Rules for Commercial Banks (Provisional),* the composition of the Bank's regulatory capital is shown in the table below.

*In millions of RMB*

**Table 2.5: Composition of Capital**

| Item | | 31 December 2022 | 31 December 2021 | Code |
|---|---|---|---|---|
| **CET 1 capital** | | | | |
| 1 | Paid-in capital | 349,983 | 349,983 | E01 |
| 2 | Retained earnings | 1,667,820 | 1,497,666 | |
| 2a | Surplus reserve | 246,763 | 220,791 | E06 |
| 2b | General reserve | 388,600 | 351,616 | E07 |
| 2c | Undistributed profits | 1,032,457 | 925,259 | E08 |
| 3 | Accumulated other comprehensive income and disclosed reserve | 210,501 | 206,021 | |
| 3a | Capital reserve | 173,557 | 173,556 | E05 |
| 3b | Others | 36,944 | 32,465 | E10 |
| 4 | Directly issued capital subject to phase out from CET 1 capital (only applicable to non-joint stock companies, banks of joint stock companies just fill with "0") | - | - | |
| 5 | Common share capital issued by subsidiaries and held by third parties | 68 | 67 | |
| **6** | **CET 1 capital before regulatory adjustments** | **2,228,372** | **2,053,737** | |
| **CET 1 capital: regulatory adjustments** | | | | |

| | | | | |
|---|---|---|---|---|
| 7 | Prudential valuation adjustments | - | - | |
| 8 | Goodwill (net of deferred tax liability) | - | - | A15 |
| 9 | Other intangible assets other than land use rights (net of deferred tax liability) | 7,643 | 5,915 | A16 |
| 10 | Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) | 13 | 6 | |
| 11 | Cash-flow hedge reserve to the items not calculated at fair value | - | - | |
| 12 | Shortfall of provisions to expected losses on loans | - | - | |
| 13 | Securitization gain on sale | - | - | |
| 14 | Unrealized gains and losses due to changes in own credit risk on fair valued liabilities | - | - | |
| 15 | Defined-benefit pension fund net assets (net of deferred tax liability) | - | - | |
| 16 | Investments in own shares (if not already netted off paid-in capital on reported balance sheet) | - | - | |
| 17 | Reciprocal cross-holdings in common equity | - | - | |
| 18 | Deductible amount of the CET 1 capital from insignificant minority capital investment of the financial institutions outside the scope of consolidation | - | - | |
| 19 | Deductible amount of the CET 1 capital from significant minority capital investment of the financial institutions outside the scope of consolidation | - | - | |
| 20 | Mortgage servicing rights | - | - | |
| 21 | Other deductible amount in the net deferred tax asset that relies on future profitability of the Bank | - | - | |
| 22 | Deductible amount of significant investments in the capital of financial institutions outside the scope of regulatory consolidation and other net deferred tax assets that rely on the Bank's future profitability (amount exceeding the 15% of the CET 1 capital) | - | - | |
| 23 | of which: deductible amount of significant minority investments in the capital of financial institution | - | - | |
| 24 | of which: mortgage servicing rights | - | - | |
| 25 | of which: deductible amount in other net deferred tax assets that rely on the Bank's future profitability | - | - | |
| 26a | Investment in CET 1 capital of financial institutions outside the scope of regulatory consolidation but in which the Bank has the control | 5,321 | 5,336 | |
| 26b | Shortfall of CET 1 capital of financial institutions outside the scope of regulatory consolidation but in | - | - | |

| | | | | |
|---|---|---|---|---|
| | which the Bank has the control | | | |
| 26c | Total other items deductible from CET 1 capital | - | - | |
| 27 | Regulatory adjustments applied to CET 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions | - | - | |
| **28** | **Total regulatory adjustments to CET 1 capital** | **12,977** | **11,257** | |
| **29** | **CET 1 capital** | **2,215,395** | **2,042,480** | |
| **Additional Tier 1 capital** | | | | |
| 30 | Directly issued qualifying Additional Tier 1 instruments plus related stock surplus | 439,869 | 359,872 | E02 |
| 31 | of which: classified as equity | 439,869 | 359,872 | E02 |
| 32 | of which: classified as liabilities | - | - | |
| 33 | Directly issued capital instruments subject to phase out from Additional Tier 1 | - | - | |
| 34 | Additional Tier 1 instruments issued by subsidiaries and held by third parties | 9 | 9 | |
| 35 | of which: instruments issued by subsidiaries subject to phase out from Additional Tier 1 | - | - | |
| **36** | **Additional Tier 1 capital before regulatory adjustments** | **439,878** | **359,881** | |
| **Additional Tier 1 capital: regulatory adjustments** | | | | |
| 37 | Investments in own Additional Tier 1 instruments | - | - | |
| 38 | Reciprocal cross-holdings in Additional Tier 1 instruments | - | - | |
| 39 | Deductible amount of additional Tier 1 capital from insignificant minority capital investment of the financial institutions outside the scope of consolidation | - | - | |
| 40 | Additional Tier 1 capital from significant minority capital investment of the financial institutions outside the scope of consolidation | - | - | |
| 41a | Investments in Additional Tier 1 capital of financial institutions outside the scope of consolidation but in which the Bank has the control | - | - | |
| 41b | Shortfall of Additional Tier 1 capital of financial institutions outside the scope of consolidation but in which the Bank has the control | - | - | |
| 41c | Other items deductible from Additional Tier 1 capital | - | - | |
| 42 | Amount deductible from Additional Tier 2 capital but not yet deducted | - | - | |
| **43** | **Total regulatory adjustments to Additional Tier 1 capital** | **-** | **-** | |

| | | | | |
|---|---|---|---|---|
| **44** | **Additional Tier 1 capital** | **439,878** | **359,881** | |
| **45** | **Tier 1 capital (CET 1 capital + Additional Tier 1 capital)** | **2,655,273** | **2,402,361** | |
| **Tier 2 capital** | | | | |
| 46 | Directly issued qualifying Tier 2 instruments plus related stock surplus | 329,929 | 254,931 | |
| 47 | of which: Directly issued capital instruments subject to phase out from Tier 2 | - | 15,000 | |
| 48 | Tier 2 instruments issued by subsidiaries and held by third parties | 18 | 18 | |
| 49 | of which: Portions not given recognition after the phase-out period | - | - | |
| 50 | Excess loan loss provisions | 430,781 | 400,557 | |
| **51** | **Tier 2 capital before regulatory adjustments** | **760,728** | **655,506** | |
| **Tier 2 capital: regulatory adjustments** | | | | |
| 52 | Investments in own Tier 2 instruments | - | - | |
| 53 | Reciprocal cross-holdings in Tier 2 instruments | - | - | |
| 54 | Tier 2 capital from insignificant minority capital investment of the financial institutions outside the scope of consolidation | - | - | |
| 55 | Tier 2 capital from significant minority capital investment of the financial institutions outside the scope of consolidation | - | - | |
| 56a | Investments in Tier 2 capital of financial institutions outside the scope of consolidation but in which the Bank has the control | - | - | |
| 56b | Shortfall of Tier 2 capital of financial institutions outside the scope of consolidation but in which the Bank has the control | - | - | |
| 56c | Other items deductible from Tier 2 capital | - | - | |
| **57** | **Total regulatory adjustments to Tier 2 capital** | **-** | **-** | |
| **58** | **Tier 2 capital** | **760,728** | **655,506** | |
| **59** | **Total capital (Tier 1 capital + Tier 2 capital)** | **3,416,001** | **3,057,867** | |
| **60** | **Total risk weighed assets** | **19,862,505** | **17,849,566** | |
| **Capital adequacy ratios and reserve capital requirements** | | | | |
| 61 | CET 1 capital adequacy ratio | 11.15% | 11.44% | |
| 62 | Tier 1 capital adequacy ratio | 13.37% | 13.46% | |
| 63 | Capital adequacy ratio | 17.20% | 17.13% | |

| | | | | |
|---|---|---|---|---|
| 64 | Institution specific buffer requirement | 3.50% | 3.50% | |
| 65 | of which: capital conservation buffer requirement | 2.50% | 2.50% | |
| 66 | of which: countercyclical buffer requirement | 0.00% | 0.00% | |
| 67 | of which: G-SIBs buffer requirement | 1.00% | 1.00% | |
| 68 | CET 1 capital available to meet buffers (as a percentage of risk weighted assets) | 6.15% | 6.44% | |
| **National minimum** | | | | |
| 69 | CET 1 minimum ratio | 5% | 5% | |
| 70 | Tier 1 minimum ratio | 6% | 6% | |
| 71 | Total capital minimum ratio | 8% | 8% | |
| **Amounts not deducted from the thresholds for deduction** | | | | |
| 72 | Non-significant minority investments in the capital of other unconsolidated financial institutions | 189,324 | 147,213 | |
| 73 | Significant minority investments in the common stock of unconsolidated financial institutions | 700 | 638 | |
| 74 | Mortgage servicing rights (net of related tax liability) | N/A | N/A | |
| 75 | Other net deferred tax assets relying on the Bank's future profitability (net of deferred tax liability) | 149,512 | 142,813 | |
| **Applicable caps on the inclusion of excess loan loss provisions in Tier 2 capital** | | | | |
| 76 | Excess loan loss provisions actually provided under the Weighting Approach | 109,289 | 102,194 | |
| 77 | Excess loan loss provisions eligible for inclusion in Tier 2 capital under the Weighting Approach | 73,651 | 66,871 | |
| 78 | Excess loan loss provisions actually provided under the Internal Ratings-Based Approach | 433,896 | 391,006 | |
| 79 | Excess loan loss provisions eligible for inclusion in Tier 2 capital under the Internal Ratings-Based Approach | 357,130 | 333,686 | |
| **Capital instruments subject to phase-out arrangements** | | | | |
| 80 | Amount included in CET 1 capital due to phase-out arrangements | - | - | |
| 81 | Amount excluded from CET 1 capital due to phase-out arrangements | - | - | |
| 82 | Amount included in Additional Tier 1 capital due to phase-out arrangements | - | - | |
| 83 | Amount excluded from Additional Tier 1 capital due to phase-out arrangements | - | - | |
| 84 | Amount included in Tier 2 capital due to phase-out arrangements | - | 15,000 | |

| | | | | |
|---|---|---|---|---|
| 85 | Amount excluded from Tier 2 capital due to phase-out arrangements | - | 35,000 | |

## 2.6 Main Features of Eligible Capital Instruments

At 31 December 2022, the eligible capital instruments of the Bank included ordinary shares, preference shares, perpetual bonds, and Tier 2 capital bonds.

On 15 July 2010, A-shares of the Bank were listed on the Shanghai Stock Exchange, and H-shares of the Bank were listed on the Hong Kong Stock Exchange on 16 July 2010. In November 2014 and March 2015, the Bank completed the issuance of a total of 800 million preference shares in two tranches, with RMB80 billion raised. All of the raised funds after deducting issuance expenses are used to replenish Additional Tier 1 capital. In June 2018, the Bank conducted the private issuance of 25,188,916,873 A-shares, with RMB100 billion raised. All of the raised funds after deducting issuance expenses are used to replenish CET 1 capital. In August and September 2019, May and August 2020, November 2021, and February and September 2022, the Bank completed the seven tranches of perpetual bonds in the total amount of RMB360 billion. All of the raised funds after deducting issuance expenses are used to replenish Additional Tier 1 capital.

The Bank issued Tier 2 capital bonds amounting to RMB40 billion in the PRC inter-bank bond market in October 2017, and the raised funds after deducting issuance expenses were all included into Tier 2 capital. These Tier 2 capital bonds were fully redeemed in October 2022. The Bank issued Tier 2 capital bonds amounting to RMB40 billion in the PRC inter-bank bond market in April 2018, and the raised funds after deducting issuance expenses were all included into Tier 2 capital. The Bank issued Tier 2 capital bonds amounting to RMB120 billion in the PRC inter-bank bond market in two tranches in March and April 2019 respectively, and the raised funds after deducting issuance expenses were all included into Tier 2 capital. The Bank issued Tier 2 capital bonds amounting to RMB40 billion in the PRC inter-bank bond market in May 2020, and the raised funds after deducting issuance expenses were all included into Tier 2 capital. The Bank issued Tier 2 capital bonds amounting to RMB130 billion in the PRC inter-bank bond market in two tranches in June and September 2022, respectively, and the raised funds after deducting issuance expenses were all included into Tier 2 capital.

As of 31 December 2022, the following tables set the main features of eligible capital instruments of the Bank.

**Table 2.6A: Main Features of Eligible Tier 1 Capital Instruments (Ordinary shares and Preference shares)**

| | | Ordinary share of A-shares | Ordinary share of H-shares | Preference shares | Preference shares |
|---|---|---|---|---|---|
| 1 | Issuer | Agricultural Bank of China Limited | Agricultural Bank of China Limited | Agricultural Bank of China Limited | Agricultural Bank of China Limited |

| | | | | | |
|---|---|---|---|---|---|
| 2 | Unique code | 601288 | 1288 | 360001 | 360009 |
| 3 | Governing laws | "Company Law of the People's Republic of China", "Securities Law of the People's Republic of China", "Law of the People's Republic of China on Commercial Banks", "Rules Governing the Listing of Stocks on Shanghai Stock Exchange", etc. | "Company Law of the People's Republic of China", "Securities Law of the People's Republic of China", "Law of the People's Republic of China on Commercial Banks", "Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited", etc. | "Company Law of the People's Republic of China", "Securities Law of the People's Republic of China", "the Administrative Measures on the Pilot Scheme of Preference Shares", etc. | "Company Law of the People's Republic of China", "Securities Law of the People's Republic of China", "the Administrative Measures on the Pilot Scheme of Preference Shares", etc. |
| | **Regulatory treatments** | | | | |
| 4 | of which: Application of *Capital Rules for Commercial Banks(Provisional)* transitional rules | CET 1 capital | CET 1 capital | Additional Tier 1 capital | Additional Tier 1 capital |
| 5 | of which: Application of *Capital Rules for Commercial Banks (Provisional)* post-transitional rules | CET 1 capital | CET 1 capital | Additional Tier 1 capital | Additional Tier 1 capital |
| 6 | of which: Eligible at the Bank / the Group | the Bank and the Group | the Bank and the Group | the Bank and the Group | the Bank and the Group |
| 7 | Instrument type | Ordinary shares | Ordinary shares | Preference shares | Preference shares |
| 8 | Recognized in regulatory capital (in millions of RMB, most recent reporting date) | 319,244 | 30,739 | 39,944 | 39,955 |
| 9 | Par value | RMB1 | RMB1 | RMB100 | RMB100 |
| 10 | Accounting classification | Equity | Equity | Equity | Equity |
| 11 | Original date of issuance | 2010-7-15 and 2018-6-26 | 2010-7-16 | 2014-10-31 | 2015-3-6 |
| 12 | Perpetual or dated | Perpetual | Perpetual | Perpetual | Perpetual |
| 13 | of which: Original maturity date | No maturity date | No maturity date | No maturity date | No maturity date |
| 14 | Issuer call subject to prior regulatory approval | No | No | Yes (subject to prior regulatory approval) | Yes (subject to prior regulatory approval) |
| 15 | of which: Optional call date, contingent call dates and redemption amount | - | - | The first call date shall be 5 November 2019, fully or partially. | The first call date shall be 11 March 2020, fully or partially. |
| 16 | of which: Subsequent call dates, if applicable | - | - | 5 November of each year after the first call date | 11 March of each year after the first call date |
| | **Bonus or Dividends** | | | | |

| | | | | | |
|---|---|---|---|---|---|
| 17 | of which: Fixed or floating dividends / bonus | Floating | Floating | The coupon rate of the preference shares shall be adjusted every five years. The dividends of the issued preference shares will be paid at an agreed fixed coupon rate during each dividend adjustment period. | The coupon rate of the preference shares shall be adjusted every five years. The dividends of the issued preference shares will be paid at an agreed fixed coupon rate during each dividend adjustment period. |
| 18 | of which: coupon rate and any related index | Subject to the Board's decision | Subject to the Board's decision | Within 5 years from 5 November 2019, the coupon rate is 5.32%. | Within 5 years from 11 March 2020, the coupon rate is 4.84%. |
| 19 | of which: Existence of a dividend stopper | No | No | Yes | Yes |
| 20 | of which: Whether fully discretionary in cancellation of bonus or dividends | Full discretionary | Full discretionary | Full discretionary | Full discretionary |
| 21 | of which: Existence of step up or other incentives to redeem | No | No | No | No |
| 22 | of which: Cumulative or non-cumulative | Non-cumulative | Non-cumulative | Non-cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Convertible | Convertible |
| 24 | of which: If convertible, specify conversion trigger(s) | - | - | Going concern trigger event or non-viability trigger event | Going concern trigger event or non-viability trigger event |
| 25 | of which: If convertible, fully or partially | - | - | Convert fully or partially when the going concern trigger event occurs; convert fully when non-viability trigger event occurs. | Convert fully or partially when the going concern trigger event occurs; convert fully when non-viability trigger event occurs. |
| 26 | of which: If convertible, determine methods for conversion price | - | - | The initial conversion price of the issued preference shares shall be the average trading price of the ordinary shares of the A-share of the Bank in 20 trading days preceding the date of the Board resolution on the Issuance Plan. After the date of the Board resolution, in the event the Bank issues stock dividends, converts capital reserves to share capital, conducts follow-on issuances of shares, conducts a rights issue or acts under similar circumstances, the Bank will adjust the conversion price on a cumulative basis in accordance with the sequence of occurrences of the foregoing events. | The initial conversion price of the issued preference shares shall be the average trading price of the ordinary shares of the A-share of the Bank in 20 trading days preceding the date of the Board resolution on the Issuance Plan. After the date of the Board resolution, in the event the Bank issues stock dividends, converts capital reserves to share capital, conducts follow-on issuances of shares, conducts a rights issue or acts under similar circumstances, the Bank will adjust the conversion price on a cumulative basis in accordance with the sequence of occurrences of the foregoing events. |

| | | | | | |
|---|---|---|---|---|---|
| 27 | of which: If convertible, mandatory or optional conversion | - | - | Mandatory | Mandatory |
| 28 | of which: If convertible, specify instrument type convertible into | - | - | Ordinary Shares | Ordinary Shares |
| 29 | of which: If convertible, specify issuer of instrument convertible into | - | - | Agricultural Bank of China Limited | Agricultural Bank of China Limited |
| 30 | Write-down feature | No | No | No | No |
| 31 | of which: If write-down, specify write-down trigger(s) | - | - | - | - |
| 32 | of which: If write-down, full or partial | - | - | - | - |
| 33 | of which: If write-down, permanent or temporary | - | - | - | - |
| 34 | of which: If temporary write-down, describe write-up mechanism | - | - | - | - |
| 35 | Position in subordination hierarchy in liquidation (instrument type immediately senior to instrument) | Subordinate to the depositors, creditors, junior debt and Additional Tier 1 capital instruments | Subordinate to the depositors, creditors, junior debt and Additional Tier 1 capital instruments | Subordinate to the depositors, creditors, junior debt, prior to CET 1 capital instruments | Subordinate to the depositors, creditors, junior debt, prior to CET 1 capital instruments |
| 36 | Non-eligible transitioned features | No | No | No | No |
| 37 | of which: If yes, specify non-eligible features | - | - | - | - |

Note: The Bank adjusted the disclosure basis for items related to preference shares. In particular, “original date of issuance” refers to the book-building date; “issuer call” is attached with “conditional call rights” and no call rights were exercised on the first call date for the two tranches of the Bank’s preference shares.

**Table 2.6B: Main Features of Eligible Tier 1 Capital Instruments (Perpetual Bonds)**

| | | Perpetual Bonds | Perpetual Bonds | Perpetual Bonds | Perpetual Bonds | Perpetual Bonds | Perpetual Bonds | Perpetual Bonds |
|---|---|---|---|---|---|---|---|---|
| 1 | Issuer | Agricultural Bank of China Limited | Agricultural Bank of China Limited | Agricultural Bank of China Limited | Agricultural Bank of China Limited | Agricultural Bank of China Limited | Agricultural Bank of China Limited | Agricultural Bank of China Limited |
| 2 | Unique code | 1928021 | 1928023 | 2028017 | 2028032 | 2128038 | 2228011 | 092280086 |
| 3 | Governing laws | “Law of the People’s Republic of China on Commercial Banks”, | “Law of the People’s Republic of China on Commercial Banks”, | “Law of the People’s Republic of China on Commercial Banks”, | “Law of the People’s Republic of China on Commercial Banks”, | “Law of the People’s Republic of China on Commercial Banks”, | “Law of the People’s Republic of China on Commercial Banks”, | “Law of the People’s Republic of China on Commercial Banks”, |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | “Capital Rules for Commercial Banks (Provisional)” , “Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market”, etc. | “Capital Rules for Commercial Banks (Provisional)” , “Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market”, etc. | “Capital Rules for Commercial Banks (Provisional)” , “Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market”, etc. | “Capital Rules for Commercial Banks (Provisional)” , “Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market”, etc. | “Capital Rules for Commercial Banks (Provisional)” , “Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market”, etc. | “Capital Rules for Commercial Banks (Provisional)” , “Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market”, etc. | “Capital Rules for Commercial Banks (Provisional)” , “Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market”, etc. |
| | **Regulatory treatments** | | | | | | | |
| 4 | of which: Application of *Capital Rules for Commercial Banks (Provisional)* transitional rules | Additional Tier 1 capital | Additional Tier 1 capital | Additional Tier 1 capital | Additional Tier 1 capital | Additional Tier 1 capital | Additional Tier 1 capital | Additional Tier 1 capital |
| 5 | of which: Application of *Capital Rules for Commercial Banks (Provisional)* Post-transitional rules | Additional Tier 1 capital | Additional Tier 1 capital | Additional Tier 1 capital | Additional Tier 1 capital | Additional Tier 1 capital | Additional Tier 1 capital | Additional Tier 1 capital |
| 6 | of which: Eligible at the Bank / the Group | the Bank and the Group | the Bank and the Group | the Bank and the Group | the Bank and the Group | the Bank and the Group | the Bank and the Group | the Bank and the Group |
| 7 | Instrument type | Perpetual bonds | Perpetual bonds | Perpetual bonds | Perpetual bonds | Perpetual bonds | Perpetual bonds | Perpetual bonds |
| 8 | Recognized in regulatory capital (in millions of RMB, most recent reporting date) | 84,991 | 34,996 | 84,992 | 34,997 | 39,997 | 49,997 | 30,000 |
| 9 | Par value | RMB100 | RMB100 | RMB100 | RMB100 | RMB100 | RMB100 | RMB100 |
| 10 | Accounting classification | Equity | Equity | Equity | Equity | Equity | Equity | Equity |
| 11 | Original date of issuance | 2019-8-16 | 2019-9-3 | 2020-5-8 | 2020-8-20 | 2021-11-12 | 2022-2-18 | 2022-9-1 |
| 12 | Perpetual or dated | Perpetual | Perpetual | Perpetual | Perpetual | Perpetual | Perpetual | Perpetual |
| 13 | of which: Original maturity date | No maturity date | No maturity date | No maturity date | No maturity date | No maturity date | No maturity date | No maturity date |
| 14 | Issuer call (subject to prior regulatory approval) | Yes (subject to prior regulatory approval) | Yes (subject to prior regulatory approval) | Yes (subject to prior regulatory approval) | Yes (subject to prior regulatory approval) | Yes (subject to prior regulatory approval) | Yes (subject to prior regulatory approval) | Yes (subject to prior regulatory approval) |
| 15 | of which: Optional call date, contingent call dates and redemption amount | The first call date shall be 20 August 2024, fully or partially. | The first call date shall be 5 September 2024, fully or partially. | The first call date shall be 12 May 2025, fully or partially. | The first call date shall be 24 August 2025, fully or partially. | The first call date shall be 16 November 2026, fully or partially. | The first call date shall be 22 February 2027, fully or partially. | The first call date shall be 5 September 2027, fully or partially. |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 16 | of which: Subsequent call dates, if applicable | 20 August of each year after the first call date | 5 September of each year after the first call date | 12 May of each year after the first call date | 24 August of each year after the first call date | 16 November of each year after the first call date | 22 February of each year after the first call date | 5 September of each year after the first call date |
| | **Bonus or Dividends** | | | | | | | |
| 17 | of which: Fixed or floating dividends /bonus | The coupon rate shall be adjusted every five years. The interests of the issued perpetual bond will be paid at an agreed fixed coupon rate during each dividend adjustment period. | The coupon rate shall be adjusted every five years. The interests of the issued perpetual bond will be paid at an agreed fixed coupon rate during each dividend adjustment period. | The coupon rate shall be adjusted every five years. The interests of the issued perpetual bond will be paid at an agreed fixed coupon rate during each dividend adjustment period. | The coupon rate shall be adjusted every five years. The interests of the issued perpetual bond will be paid at an agreed fixed coupon rate during each dividend adjustment period. | The coupon rate shall be adjusted every five years. The interests of the issued perpetual bond will be paid at an agreed fixed coupon rate during each dividend adjustment period. | The coupon rate shall be adjusted every five years. The interests of the issued perpetual bond will be paid at an agreed fixed coupon rate during each dividend adjustment period. | The coupon rate shall be adjusted every five years. The interests of the issued perpetual bond will be paid at an agreed fixed coupon rate during each dividend adjustment period. |
| 18 | of which: coupon rate and any related index | Within 5 years from 20 August 2019, the coupon rate is 4.39%. | Within 5 years from 5 September 2019, the coupon rate is 4.20%. | Within 5 years from 12 May 2020, the coupon rate is 3.48%. | Within 5 years from 24 August 2020, the coupon rate is 4.50%. | Within 5 years from 16 November 2021, the coupon rate is 3.76%. | Within 5 years from 22 February 2022, the coupon rate is 3.49% | Within 5 years from 5 September 2022, the coupon rate is 3.17% |
| 19 | of which: Existence of a dividend stopper | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| 20 | of which: Whether fully discretionary in cancellation of bonus or dividends | Full discretionary | Full discretionary | Full discretionary | Full discretionary | Full discretionary | Full discretionary | Full discretionary |
| 21 | of which: Existence of step up or other incentives to redeem | No | No | No | No | No | No | No |
| 22 | of which: Cumulative or non-cumulative | Non-cumulative | Non-cumulative | Non-cumulative | Non-cumulative | Non-cumulative | Non-cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible | Non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | of which: If convertible, specify conversion trigger(s) | - | - | - | - | - | - | - |
| 25 | of which: If convertible, fully or partially | - | - | - | - | - | - | - |
| 26 | of which: If convertible, determine methods for conversion price | - | - | - | - | - | - | - |
| 27 | of which: If convertible, | - | - | - | - | - | - | - |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | mandatory or optional conversion | | | | | | | |
| 28 | of which: If convertible, specify instrument type convertible into | - | - | - | - | - | - | - |
| 29 | of which: If convertible, specify issuer of instrument convertible into | - | - | - | - | - | - | - |
| 30 | Write-down feature | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| 31 | of which: If write-down, specify write-down trigger(s) | Going concern trigger event or non-viability trigger event | Going concern trigger event or non-viability trigger event | Triggers refer to the occurrence of the earlier of the following two events: (1) the CBIRC considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effectiveness. | Triggers refer to the occurrence of the earlier of the following two events: (1) the CBIRC considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effectiveness. | Triggers refer to the occurrence of the earlier of the following two events: (1) the CBIRC considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effectiveness. | Triggers refer to the occurrence of the earlier of the following two events: (1) the CBIRC considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effectiveness. | Triggers refer to the occurrence of the earlier of the following two events: (1) the CBIRC considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effectiveness. |
| 32 | of which: If write-down, full or partial | Full or Partial | Full or Partial | Full or Partial | Full or Partial | Full or Partial | Full or Partial | Full or Partial |
| 33 | of which: If write-down, permanent or temporary | Permanent | Permanent | Permanent | Permanent | Permanent | Permanent | Permanent |
| 34 | of which: If temporary write-down, describe write-up mechanism | - | - | - | - | - | - | - |
| 35 | Position in subordination hierarchy in liquidation (instrument type Immediately senior to instrument) | Subordinate to the depositors, creditors, and junior debt that are above the bonds in rank. | Subordinate to the depositors, creditors, and junior debt that are above the bonds in rank. | Subordinate to the depositors, creditors, and junior debt that are above the bonds in rank. | Subordinate to the depositors, creditors, and junior debt that are above the bonds in rank. | Subordinate to the depositors, creditors, and junior debt that are above the bonds in rank. | Subordinate to the depositors, creditors, and junior debt that are above the bonds in rank. | Subordinate to the depositors, creditors, and junior debt that are above the bonds in rank. |
| 36 | Non-eligible | No | No | No | No | No | No | No |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | transitioned features | | | | | | | |
| 37 | of which: If yes, specify non-eligible features | - | - | - | - | - | - | - |

Note: The Bank adjusted the disclosure basis for items related to perpetual bonds. In particular, “original date of issuance” refers to the book-building date; “issuer call” is attached with “conditional call right” and the call rights have not expired for all tranches of the Bank’s perpetual bonds.

**Table 2.6C: Main Features of Eligible Tier 2 Capital Instruments (Tier 2 Capital Instruments)**

| | | **Tier 2 capital instru-ments** | **Tier 2 capital instru-ments** | **Tier 2 capital instru-ments** | **Tier 2 capital instru-ments** | **Tier 2 capital instru-ments** | **Tier 2 capital instru-ments** | **Tier 2 capital instru-ments** | **Tier 2 capital instru-ments** | **Tier 2 capital instru-ments** | **Tier 2 capital instru-ments** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Issuer | Agricultural Bank of China Limited | Agricultural Bank of China Limited | Agricultural Bank of China Limited | Agricultural Bank of China Limited | Agricultural Bank of China Limited | Agricultural Bank of China Limited | Agricultural Bank of China Limited | Agricultural Bank of China Limited | Agricultural Bank of China Limited | Agricultural Bank of China Limited |
| 2 | Unique code | 1828002 | 1928003 | 1928004 | 1928008 | 1928009 | 2028013 | 2228041 | 2228042 | 092200008 | 092200009 |
| 3 | Governing laws | “Law of the People’s Republic of China on Commer-cial Banks”, “Capital Rules for Commer-cial Banks (Provisional)”, “Measures for the Administra-tion of the Issuance of Financial Bonds in the National Inter-bank Bond Market”, etc. | “Law of the People’s Republic of China on Commer-cial Banks”, “Capital Rules for Commer-cial Banks (Provisional)”, “Measures for the Administra-tion of the Issuance of Financial Bonds in the National Inter-bank Bond Market”, etc. | “Law of the People’s Republic of China on Commer-cial Banks”, “Capital Rules for Commer-cial Banks (Provisional)”, “Measures for the Administra-tion of the Issuance of Financial Bonds in the National Inter-bank Bond Market”, etc. | “Law of the People’s Republic of China on Commer-cial Banks”, “Capital Rules for Commer-cial Banks (Provisional)”, “Measures for the Administra-tion of the Issuance of Financial Bonds in the National Inter-bank Bond Market”, etc. | “Law of the People’s Republic of China on Commer-cial Banks”, “Capital Rules for Commer-cial Banks (Provisional)”, “Measures for the Administra-tion of the Issuance of Financial Bonds in the National Inter-bank Bond Market”, etc. | “Law of the People’s Republic of China on Commer-cial Banks”, “Capital Rules for Commer-cial Banks (Provisional)”, “Measures for the Administra-tion of the Issuance of Financial Bonds in the National Inter-bank Bond Market”, etc. | “Law of the People’s Republic of China on Commer-cial Banks”, “Capital Rules for Commer-cial Banks (Provisional)”, “Measures for the Administra-tion of the Issuance of Financial Bonds in the National Inter-bank Bond Market”, etc. | “Law of the People’s Republic of China on Commer-cial Banks”, “Capital Rules for Commer-cial Banks (Provisional)”, “Measures for the Administra-tion of the Issuance of Financial Bonds in the National Inter-bank Bond Market”, etc. | “Law of the People’s Republic of China on Commer-cial Banks”, “Capital Rules for Commer-cial Banks (Provisional)”, “Measures for the Administra-tion of the Issuance of Financial Bonds in the National Inter-bank Bond Market”, etc. | “Law of the People’s Republic of China on Commer-cial Banks”, “Capital Rules for Commer-cial Banks (Provisional)”, “Measures for the Administra-tion of the Issuance of Financial Bonds in the National Inter-bank Bond Market”, etc. |
| | **Regula-tory treat-ments** | | | | | | | | | | |
| 4 | of which: Applica-tion of *Capital Rules for Commer-cial Banks (Provision-al)* transition-al rules | Tier 2 capital | Tier 2 capital | Tier 2 capital | Tier 2 capital | Tier 2 capital | Tier 2 capital | Tier 2 capital | Tier 2 capital | Tier 2 capital | Tier 2 capital |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 5 | of which: Applica -tion of *Capital Rules for Commer -cial Banks (Provision -al)* post-transi -tional rules | Tier 2 capital | Tier 2 capital | Tier 2 capital | Tier 2 capital | Tier 2 capital | Tier 2 capital | Tier 2 capital | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 6 | of which: Eligible at the Bank / the Group | the Bank and the Group | the Bank and the Group | the Bank and the Group | the Bank and the Group | the Bank and the Group | the Bank and the Group | the Bank and the Group | the Bank and the Group | the Bank and the Group | the Bank and the Group |
| 7 | Instrument type | Tier 2 capital bonds | Tier 2 capital bonds | Tier 2 capital bonds | Tier 2 capital bonds | Tier 2 capital bonds | Tier 2 capital bonds | Tier 2 capital bonds | Tier 2 capital bonds | Tier 2 capital bonds | Tier 2 capital bonds |
| 8 | Recogniz -ed in regulatory capital (in millions of RMB, most Recent reporting date) | 39,989 | 9,997 | 49,988 | 19,994 | 39,989 | 39,992 | 39,991 | 19,995 | 49,995 | 19,998 |
| 9 | Par value | RMB100 | RMB100 | RMB100 | RMB100 | RMB100 | RMB100 | RMB100 | RMB100 | RMB100 | RMB100 |
| 10 | Account- ing classifica -tion | Liability | Liability | Liability | Liability | Liability | Liability | Liability | Liability | Liability | Liability |
| 11 | Original date of issuance | 2018-4-27 | 2019-3-19 | 2019-3-19 | 2019-4-11 | 2019-4-11 | 2020-5-6 | 2022-6-21 | 2022-6-21 | 2022-9-23 | 2022-9-23 |
| 12 | Perpetual or dated | Dated | Dated | Dated | Dated | Dated | Dated | Dated | Dated | Dated | Dated |
| 13 | of which: Original maturity date | 2028-4-27 | 2034-3-19 | 2029-3 -19 | 2034-4-11 | 2029-4-11 | 2030-5-6 | 2032-6-21 | 2037-6-21 | 2032-9-23 | 2037-9-23 |
| 14 | Issuer call (subject to prior regula- tory approval) | Yes (subject to prior regulatory approval) | Yes (subject to prior regulatory approval) | Yes (subject to prior regulatory approval) | Yes (subject to prior regulatory approval) | Yes (subject to prior regulatory approval) | Yes (subject to prior regulatory approval) | Yes (subject to prior regulatory approval) | Yes (subject to prior regulatory approval) | Yes (subject to prior regulatory approval) | Yes (subject to prior regulatory approval) |
| 15 | of which: Optional call date, contingent call dates and redemp -tion amount (in millions of | 2023-4-27, redemption amount 40,000 | 2029-3-19, redemption amount 10,000 | 2024-3-19, redemption amount 50,000 | 2029-4-11, redemption amount 20,000 | 2024-4-11, redemption amount 40,000 | 2025-5-6 redemption amount 40,000 | 2027-6-21 redemption amount 40,000 | 2032-6-21, redemption amount 20,000 | 2027-9-23, redemption amount 50,000 | 2032-9-23, redemption amount 20,000 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | RMB) | | | | | | | | | | |
| 16 | of which: Subsequ-ent call dates, if applicable | - | - | - | - | - | - | - | - | - | - |
| | **Bonus or Dividends** | | | | | | | | | | |
| 17 | of which: Fixed or floating dividends / bonus | Fixed | Fixed | Fixed | Fixed | Fixed | Fixed | Fixed | Fixed | Fixed | Fixed |
| 18 | of which: coupon rate and any related index | 4.45% | 4.53% | 4.28% | 4.63% | 4.30% | 3.10% | 3.45% | 3.65% | 3.03% | 3.34% |
| 19 | of which: Existence of a dividend stopper | No | No | No | No | No | No | No | No | No | No |
| 20 | of which: Whether fully discretio-nary in cancella-tion of bonus or dividends | Without discretio-nary | Without discretio-nary | Without discretio-nary | Without discretio-nary | Without discretio-nary | Without discretio-nary | Without discretio-nary | Without discretio-nary | Without discretio-nary | Without discretio-nary |
| 21 | of which: Existence of step up or other incentives to redeem | No | No | No | No | No | No | No | No | No | No |
| 22 | of which: Cumula-tive or non-cumulative | Non-cumulative | Non-cumulative | Non-cumulative | Non-cumulative | Non-cumulative | Non-cumulative | Non-cumulative | Non-cumulative | Non-cumulative | Non-cumulative |
| 23 | Convert-ible or non-conver-tible | Non-convertible | Non-convertible | Non-convertible | Non-convertible | Non-convertible | Non-convertible | Non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | of which: If convert-ible, specify | - | - | - | - | - | - | - | - | - | - |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | conversion trigger(s) | | | | | | | | | | |
| 25 | of which: If convert -ible, fully or partially | - | - | - | - | - | - | - | - | - | - |
| 26 | of which: If convert -ible, determine methods for conversion price | - | - | - | - | - | - | - | - | - | - |
| 27 | of which: If convert -ible, mandatory or optional conversion | - | - | - | - | - | - | - | - | - | - |
| 28 | of which: If convert -ible, specify instrument type convert -ible into | - | - | - | - | - | - | - | - | - | - |
| 29 | of which: If conver -tible, specify issuer of instrument conver -tible into | - | - | - | - | - | - | - | - | - | - |
| 30 | Write -down feature | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 31 | of which: If write-down, specify write-down trigger(s) | Triggers refer to the occurrence of the earlier of the following two events: (1) the CBIRC considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effective-ness. | Triggers refer to the occurrence of the earlier of the following two events: (1) the CBIRC considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effective-ness. | Triggers refer to the occurrence of the earlier of the following two events: (1) the CBIRC considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effective-ness. | Triggers refer to the occurrence of the earlier of the following two events: (1) the CBIRC considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effective-ness. | Triggers refer to the occurrence of the earlier of the following two events: (1) the CBIRC considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effective-ness. | Triggers refer to the occurrence of the earlier of the following two events: (1) the CBIRC considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effective-ness. | Triggers refer to the occurrence of the earlier of the following two events: (1) the CBIRC considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effective-ness. | Triggers refer to the occurrence of the earlier of the following two events: (1) the CBIRC considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effective-ness. | Triggers refer to the occurrence of the earlier of the following two events: (1) the CBIRC considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effective-ness. | Triggers refer to the occurrence of the earlier of the following two events: (1) the CBIRC considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effective-ness. |
| 32 | of which: If write-down, partial or full | Partial or Full | Partial or Full | Partial or Full | Partial or Full | Partial or Full | Partial or Full | Partial or Full | Partial or Full | Partial or Full | Partial or Full |
| 33 | of which: If write-down, permanent or temporary | Permanent | Permanent | Permanent | Permanent | Permanent | Permanent | Permanent | Permanent | Permanent | Permanent |
| 34 | of which: If temporary write-down, describe write-up mechan-ism | - | - | - | - | - | - | - | - | - | - |
| 35 | Position in subordina-tion hierarchy in liquidation | Subordi-nate to the depositors and creditors, and prior to | Subordi-nate to the depositors and creditors, and prior to | Subordi-nate to the depositors and creditors, and prior to | Subordi-nate to the depositors and creditors, and prior to | Subordi-nate to the depositors and creditors, and prior to | Subordi-nate to the depositors and creditors, and prior to | Subordi-nate to the depositors and creditors, and prior to | Subordi-nate to the depositors and creditors, and prior to | Subordi-nate to the depositors and creditors, and prior to | Subordi-nate to the depositors and creditors, and prior to |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | (instru-ment type Immedia-tely senior to instrument) | equity capital and Additional Tier 1 capital instrument | equity capital and Additional Tier 1 capital instrument | equity capital and Additional Tier 1 capital instrument | equity capital and Additional Tier 1 capital instrument | equity capital and Additional Tier 1 capital instrument | equity capital and Additional Tier 1 capital instrument | equity capital and Additional Tier 1 capital instrument | equity capital and Additional Tier 1 capital instrument | equity capital and Additional Tier 1 capital instrument | equity capital and Additional Tier 1 capital instrument |
| 36 | Non-eligible transition-ed features | No | No | No | No | No | No | No | No | No | No |
| 37 | of which: If yes, specify non-eligible features | - | - | - | - | - | - | - | - | - | - |

## 2.7 Threshold Deduction Limit and Limit of Excess Loan Loss Provisions

According to the *Capital Rules for Commercial Banks (Provisional),* the Bank's non-significant minority capital investments in financial institutions outside the scope of consolidation, significant minority capital investments in financial institutions outside the scope of consolidation and other net deferred tax assets that rely on future profitability of the Bank did not meet the threshold deduction limit, details of which are as follows.

*In millions of RMB*

**Table 2.7A: Threshold Deduction Limit**

| Items applied to threshold deduction approach | Amount | Capital deduction limit | | Difference up to the cap |
|---|---|---|---|---|
| | | Item | Amount | |
| Non-significant minority capital investments in the financial institutions outside the scope of consolidation, of which: | 189,324 | 10% of the CET 1 capital[1], net | 221,540 | 32,216 |
| CET 1 capital investment | 6,626 | | | |
| Additional Tier 1 capital | 1,856 | | | |
| Tier 2 capital | 180,842 | | | |
| CET 1 capital of significant minority capital investments in financial institutions outside the scope of consolidation | 700 | 10% of the CET 1 capital[2], net | 221,540 | 220,840 |

| | | | | |
|---|---|---|---|---|
| Other net deferred tax assets that rely on future profitability of the Bank | 149,512 | | 221,540 | 72,028 |
| Un-deducted part of CET 1 capital of significant minority capital investments in financial institutions outside the scope of consolidation and other net deferred tax assets that rely on future profitability of the Bank | 150,212 | 15% of the CET 1 capital[3], net | 332,309 | 182,097 |

Notes: 1.The CET 1 capital, net of regulatory deduction refers to the balance after deducted all deductible items of the CET 1 capital.

2.The CET 1 capital, net of regulatory deduction refers to the balance after deducted all deductible items of the CET 1 capital and non-significant minority capital investments in financial institutions outside the scope of consolidation.

3.The CET 1 capital, net of regulatory deduction refers to the balance after deducted all deductible items of the CET 1 capital, non-significant minority capital investments in the financial institutions outside the scope of consolidation, CET 1 capital of significant minority capital investment in financial institutions outside scope of the consolidation and other net deferred tax assets that rely on future profitability of the bank.

According to the *Capital Rules for Commercial Banks (Provisional),* under the weighting approach, provisions of excess loan loss included in the Tier 2 capital is the excess of the provision of the loan loss actually provided by the Bank over the minimum requirement, which is not allowed to exceed 1.25% of the credit risk weighted asset. Under the Internal Ratings-Based approach, provisions of excess loan loss included in the Tier 2 capital is the excess of the provision of the loan loss actually provided by the Bank over the expected loss, which is not allowed to exceed 0.6% of the credit risk weighted asset, but under the parallel implementation period, the amount of provisions of excess loan loss with the coverage lower than 150% included into Tier 2 capital is not allowed to excess 0.6% of the credit risk weighted asset, and the provisions of excess loan loss with the coverage higher than 150% could be all included into Tier 2 capital. The Bank's provisions of excess loan loss that can be included into Tier 2 capital are as follows.

*In millions of RMB*

**Table 2.7B: Limits of Excess Loan Loss Provisions that Could be Included into the Tier 2 Capital**

| Measurement method | Item | 31 December 2022 | 31 December 2021 |
|---|---|---|---|
| Portion uncovered by IRB approach | Provisions for loan loss | 139,206 | 136,393 |
| | The amount of provisions eligible for inclusion in Tier 2 capital | 73,651 | 66,871 |
| | The limit of provisions eligible for inclusion in Tier 2 capital | 73,651 | 66,871 |
| | If not reach the provision cap, the difference up to the cap | - | - |
| Portion covered by IRB approach | Provisions for loan loss | 643,648 | 584,172 |
| | The amount of provisions eligible for inclusion in Tier 2 capital | 433,896 | 391,006 |
| | The limit of provisions eligible for inclusion in Tier 2 capital | 357,130 | 333,686 |

| | | | |
|---|---|---|---|
| | If not reach the provision cap, the difference up to the cap | - | - |

## 2.8 Changes in Paid-in Capital

There were no changes in the paid-in capital of the Bank during the reporting period.

## 2.9 Significant Capital Investments

In July 2020, we entered into the Promoters’Agreement on the National Green Development Fund Co., Ltd., pursuant to which, we shall invest in the National Green Development Fund Co., Ltd. We shall invest RMB8 billion in the National Green Development Fund, which will be paid in five instalments. In May 2021, we paid for the first instalment in the amount of RMB0.8 billion. In November 2022, we paid for the second instalment in the amount of RMB1 billion.

# 3 Risk Management Framework

## 3.1 Comprehensive Risk Management

Comprehensive risk management refers to the timely identification, measurement, monitoring, control and reporting of main material risks in business operation through the integration of elements including risk appetite, policies and rules, organizations, tools and models, data systems and risk culture in line with the principle of comprehensive coverage, whole-process management and overall participation, so as to ensure effective risk management in decision-making, implementation and supervision in the whole bank.

In 2022, the Bank gave prominence to risk prevention as ever, continuously improved its comprehensive risk management system and solidly delivered outcomes in all aspects of our risk management. In terms of credit risk, the Bank prudently managed the credit risk in key areas such as real estate and related debt of local governments. In respect of market risk, the Bank strengthened the risk scanning, early warning and penetration monitoring of market-related businesses, and conducted systematic investigations to control risk exposures. On the operational risk front, the Bank investigated and managed case risks in key areas to build a strong compliance foundation for case prevention and completed the goals of the first and second phases of the disaster recovery system construction. We prepared for the implementation of the new regulations on capital supervision and orderly promoted the project construction of new measurement methods for credit risk, market risk and operational risk.

## 3.2 Risk Appetite

Risk appetite is a term that refers to the levels and types of risks acceptable to and tolerable for the Bank as determined by the Board of Directors in order to achieve the strategic targets of the Bank, which depends on the expectations and constraints of our major stakeholders, external operating environment and actual conditions of the Bank.

In 2022, we continued to refine our risk management policies system. In terms of comprehensive risk management, we revised the Group's risk appetite and comprehensive risk management strategy. As far as credit risk management is concerned, the Company revised the Administrative Measures for the Management of Industry Credit Policies, the Measures for the Classification Management of Corporate Customers, the Measures for the Management of Industry Credit Limits, the Measures for the Credit Management of Corporate Customers, the Measures for the Credit Management of Group Customers, and the Measures for the Management of Credit Business risk Monitoring, and formulated the Measures for the Implementation Management of the Expected Credit Loss Approach. In operational risk management, we revised the Regulations on the Classification and Grading of Operational Risk, the Management Rules on the Monitoring and Reporting of Operational Risk, the Management Measures for Business Outsourcing and Implementation Rules for the Management of Business Outsourcing. The Bank revised the Information Technology Risk Management Measures and the Administrative Measures on Continuity of Business. We updated risk management policies for non-retail customer ratings, industry credit limits, capital transaction and market risks, inter-bank and agency distribution business as well as information technology, and performed daily risk management.

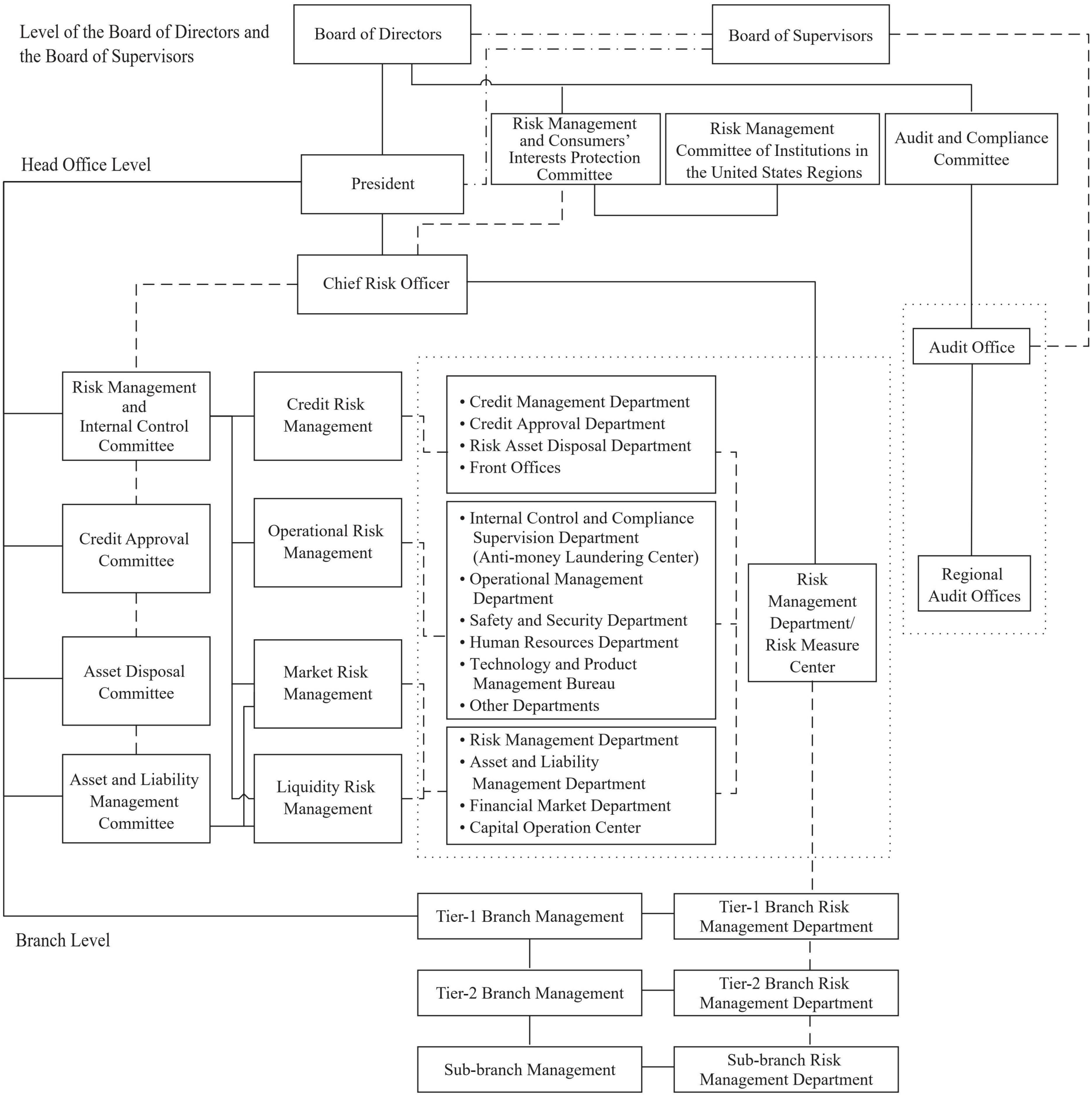
## 3.3 Structure and Organization of Risk Management

The Board of Directors assumes the ultimate responsibility for risk management. The Risk Management and Consumers’ Interests Protection Committee, the Audit and Compliance Committee and the Risk Management Committee of Institutions in the United States Regions under the Board of Directors perform the relevant risk management functions, review the key risk management issues and supervise and evaluate the establishment of risk management system and the risk condition of the Bank.

The Senior Management is the organizer and executor of risk management of the Bank. Under the Senior Management, we have various risk management committees with different functions, including Risk Management and Internal Control Committee, Credit Approval Committee, Asset and Liability Management Committee and Asset Disposal Committee. Among them, the Risk Management and Internal Control Committee is primarily responsible for organizing and coordinating risk and compliance management across the Bank, considering and approving material risk management and compliance management issues.

The Board of Supervisors is responsible for risk management supervision. It supervises and inspects on due diligence of the Board of Directors and the Senior Management in risk management and urges them to make rectifications. It includes relevant supervision and inspection information into the work report of the Board of Supervisors and regularly reports to the shareholders’ general meeting.

Based on the principle of “overall coverage”, we established the “matrix” risk management organizational system and the “Three Lines of Defense” for risk management comprising the risk bearing departments, risk management departments and internal audit departments. In 2022, we further promoted the integrated risk management of the parent company and the subsidiaries as well as of the domestic and overseas institutions, and optimized the management framework of major risk including credit risk, market risk and operational risk.




**Risk Management Structure of the Bank**

## 3.4 Risk Management Policies and Systems

In 2022, we continued to refine our risk management policies system. In terms of comprehensive risk management, we revised the Group's risk appetite and comprehensive risk management strategy. As far as credit risk management is concerned, the Company revised the Administrative Measures for the Management of Industry Credit Policies, the Measures for the Classification Management of Corporate Customers, the Measures for the Management of Industry Credit Limits, the Measures for the Credit Management of Corporate Customers, the Measures for the Credit Management of Group Customers, and the Measures for the Management of Credit Business risk Monitoring, and formulated the Measures for the Implementation Management of the Expected Credit Loss Approach. In operational risk management, we revised the Regulations on the Classification and Grading of Operational Risk, the Management Rules on the Monitoring and Reporting of Operational Risk, the Management Measures for Business Outsourcing and Implementation Rules for the Management of Business Outsourcing. The Bank revised the Information Technology Risk Management Measures and the Administrative Measures on Continuity of Business. We updated risk management policies for non-retail customer ratings, industry credit limits, capital transaction and market risks, inter-bank and agency distribution business as well as information technology, and performed daily risk management.

## 3.5 Risk Management Tools and IT System

*Implementation of the advanced approaches of capital management*

In respect of credit risk, we launched the online application of the foreign and domestic non-retail Internal Ratings-Based (IRB) system in 2007 and 2009, respectively, and the retail IRB system was brought online in 2011. Since then, the quality of data gradually improved, while the model, risk parameters and risk identification capability have remained satisfactory, and deepening application of risk rating has been evident. During the reporting period, the Bank proceeded to monitor and optimize model parameters, improve the scoring system of small and micro enterprises, and launch the project of advanced method on non-retail internal rating; the Bank further strengthened the sensitivity in credit ratings and timeliness to detect potential default risk by conducting investigation on risk of default and enhancing the dynamic adjustment mechanism for credit ratings. The Bank strengthened the unified management on rating domestic and foreign customers to enhance coverage of the internal rating. The Bank strengthened the guiding role of rating in risk prevention and control. The Bank continued to improve the internal credit risk rating system of retail loans, optimize the rating model for farmers' loan application and launch applications, push forward the development of rating model for special installment of credit cards, and strengthen retail rating management and system construction to constantly improve the risk identification and measurement for retail loans.

In respect of market risk, the CBIRC formally approved the Bank's implementation of the Internal Models Approach (IMA) for market risks at the beginning of 2017. The Bank has established an advanced measurement and management system for market risk with regard to organizational structure, policies and procedures, measurement methods and IT systems. In addition, the Bank applied the measurement results of IMA to risk limit management and policy-making process in order to provide strong support to the risk analysis and investment decision-making in financial market business. In 2022, the Bank conducted an overall assessment on IMA for market risk to further perfect its measurement mechanism. The measurement mechanism operated steadily throughout the year with prudent and reliable results.

In respect of operational risk, the standardized approach of operational risk approved by regulatory bodies was used in the Bank's regulatory capital measurement of operational risk. The Bank continued to improve the operational risk management system in terms of organization, policy system and tools and to deepen the internal application of measuring tools. At the same time, according to the implementation plan of the new standard method of operational risk, the Bank improved the data base and support system for the new standardized approach and engage a third party to initiate a comprehensive validation of the new standardized approach of operational risk.

Internal Capital Adequacy Assessment Process (ICAAP). In 2022, according to the regulatory requirements, the Bank kept pushing forward the implementation of ICAAP, and carried out the 2022 ICAAP. The assessment report has been reviewed and approved by the Board of Directors. Afterwards, it is submitted to CBIRC. The Bank carried out the 2022 special audit on ICAAP.

Information disclosure on capital adequacy ratio. In 2022, according to the requirements of the *Capital Rules for Commercial Banks (Provisional)* by the CBIRC, the Bank completed *the 2021 Capital Adequacy Ratio Report,* which was published together with the Annual Report. The 2022 quarterly and semi-annual information of capital adequacy ratio were included in Quarterly Report and Interim Report of the Bank.

*Tools and measures for risk management*

The Bank actively promoted the implementation of the advanced approaches for capital management, and established an operation and transmission mechanism of risk management to balance capital, risk and return. We reinforced the monitoring, analysis and warning of risks related to key areas, industries and customers. By using various risk management tools, such as economic capital, risk limits, credit ratings, risk classification, impairment provision, stress test and risk appraisal. As such, the capabilities of risk identification, measurement, monitoring, control and reporting have been extensively enhanced.

The Bank continually refined the management of economic capital. In 2022, in accordance with the principle of "adhering to objective measurement while accurately reflecting the risks", the Bank improved the measurement model, defined specific measurement rules, put into operation a new generation of economic capital measurement system, further improved the accuracy, timeliness and sensitivity of economic capital measurement, and guided the whole bank to strengthen risk management and control.

We built and improved the bank-wide unified online and offline platform for credit business risk monitoring ("Fenghuo Platform") to enable the total accessing, unified releasing and one-stop processing of risk information, and effectively enhance the digitalization level of risk monitoring and management of credit business across the Bank. We built a risk control hub to integrate the channel between data and business decision-making process, apply control strategies on pre-lending, lending and post-lending, had the system automatically retrieve risk control rules, and monitor and control material risks to further enhance the ability of performing forward-looking, proactive and intelligent prevention and control of credit risks.

The Bank continued to perfect the industry-specific limit management. In 2022, the Bank strictly implemented national policies and regulatory requirements, strengthened credit risk assets portfolio management, and implemented limit management for some "high-polluting and energy-intensive industries" and low-quality industries. At the end of the year, the general incremental of credits granted to controlled industries were kept within the general annual limit, and the credit quality and customer structure of controlled industries has been constantly optimized.

The Bank deepened the construction of case monitoring and early warning platform, intelligent anti-fraud platform and digital compliance platform, and promoted system integration and data sharing. The Bank upgraded operational risk management system, adding operational risk assessment function, and key risk indicator monitoring function, and improved risk prediction capability through all-around upgraded the key risk indicator system.

The Bank's risk management information system links up with other major business systems of the Bank, extracts risk management and measurement data, and the data pool based on the credit risk, market risk and operational risk has been established, meet the Bank's unified risk identification, monitoring, reporting, measurement and control requirements, established the foundation for the systematization and delicacy of the risk management and measurement of the Bank, and provided effective support for business operation and management decisions.

# 4 Credit Risk

## 4.1 Credit Risk Management

Credit risk refers to the risk of loss as a result of the default of obligator or counterparty, or the downgrading of credit ratings or the weakening of their contractual capability. The Bank is exposed to credit risk primarily from loan portfolio, investment portfolio, guarantee business and various other on- and off- balance sheet credit risk exposures. The Bank's objectives of credit risk management are to adhere to its risk appetite, and assume appropriate level of credit risk and earn returns commensurate with respective risks assumed based on its credit risk management capability and capital level, as well as to lower and control the loss for risk as a result of the default of obligator or counterparty, or the downgrading of credit ratings or the weakening of contractual capability.

The Bank has gradually established and consummated the credit risk management policy system, based on the needs of business development and comprehensive risk management of the Bank, including credit reviewing and approval, limit management, internal rating, credit authority, draw-down management, collateral management, post-lending management, disposal or write-offs, etc. were established to make sure each risk management activity complying with regulations. In addition, the Bank continuously clarified and perfected the specific management measures and operation procedures of each business, product, customer operation for each department and business line, ensuring that the credit risk management policy system is comprehensively implemented.

The Bank authorizes the branches to conduct business and delegation according to the risk management capability of the branches, and all businesses undertaking credit risk shall be conducted in accordance with procedures and permissions. The Bank designs and implements the credit business process based on credit scale, complexity, and risk characteristics on the basic principles of "separating the loan initiation from approval, adopting checks and balance, achieving symmetry between powers and responsibilities, and maintaining clarity and efficiency". The Bank implements customer layering management. Customer management bank is determined by the requirement of customer maintenance and risk management. The business department of the customer management bank conducts daily management of customers. Credit management departments and risk management departments at all levels supervise and control customer risks, oversee the post-lending management of business departments, until the loan recovers. Where there are non-performing assets (including loans), disposal departments of non-performing loans will take over the non-performing assets under required procedures and permissions by various disposal means.

The Bank formulates and refines the loan risk classification management system in accordance with the *Guidelines of Loan Risk Classification* issued by the CBIRC. The Bank assesses the recoverability of loans due and classifies the loans by taking account of factors including the borrower's repayment capacity, repayment record, willingness to repay the loan, profitability of the loan project, and the reliability of the secondary repayment source. The Bank manages its loans with a combination of the five-category classification system and the twelve-category classification system. Corporate loans are mainly managed with the twelve-category classification system by comprehensive evaluations on customer default risk and debt transaction risk objectively to reflect the risk level of loans. Such evaluations are made with more details in preparing the annual classification policies at the beginning of every year to specify the requirements for classification standards and management of loans to core corporate customers and thus improving the foreseeability and sensitivity of risk identification. Retail loans are managed with the five-category classification system which automatically classifies risks based on the days past due of principal and interest and the guaranty style, allowing for a more objective risk assessment. Large retail loans to private businesses are classified manually on a quarterly basis to enhance risk sensitivity. In addition, the classification is promptly adjusted based on the risk information collected in the credit management.

In accordance with the *Accounting Standard for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments* issued by the Ministry of Finance, and *Pre-expected Credit Loss Method Management Implementation Procedures* issued by the CBIRC, the Bank classifies various types of loans into different stages of loss according to the changes in credit risk and the evidence of objective impairment. The impairment test method based on the expected credit loss measurement is used for making provisions for loan loss.

The Bank accelerated the establishment of a new digital risk monitoring system and built a new "Four-in-One" credit business risk monitoring system with "bank-wide unified monitoring, departmental division of responsibility, remote centralized operation and effective local management", and formed and improved a new risk monitoring model featuring integration of intensive monitoring, centralized operation and line control, as well as online, offline and remote collaborative promotion so that the quality and efficiency of remote centralized risk control were steadily improved, such as early warning verification, post-loan inspection, overdue collection and preparation for non-performing disposal. The Bank heightened risk monitoring and analysis of credit business in areas of key and high concern such as real estate industry, large group customers and special mention loans. The Bank strengthened crossed risk monitoring of credit business among markets, institutions, countries and borders, and further enhanced the capabilities of integrated risk monitoring of domestic and foreign credit business. The Bank firmly promoted credit compliance management and solidified the foundation of credit management.

In 2022, the Bank conscientiously implemented the decisions and arrangements of the central government on the "stability on the six fronts" and "security in the six areas", strengthened the support for key areas and weak links of the real economy, such as Sannong and county areas, green finance, inclusive finance, key projects of "new infrastructure, new urbanization initiatives and major projects", manufacturing and strategic emerging industries, sci-tech innovation and modern service industries. The Bank deepened the management of credit asset portfolio and promoted the adjustment and optimization of credit structure.

## 4.2 Credit Risk Exposure

During the reporting period, the Bank calculated the non-retail credit risk-weighted assets by foundation Internal Ratings-Based approach (IRB). As for risk exposure of company and financial institution, the adoption of foundation Internal Ratings-Based approach has been approved by regulatory authorities. The Bank adopted the Internal Ratings-Based approach (IRB) for retail credit risk-weighted assets and the weighting approach for the part of credit risk-weighted assets not covered by IRB.

*In millions of RMB*

**Table 4.2A: Credit Risk Exposure Covered by IRB Approach**

| Item | 31 December 2022 | 31 December 2021 |
|---|---:|---:|
| Companies | 10,562,931 | 9,385,330 |
| Sovereignty | - | - |
| Financial institutions | 4,834,202 | 3,096,125 |
| Retail | 6,616,750 | 6,402,148 |
| Assets securitization | - | - |
| Equity | - | - |
| Others | - | - |
| **Total** | **22,013,883** | **18,883,603** |

*In millions of RMB*

**Table 4.2B: Credit Risk Exposure Uncovered by IRB Approach**

| Item | 31 December 2022 | 31 December 2021 |
|---|---:|---:|
| **On-balance sheet credit risk exposure** | **14,641,903** | **11,968,720** |
| Cash and cash equivalents | 2,548,386 | 2,320,809 |
| Debts issued by central governments and central banks | 1,367,540 | 1,165,943 |

| | | |
|---|---|---|
| Loans to public sector entities | 5,037,394 | 4,360,669 |
| Loans to domestic financial institutions | 1,836,690 | 845,475 |
| Loans to foreign financial institutions | 269,254 | 221,774 |
| Loans to general enterprises | 987,864 | 662,262 |
| Loans to small and micro enterprises | 426,282 | 564,431 |
| Loans to individuals | 1,486,074 | 1,239,333 |
| Residual value of leasing assets | - | - |
| Equity investments | 138,272 | 131,642 |
| Real estate not for own use | 3,323 | 3,193 |
| Risk exposures from the settlement of securities, commodity and foreign currency transactions | - | - |
| Others | 525,958 | 428,323 |
| Asset securitization items on balance sheet | 14,866 | 24,866 |
| **Off-balance sheet credit risk exposure** | **460,659** | **977,440** |
| **Counterparty credit risk exposure** | **34,316** | **24,164** |
| **Total** | **15,136,878** | **12,970,324** |

## 4.3 Internal Ratings-Based Approach

### 4.3.1 Introduction of Internal Ratings-Based Approach

Under the unified leadership of the Board of Directors and the senior management, the Bank implements the rating management mechanism of "initiated by customer department, reviewed by credit management department and monitored by risk management department". Risk Management Department is the competent department of internal ratings, responsible for managing the general internal ratings for the Bank; departments of customers, credit management, audit, internal compliance, asset and liability management, science and technology, etc. perform their respective duties and jointly carry out the management of internal ratings. In recent years, the Board of Directors, senior management, and relevant departments of the Bank have actively performed their duties, effectively promoting the construction and implementation of the internal ratings system.

The Bank strengthened the rating management and enhanced its prudence in measuring the default risk. By leveraging the measuring results, the Bank improved its capability for risk decisions. Currently, the rating parameters have been widely used in credit approval, loan pricing, economic capital measurement, performance appraisal, risk monitoring, risk reporting, loan clarification, limit management, risk appetite and reserve provision.

Customers with 90 days' overdue or occurred advance on the Bank's off-balance sheet credit assets such as letter of guarantee, acceptance, letter of credit, etc. will be deemed automatically as default by the system. As to circumstances of business deterioration or insolvency of debtor, it will be identified by the standardized and rigorous procedure.

The Bank has established a default database with the data longer than 10 years, including numerous types of data, providing a helpful data support for the development, validation, optimization of the rating model of the Bank, as well as for stress test and quantitative measurement.

Based on the statistical regression methods, after generally considering the fluctuation of systematic risk and individual risk during a full economic cycle, the Bank established a probability of default model for non-retail sector, all of the major models are supported by sufficient data, which effectively ensures the accuracy and reliability of the models. The clarification ability of the models remains at a relatively high level. Basic assumptions of the rating models mainly include that the internal and external environment has no material change, the structures of customers and assets of the Bank have no material adjustment and the historical data could be used to predict the future, etc.

## 4.3.2Non-retail Credit Risk Exposure Covered by IRB Approach

Following table sets out the non-retail risk exposure of the Bank classified by levels of probability of default as of the end of 2022.

*In millions of RMB, except for percentages*

**Table 4.3A: Non-retail Risk Exposure by Probability of Default**

**31 December 2022**

| Probability of default | Exposure at default | Average PD | Weighted average LGD | Weighted average risk weight | Risk-weighted assets |
|---|---|---|---|---|---|
| Rating 1 | 2,670,911 | 0.03% | 45.45% | 19.33% | 516,233 |
| Rating 2 | 1,031,441 | 0.05% | 45.01% | 20.12% | 207,481 |
| Rating 3 | 1,788,814 | 0.14% | 45.10% | 42.70% | 763,810 |
| Rating 4 | 368,745 | 0.24% | 43.13% | 48.61% | 179,251 |
| Rating 5 | 470,449 | 0.34% | 43.58% | 56.04% | 263,625 |
| Rating 6 | 415,037 | 0.46% | 44.45% | 69.22% | 287,303 |
| Rating 7 | 1,782,634 | 0.63% | 41.98% | 69.39% | 1,237,055 |
| Rating 8 | 1,480,527 | 0.87% | 42.94% | 79.33% | 1,174,476 |
| Rating 9 | 1,328,606 | 1.21% | 43.24% | 87.88% | 1,167,608 |
| Rating 10 | 1,197,160 | 1.70% | 42.80% | 95.27% | 1,140,480 |

| | | | | | |
|---|---|---|---|---|---|
| Rating 11 | 1,209,722 | 2.39% | 42.48% | 102.70% | 1,242,346 |
| Rating 12 | 655,326 | 3.26% | 42.33% | 109.48% | 717,432 |
| Rating 13 | 436,131 | 4.44% | 40.93% | 114.42% | 499,014 |
| Rating 14 | 221,579 | 6.24% | 41.71% | 127.74% | 283,044 |
| Rating 15 | 113,227 | 8.97% | 41.12% | 144.12% | 163,185 |
| Rating 16 | 65,963 | 15.72% | 39.96% | 164.65% | 108,609 |
| Rating 17 | 16,166 | 38.21% | 43.89% | 212.22% | 34,307 |
| Rating 18 | 6,608 | 67.21% | 42.88% | 144.39% | 9,542 |
| Rating 19 | 6,032 | 87.17% | 43.04% | 63.55% | 3,833 |
| Rating 20 | 132,055 | 100.00% | 43.88% | 76.00% | 100,365 |
| **Total** | **15,397,133** | | | **65.59%** | **10,098,999** |

**31 December 2021**

| Probability of default | Exposure at default | Average PD | Weighted average LGD | Weighted average risk weight | Risk-weighted assets |
|---|---|---|---|---|---|
| Rating 1 | 2,040,494 | 0.03% | 45.61% | 19.06% | 389,002 |
| Rating 2 | 797,885 | 0.05% | 45.09% | 18.12% | 144,580 |
| Rating 3 | 1,300,546 | 0.14% | 44.98% | 40.05% | 520,926 |
| Rating 4 | 299,435 | 0.25% | 44.14% | 46.38% | 138,876 |
| Rating 5 | 354,909 | 0.34% | 42.41% | 52.89% | 187,721 |
| Rating 6 | 361,408 | 0.46% | 44.42% | 69.47% | 251,060 |
| Rating 7 | 1,348,480 | 0.63% | 42.67% | 70.13% | 945,682 |
| Rating 8 | 1,160,139 | 0.90% | 42.62% | 77.21% | 895,756 |
| Rating 9 | 1,099,589 | 1.21% | 42.67% | 85.68% | 942,085 |
| Rating 10 | 1,105,263 | 1.70% | 42.94% | 93.22% | 1,030,352 |
| Rating 11 | 1,071,976 | 2.39% | 42.47% | 102.07% | 1,094,165 |
| Rating 12 | 600,253 | 3.26% | 42.07% | 108.48% | 651,184 |
| Rating 13 | 403,675 | 4.44% | 41.87% | 116.16% | 468,907 |
| Rating 14 | 209,449 | 6.24% | 41.88% | 125.63% | 263,141 |
| Rating 15 | 111,865 | 8.97% | 41.92% | 142.30% | 159,187 |
| Rating 16 | 58,441 | 15.72% | 42.22% | 181.08% | 105,824 |
| Rating 17 | 23,963 | 38.21% | 43.56% | 186.51% | 44,694 |
| Rating 18 | 8,141 | 67.21% | 40.41% | 135.24% | 11,009 |
| Rating 19 | 7,703 | 87.17% | 43.25% | 62.66% | 4,826 |

| | | | | | |
|---|---|---|---|---|---|
| Rating 20 | 117,841 | 100.00% | 43.78% | 56.35% | 66,406 |
| **Total** | **12,481,455** | | | **66.62%** | **8,315,383** |

## 4.3.3 Retail Credit Risk Exposure Covered by IRB Approach

Following table sets out the retail risk exposure of the Bank by types as of the end of 2022.

*In millions of RMB, except for percentages*

**Table 4.3B: Retail Risk Exposure by Types**

**31 December 2022**

| Item | Exposure at default | Average PD | Average LGD | Average risk weight | Risk-weighted assets |
|---|---|---|---|---|---|
| Personal residential mortgages | 5,366,366 | 1.89% | 25.59% | 21.78% | 1,168,778 |
| Eligible circulation retail | 615,315 | 1.46% | 56.78% | 30.55% | 187,992 |
| Other retail | 635,069 | 2.92% | 48.04% | 57.99% | 368,270 |
| **Total** | **6,616,750** | **1.53%** | **30.64%** | **26.07%** | **1,725,040** |

**31 December 2021**

| Item | Exposure at default | Average PD | Average LGD | Average risk weight | Risk-weighted assets |
|---|---|---|---|---|---|
| Personal residential mortgages | 5,296,527 | 1.64% | 25.63% | 22.43% | 1,188,223 |
| Eligible circulation retail | 573,887 | 1.45% | 57.62% | 30.39% | 174,429 |
| Other retail | 531,734 | 2.64% | 47.31% | 56.34% | 299,564 |
| **Total** | **6,402,148** | **1.48%** | **30.30%** | **25.96%** | **1,662,216** |

# 4.4 Credit Risk Exposure Uncovered by IRB Approach

As of the end of 2022, the Bank calculated the credit risk exposure not covered by IRB approach by weighting approach, details of which are set out in the following table.

*In millions of RMB*

**Table 4.4A: Credit Risk Exposure Uncovered by IRB Approach**

| Item | 31 December 2022 | | 31 December 2021 | |
|---|---|---|---|---|
| | Risk exposure | Risk exposure after risk mitigation | Risk exposure | Risk exposure after risk mitigation |
| **On-balance sheet credit risk exposure subtotal** | **14,641,903** | **13,831,570** | **11,968,720** | **11,555,498** |
| Cash and cash equivalents | 2,548,386 | 2,548,386 | 2,320,809 | 2,320,809 |
| Debts issued by central governments and central banks | 1,367,540 | 1,367,540 | 1,165,943 | 1,165,943 |
| Loans to public sector entities | 5,037,394 | 5,037,394 | 4,360,669 | 4,360,669 |

| | | | | |
|---|---|---|---|---|
| Loans to domestic financial institutions | 1,836,690 | 1,232,360 | 845,475 | 543,283 |
| Loans to foreign financial institutions | 269,254 | 269,254 | 221,774 | 221,774 |
| Loans to general enterprises | 987,864 | 793,213 | 662,262 | 566,110 |
| Loans to small and micro enterprises | 426,282 | 421,306 | 564,431 | 563,169 |
| Loans to individuals | 1,486,074 | 1,479,698 | 1,239,333 | 1,225,717 |
| Residual value of leasing assets | - | - | - | - |
| Equity investments | 138,272 | 138,272 | 131,642 | 131,642 |
| Real estate not for own use | 3,323 | 3,323 | 3,193 | 3,193 |
| Risk exposures from the settlement of securities, commodity and foreign currency transactions | - | - | - | - |
| Others | 525,958 | 525,958 | 428,323 | 428,323 |
| Asset securitization items on balance sheet | 14,866 | 14,866 | 24,866 | 24,866 |
| **Off-balance sheet credit risk exposure subtotal** | **460,659** | **430,245** | **977,440** | **959,629** |
| **Counterparty credit risk exposure subtotal** | **34,316** | **34,316** | **24,164** | **24,164** |
| **Total** | **15,136,878** | **14,296,131** | **12,970,324** | **12,539,291** |

The table below sets forth the risk exposures classified by risk weights as of the end of 2022.

*In millions of RMB*

**Table 4.4B: Risk Exposures Before and After Risk Mitigation by Risk Weights**

| **Risk weights** | **31 December 2022** | | **31 December 2021** | |
|---|---|---|---|---|
| | **Risk exposure** | **Risk exposure after risk mitigation** | **Risk exposure** | **Risk exposure after risk mitigation** |
| 0% | 4,162,913 | 4,162,913 | 3,794,612 | 3,794,612 |
| 20% | 5,328,911 | 5,073,641 | 4,434,925 | 4,411,139 |
| 25% | 896,246 | 890,114 | 444,723 | 440,910 |
| 50% | 2,921 | 2,921 | 22,859 | 22,859 |
| 75% | 1,955,167 | 1,940,855 | 2,023,891 | 2,004,097 |
| 100% | 2,455,811 | 1,890,778 | 1,938,535 | 1,554,895 |
| 150% | - | - | - | - |
| 250% | 158,840 | 158,840 | 151,342 | 151,342 |
| 400% | 109,146 | 109,146 | 96,869 | 96,869 |
| 1250% | 32,607 | 32,607 | 38,404 | 38,404 |

| Total | 15,102,562 | 14,261,815 | 12,946,160 | 12,515,127 |
|---|---|---|---|---|

Note: On-balance sheet and off-balance sheet credit risk exposures are included, but counterparty credit risk exposure is excluded.

The following table sets forth the risk exposures of capital instruments held by the Bank that were issued by other commercial banks, equity investments in industrial and commercial enterprises as well as real estate not for own use as of the end of 2022.

*In millions of RMB*

**Table 4.4C: Risk Exposures for the Holdings of Capital Instruments Issued by Other Commercial Banks, Equity Investments in Industrial and Commercial Enterprises and Real Estate Not for Own Use**

| Item | 31 December 2022 | 31 December 2021 |
|---|---|---|
| CET 1 capital instruments issued by other commercial banks | 365 | 344 |
| Additional Tier 1 capital instruments issued by other commercial banks | 103 | 933 |
| Tier 2 capital instruments issued by other commercial banks | 171,892 | 131,251 |
| Equity investments in industrial and commercial enterprises | 129,061 | 123,332 |
| Real estate not for own use | 3,323 | 3,193 |
| **Total** | **304,744** | **259,053** |

## 4.5 Credit Risk Mitigation

In 2022, to comply with the regulatory requirements, the Bank proceeded to optimize the collateral management system, adjusted the collateral management policies and system, improved collateral management process, researched and created new collateral value assessment methods, and improved the functions of collateral management systems. The Bank mainly accepts such collaterals as financial collaterals, accounts receivables and right, commercial and residential properties, other acceptable collaterals, and updates the management requirements of collateral catalogues every year. The Bank tightened collateral risk control through such measures as tougher collateral access, prudent assessment on the value of collateral, improved competence of collateral management personnel and performance of the accountability for collateral reassessment. The types of guarantor of the Bank are primarily corporates, other organizations or natural persons that have full civil capacity and the ability to pay off debts. The Bank upgraded its guarantor through enhancing guarantor access management and special management policies for financing guarantee companies, etc.

Under the IRB approach, the Bank acknowledged the mitigation effect of risk mitigation instruments, such as eligible collaterals and pledges and guarantees, in accordance with relevant requirements of the *Capital Rules for Commercial Banks (Provisional)*. The effect was reflected by the decrease of the loss at given default and probability of default. Qualified collaterals and pledges include financial pledges, receivables, commercial and residential properties, and other collaterals and pledges. Qualified guarantees mainly consist of guarantees provided by financial institutions and common companies. The Bank took a full consideration of the impact of currency mismatch and term mismatch on the value of the mitigation instruments and determined prudently result of mitigation. When a single risk exposure has various credit risk mitigation tools, the Bank will consider its risk mitigation effect by subdividing the risk exposure into exposure covered by each risk mitigation instrument.

Under the weighting approach, the Bank identified eligible credit risk mitigation tools, and confirmed the risk mitigation effect of the eligible collaterals and pledges or of the guarantee provided by the eligible guarantors in accordance with the relevant requirements of the *Capital Rules for Commercial Banks (Provisional)*. Loans pledged by eligible collaterals and pledges have the same risk weights as the collateral, or take the risk weights of the direct creditor rights against the collateral's issuers or acceptors. For loans with partial pledges, the portion being protected by pledges has a relatively lower risk weight. Any loans being fully guaranteed by the eligible guarantors directly have the risk weight of the guarantor. For the loans that are partly guaranteed, the part guaranteed obtains a relatively lower risk weight.

*In millions of RMB*

**Table 4.5A: Credit Risk Mitigation Quantitative Information under IRB Approach**

**31 December 2022**

| **Risk exposure type** | **Covered by qualified collaterals and pledges** | | | | **Covered by netting settlements** | **Covered by qualified guarantor** | **Covered by credit derivatives** |
|---|---|---|---|---|---|---|---|
| | **Commercial and residential properties** | **Financial collaterals** | **Recei -vables** | **Other collaterals and pledges** | | | |
| Companies | 742,225 | 351,780 | 7,017 | 14,942 | - | 481,972 | - |
| Sovereignty | - | - | - | - | - | - | - |
| Financial institutions | 83 | 43 | 226 | - | - | 1,838 | - |
| Retail | - | - | - | - | - | - | - |
| Assets Securitization | - | - | - | - | - | - | - |
| Equity | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - |
| **Total** | **742,308** | **351,823** | **7,243** | **14,942** | **-** | **483,810** | **-** |

31 December 2021

| Risk exposure type | Covered by qualified collaterals and pledges | | | | Covered by netting settlements | Covered by qualified guarantor | Covered by credit derivatives |
|---|---|---|---|---|---|---|---|
| | Commercial and residential properties | Financial collaterals | Recei-vables | Other collaterals and pledges | | | |
| Companies | 783,790 | 255,657 | 9,795 | 20,477 | - | 446,474 | - |
| Sovereignty | - | - | - | - | - | - | - |
| Financial institutions | 100 | 109 | 1,414 | - | - | 1,368 | - |
| Retail | - | - | - | - | - | - | - |
| Assets Securitization | - | - | - | - | - | - | - |
| Equity | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - |
| **Total** | **783,890** | **255,766** | **11,209** | **20,477** | **-** | **447,842** | **-** |

*In millions of RMB*

**Table 4.5B: Credit Risk Mitigation under Weighting Approach**

| Item | 31 December 2022 | | | 31 December 2021 | | |
|---|---|---|---|---|---|---|
| | Covered by netting settlements | Covered by financial collaterals and guarantees | Covered by other eligible mitigations | Covered by netting settlements | Covered by financial collaterals and guarantees | Covered by other eligible mitigations |
| **On-balance sheet credit risk exposure subtotal** | **-** | **810,333** | **-** | **-** | **413,222** | **-** |
| Cash and cash equivalents | - | - | - | - | - | - |
| Debts issued by central governments and central banks | - | - | - | - | - | - |
| Loans to public sector entities | - | - | - | - | - | - |
| Loans to domestic financial institutions | - | 604,330 | - | - | 302,192 | - |
| Loans to foreign financial institutions | - | - | - | - | - | - |
| Loans to general enterprises | - | 194,651 | - | - | 96,152 | - |
| Loans to small and micro enterprises | - | 4,976 | - | - | 1,262 | - |
| Loans to individuals | - | 6,376 | - | - | 13,616 | - |
| Residual value of leasing assets | - | - | - | - | - | - |

| | | | | | | |
|---|---|---|---|---|---|---|
| Equity investments | - | - | - | - | - | - |
| Others | - | - | - | - | - | - |
| Risk exposures from the settlement of securities, commodity and foreign currency transactions | - | - | - | - | - | - |
| Asset securitization items on balance sheet | - | - | - | - | - | - |
| **Off-balance sheet credit risk exposure subtotal** | - | **30,414** | - | - | **17,811** | - |
| **Counterparty credit risk exposure subtotal** | - | - | - | - | - | - |
| **Total** | - | **840,747** | - | - | **431,033** | - |

## 4.6 Loans and Advances to Customers

The relevant data of loans and advances to customers in this section are prepared under the scope of the accounting consolidation of the Bank. As of the end of 2022, the distribution of the loans and advances to customers of the Bank is shown in the table below.

*In millions of RMB, except for percentages*

**Table 4.6A: Distribution of Loans and Advances to Customers by Geographical Area**

| Item | 31 December 2022 | | 31 December 2021 | |
|---|---|---|---|---|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| **Corporate loans and advances** | | | | |
| Head Office | 607,201 | 5.0 | 313,248 | 3.1 |
| Yangtze River Delta | 2,953,442 | 24.3 | 2,383,014 | 23.8 |
| Pearl River Delta | 1,645,878 | 13.5 | 1,325,589 | 13.2 |
| Bohai Rim | 1,663,666 | 13.6 | 1,427,512 | 14.3 |
| Central China | 1,784,698 | 14.7 | 1,477,841 | 14.8 |
| Western China | 2,686,130 | 22.1 | 2,297,775 | 23.0 |
| Northeastern China | 407,763 | 3.4 | 367,382 | 3.7 |
| Overseas and Others | 410,068 | 3.4 | 406,823 | 4.1 |
| **Subtotal** | **12,158,846** | **100.0** | **9,999,184** | **100.0** |
| **Personal loans and advances** | | | | |
| Head Office | 43 | 0.0 | 47 | 0.0 |
| Yangtze River Delta | 1,777,354 | 23.5 | 1,705,450 | 23.9 |

| | | | | |
|---|---|---|---|---|
| Pearl River Delta | 1,588,312 | 21.0 | 1,514,233 | 21.2 |
| Bohai Rim | 1,083,299 | 14.3 | 1,033,741 | 14.5 |
| Central China | 1,308,100 | 17.3 | 1,187,096 | 16.6 |
| Western China | 1,561,455 | 20.7 | 1,451,317 | 20.3 |
| Northeastern China | 226,719 | 3.0 | 225,328 | 3.2 |
| Overseas and Others | 18,593 | 0.2 | 19,356 | 0.3 |
| **Subtotal** | **7,563,875** | **100.0** | **7,136,568** | **100.0** |
| **Gross loans and advances** | **19,722,721** | | **17,135,752** | |

Note: The information does not include accrued interests of loans and advances to customers, the same below.

*In millions of RMB, except for percentages*

**Table 4.6B: Distribution of Loans and Advances to Customers by Industry**

| **Item** | **31 December 2022** | | **31 December 2021** | |
|---|---|---|---|---|
| | **Amount** | **Percentage (%)** | **Amount** | **Percentage (%)** |
| **Corporate loans and advances** | | | | |
| Manufacturing | 2,107,478 | 17.3 | 1,694,879 | 17.0 |
| Production and supply of power, heat, gas and water | 1,184,206 | 9.7 | 1,054,517 | 10.5 |
| Real estate | 891,470 | 7.3 | 876,407 | 8.8 |
| Transportation, logistics and postal services | 2,386,103 | 19.8 | 2,145,617 | 21.5 |
| Wholesale and retail | 827,723 | 6.8 | 574,187 | 5.7 |
| Water, environment and public utilities management | 874,684 | 7.2 | 719,530 | 7.2 |
| Construction | 361,175 | 3.0 | 303,347 | 3.0 |
| Mining | 223,745 | 1.8 | 203,937 | 2.0 |
| Leasing and commercial services | 1,768,094 | 14.5 | 1,507,059 | 15.1 |
| Finance | 928,185 | 7.6 | 446,486 | 4.5 |
| Others | 605,983 | 5.0 | 473,218 | 4.7 |
| **Subtotal** | **12,158,846** | **100.0** | **9,999,184** | **100.0** |
| **Personal loans and advances** | | | | |
| Residential mortgage loans | 5,346,608 | 70.7 | 5,242,297 | 73.4 |
| Loans to private business | 577,522 | 7.6 | 469,498 | 6.6 |
| Personal consumption loans | 210,850 | 2.8 | 193,706 | 2.7 |
| Credit card balances | 647,651 | 8.6 | 626,783 | 8.8 |
| Loans to rural households | 781,019 | 10.3 | 603,991 | 8.5 |

| | | | | |
|---|---|---|---|---|
| Others | 225 | 0.0 | 293 | 0.0 |
| **Subtotal** | **7,563,875** | **100.0** | **7,136,568** | **100.0** |
| **Total loans and advances** | **19,722,721** | | **17,135,752** | |

*In millions of RMB*

**Table 4.6C: Distribution of Loans and Advances to Customers by Contractual Period and Collateral**

**31 December 2022**

| Item | Within 1 year | 1-5 years | Over 5 years | Total |
|---|---|---|---|---|
| Loans secured by mortgages | 1,412,521 | 589,521 | 6,297,040 | 8,299,082 |
| Loans secured by pledges | 282,640 | 132,282 | 1,855,725 | 2,270,647 |
| Guaranteed loans | 727,408 | 526,599 | 1,036,344 | 2,290,351 |
| Unsecured loans | 3,530,142 | 1,210,988 | 2,121,511 | 6,862,641 |
| **Total** | **5,952,711** | **2,459,390** | **11,310,620** | **19,722,721** |

**31 December 2021**

| Item | Within 1 year | 1-5 years | Over 5 years | Total |
|---|---|---|---|---|
| Loans secured by mortgages | 1,279,772 | 587,215 | 6,096,590 | 7,963,577 |
| Loans secured by pledges | 386,734 | 118,536 | 1,763,806 | 2,269,076 |
| Guaranteed loans | 667,336 | 466,119 | 777,262 | 1,910,717 |
| Unsecured loans | 2,307,472 | 860,788 | 1,824,122 | 4,992,382 |
| **Total** | **4,641,314** | **2,032,658** | **10,461,780** | **17,135,752** |

*In millions of RMB*

**Table 4.6D: Distribution of Loans and Advances to Customers by Period Overdue**

**31 December 2022**

| Item | Overdue for 1 to 90 days | Overdue for 91 to 360 days | Overdue for 361 days to 3 years | Overdue for more than 3 years | Total |
|---|---|---|---|---|---|
| Loans secured by mortgages | 68,562 | 31,125 | 24,384 | 6,450 | 130,521 |
| Loans secured by pledges | 1,045 | 3,189 | 2,389 | 1,133 | 7,756 |
| Guaranteed loans | 15,909 | 6,073 | 9,263 | 1,141 | 32,386 |
| Unsecured | 17,816 | 14,117 | 6,548 | 3,695 | 42,176 |

| | | | | | |
|---|---|---|---|---|---|
| loans | | | | | |
| **Total** | **103,332** | **54,504** | **42,584** | **12,419** | **212,839** |

**31 December 2021**

| Item | Overdue for 1 to 90 days | Overdue for 91 to 360 days | Overdue for 361 days to 3 years | Overdue for more than 3 years | Total |
|---|---|---|---|---|---|
| Loans secured by mortgages | 51,807 | 29,563 | 22,740 | 7,734 | 111,844 |
| Loans secured by pledges | 2,881 | 4,766 | 4,684 | 2,901 | 15,232 |
| Guaranteed loans | 7,970 | 7,569 | 9,031 | 1,876 | 26,446 |
| Unsecured loans | 11,701 | 10,949 | 4,431 | 4,318 | 31,399 |
| **Total** | **74,359** | **52,847** | **40,886** | **16,829** | **184,921** |

*In millions of RMB, except for percentages*

**Table 4.6E: Five-category Classification of Loans and Advances**

| Item | 31 December 2022 | | 31 December 2021 | |
|---|---|---|---|---|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Normal | 19,163,860 | 97.17 | 16,636,899 | 97.09 |
| Special mention | 287,799 | 1.46 | 253,071 | 1.48 |
| Non-performing loans | 271,062 | 1.37 | 245,782 | 1.43 |
| Substandard | 122,688 | 0.62 | 48,712 | 0.28 |
| Doubtful | 131,072 | 0.66 | 170,611 | 1.00 |
| Loss | 17,302 | 0.09 | 26,459 | 0.15 |
| **Total** | **19,722,721** | **100.00** | **17,135,752** | **100.00** |

*In millions of RMB, except for percentages*

**Table 4.6F: Non-performing Loans by Product Type**

| Item | 31 December 2022 | | | 31 December 2021 | | |
|---|---|---|---|---|---|---|
| | Amount | Percentage (%) | Non-performing loan ratio (%) | Amount | Percentage (%) | Non-performing loan ratio (%) |
| **Corporate loans** | **215,078** | **79.4** | **2.00** | **203,939** | **83.0** | **2.22** |
| Short-term corporate loans | 80,187 | 29.6 | 2.61 | 93,620 | 38.1 | 3.58 |
| Medium- and long-term corporate | 134,891 | 49.8 | 1.76 | 110,319 | 44.9 | 1.68 |

| | | | | | | |
|---|---|---|---|---|---|---|
| loans | | | | | | |
| **Discounted bills** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Retail loans** | **49,048** | **18.0** | **0.65** | **36,246** | **14.7** | **0.51** |
| Residential mortgage loans | 27,258 | 10.0 | 0.51 | 18,872 | 7.7 | 0.36 |
| Credit card balances | 7,948 | 2.9 | 1.23 | 6,179 | 2.5 | 0.99 |
| Personal consumption loans | 2,428 | 0.9 | 1.25 | 2,340 | 0.9 | 1.33 |
| Loans to private business | 3,769 | 1.4 | 0.65 | 3,009 | 1.2 | 0.64 |
| Loans to rural households | 7,624 | 2.8 | 0.98 | 5,822 | 2.4 | 0.96 |
| Others | 21 | 0.0 | 9.38 | 24 | 0.0 | 8.25 |
| **Overseas and others** | **6,936** | **2.6** | **1.62** | **5,597** | **2.3** | **1.31** |
| **Total** | **271,062** | **100.0** | **1.37** | **245,782** | **100.0** | **1.43** |

*In millions of RMB, except for percentages*

**Table 4.6G: Distribution of Non-performing Loans by Geographical Area**

| **Item** | **31 December 2022** | | | **31 December 2021** | | |
|---|---|---|---|---|---|---|
| | **Amount** | **Percentage (%)** | **Non-performing loan ratio (%)** | **Amount** | **Percentage (%)** | **Non-performing loan ratio (%)** |
| Head Office | 1,200 | 0.4 | 0.20 | 1,297 | 0.5 | 0.41 |
| Yangtze River Delta | 30,913 | 11.4 | 0.65 | 26,265 | 10.7 | 0.64 |
| Pearl River Delta | 34,503 | 12.7 | 1.07 | 17,463 | 7.1 | 0.61 |
| Bohai Rim | 56,958 | 21.0 | 2.07 | 58,562 | 23.8 | 2.38 |
| Central China | 47,178 | 17.4 | 1.53 | 49,632 | 20.2 | 1.86 |
| Northeastern China | 14,214 | 5.2 | 2.24 | 12,258 | 5.0 | 2.07 |
| Western China | 79,160 | 29.3 | 1.86 | 74,708 | 30.4 | 1.99 |
| Overseas and Others | 6,936 | 2.6 | 1.62 | 5,597 | 2.3 | 1.31 |
| **Total** | **271,062** | **100.0** | **1.37** | **245,782** | **100.0** | **1.43** |

*In millions of RMB, except for percentages*

**Table 4.6H: Non-performing Loans by Industry to Domestic Enterprises**

| **Item** | **31 December 2022** | | | **31 December 2021** | | |
|---|---|---|---|---|---|---|
| | **Amount** | **Percentage (%)** | **Non-performing loan ratio (%)** | **Amount** | **Percentage (%)** | **Non-performing loan ratio (%)** |
| Manufacturing | 46,618 | 21.7 | 2.59 | 66,402 | 32.6 | 4.43 |
| Production and supply of power, heat, gas and | 8,190 | 3.8 | 0.72 | 12,269 | 6.0 | 1.21 |

| | | | | | | |
|---|---|---|---|---|---|---|
| water | | | | | | |
| Real estate | 46,039 | 21.4 | 5.48 | 28,172 | 13.7 | 3.39 |
| Transportation, logistics and postal services | 18,299 | 8.5 | 0.79 | 17,859 | 8.8 | 0.85 |
| Wholesale and retail | 18,709 | 8.7 | 3.05 | 18,384 | 9.0 | 3.72 |
| Water, environment and public utilities management | 9,332 | 4.3 | 1.07 | 3,371 | 1.7 | 0.47 |
| Construction | 8,387 | 3.9 | 2.43 | 6,558 | 3.2 | 2.25 |
| Mining | 13,568 | 6.3 | 6.78 | 20,314 | 10.0 | 10.50 |
| Leasing and commercial services | 31,588 | 14.7 | 1.80 | 24,026 | 11.8 | 1.61 |
| Finance | 299 | 0.1 | 0.08 | 362 | 0.2 | 0.24 |
| Information transmission, software and IT services | 3,785 | 1.8 | 5.22 | 1,024 | 0.5 | 1.76 |
| Others | 10,264 | 4.8 | 2.43 | 5,198 | 2.5 | 1.58 |
| **Total** | **215,078** | **100.0** | **2.00** | **203,939** | **100.0** | **2.22** |

*In millions of RMB*

**Table 4.6I: Changes to the Allowance for Impairment Losses on Loans**

| Item | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | 12-month Expected Credit Losses | Lifetime Expected Credit Losses | | |
| **1 January 2022** | **516,225** | **57,503** | **162,959** | **736,687** |
| Transfers | | | | |
| Stage 1 to Stage 2 | (8,989) | 8,989 | - | - |
| Stage 2 to stage 3 | - | (19,154) | 19,154 | - |
| Stage 2 to stage 1 | 6,978 | (6,978) | - | - |
| Stage 3 to stage 2 | - | 7,151 | (7,151) | - |
| Originated or purchased financial assets | 214,451 | - | - | 214,451 |
| Remeasurement | (23,641) | 46,764 | 72,488 | 95,611 |
| Repayment and transfer | (129,855) | (13,431) | (25,646) | (168,932) |
| Write-offs | - | - | (57,584) | (57,584) |
| **31 December 2022** | **575,169** | **80,844** | **164,220** | **820,233** |

# 5 Market Risk

## 5.1 Market Risk Management

Market risk refers to the risk of loss in the on- and off-balance sheet businesses of banks as a result of an adverse change in market prices (interest rates, exchange rates, commodity prices and stock prices, etc.). The major types of market risk that the Bank is exposed to are interest rate risk, exchange rate risk and commodity price risk. The Bank's objectives of market risk management are to adhere to the risk appetite, identify, measure, monitor and control market risk of all trading and non-trading business activities, ensure that the level of market risk is controlled within a reasonable range.

In 2022, the Bank formulated risk management strategies for financial market business, clarified entry standards and management requirements for trading and investment business; strengthened market risk limit monitoring, adjusted limit settings according to business development and risk control requirements, and improved the coverage of automatic limit monitoring by the system; continuously optimized the market risk measurement model and system, further improved the market risk capital requirement measurement function, and continuously carried out the validation of the internal model method. Throughout the year, the internal model method system for market risk operated stably, the measurement results were reliable, data quality was maintained at a good level, and the supporting system met regulatory and internal management requirements.

## 5.2 Market Risk Exposure

The following table sets forth the market risk capital requirement based on the measurement by the Bank at the end of 2022.

*In millions of RMB*

**Table 5.2A: Market Risk Capital Requirements**

| Item | 31 December 2022 | 31 December 2021 |
|---|---|---|
| **Portion Covered by IMA** | **12,266** | **9,724** |
| **Portion Uncovered by IMA** | **634** | **949** |
| Interest rate risk | 254 | 447 |
| Equity risk | - | - |
| Foreign exchange risk | 380 | 502 |
| Commodity risk | - | - |
| Option risk | - | - |

| | | |
|---|---|---|
| **Total** | **12,900** | **10,673** |

The following table sets forth the Bank's VaR and stressed VaR under IMA of market risk.

*In millions of RMB*

**Table 5.2B: VaR and Stressed VaR Under IMA of Market Risk**

| Item | 2022 | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | Average | Highest | Lowest | Period end | Average | Highest | Lowest | Period end |
| Value at Risk (VaR) | 1,030 | 2,597 | 528 | 2,367 | 1,576 | 2,019 | 652 | 810 |
| Stressed Value at Risk (stressed VaR) | 1,993 | 2,633 | 1,007 | 2,367 | 1,995 | 2,458 | 1,209 | 1,920 |

# 6 Operational Risk

## 6.1 Operational Risk Management

Operational risk refers to the risk of loss resulting from inadequate or problematic internal procedures, from human or information technology system-related factors, or from external affairs, including legal risks, but not including strategy risks or reputational risks.

In 2022, we prudently shaped our operational risk appetite, took well-targeted measures to adjust our operational risk management strategies, revised the system for regulating the classification and grading of operational risks, monitoring and reporting of operational risks, deepened the application of management tools and improved the matrix management system of operational risk. We upgraded the operational risk management system to integrate systems and share data. We conducted the review and identification of operational risk events to implement the responsibility for risk management. We fully prepared for the implementation of the standardized approach for operational risks. To that end, we improved the data foundation and supporting systems for the approach. We confirmed and cleaned historical data and hired a third party to fully verify the approach.

In 2022, we refreshed our efforts in the operational risk management for key areas. We included model risks in the operational risk management to regulate the model life cycle management and enhance the model risk control. We revised information technology risks and business continuity management rules to improve management mechanisms. We continued to enhance the management of information system production and operation so as to cope with the impact of external factors on the business continuity. We continued our efforts in the case monitoring and forewarning platform, intelligent anti-fraud platform and digital compliance platform, and carrying out case risk investigation on a regular basis. We followed the supervisory requirements by revising the business outsourcing system and optimizing the business management procedures to better control risks. We revised the information technology management rules and the business continuity management rules to improve the management system and mechanism for the information technology risks and business continuity.

## 6.2 Operational Risk Exposures

As of the end of 2022, we determined the levels of regulatory capital required related to operational risks using the standardized approach. The regulatory capital shall be RMB96,182 million and RMB94,462 million according to the Group and the Bank respectively.

# 7 Other Risks

## 7.1 Securitization Risk

### 7.1.1 Information on Securitization Business

Securitization refers to that the originator packages and transfers the asset to the special purpose vehicle which generates future cash flows, and in turn issues securities supported by the future cash flow of the assets, with different payment order and credit ratings.

The Bank participates in securitization business, mainly serving as an originator, lending services provider and investor.

*As Originator and Lending Services Provider*

In the credit asset securitization business, the Bank, as the originator, participated in selection of the underlying assets, transaction structure design and road-show activities. As the lending services provider, the Bank provided post-lending management, receiving the principal and the interest, fund transfer and information disclosure for the assets pool.

To adjust the asset and liability proactively, enrich the risk management measures, promote operational transformation and mobilize non-performing asset, the Bank carried out six credit asset securitization businesses in 2022, namely, "Nongying Lixin Yuanxin Non-performing Asset-backed Securities 2022 Issue I", "Nongying Lixin Yuanxin Non-performing Asset-backed Securities 2022 Issue II", "Nongying Lixin Yuanxin Non-performing Asset-backed Securities 2022 Issue III", "Nongying Lixin Yuanxin Non-performing Asset-backed Securities 2022 Issue IV", "Nongying Lixin Huize Non-performing Asset-backed Securities 2022 Issue I" and "Nongying Lixin Huize Non-performing Asset-backed Securities 2022 Issue II". All the assets of the above items in the assets pool have been off balance sheet at the Bank level (derecognized). In detail, the "Nongying Lixin Yuanxin" series, backed by the underlying assets of the non-performing credit card assets of the Bank, recorded a consolidated issued size of RMB837 million, and the "Nongying Lixin Huize" series, backed by the underlying assets of the non-performing loans to small and micro enterprises, recorded an issued size of RMB259.7 million.

At the end of 2022, the principal balance of the securitized underlying assets in the securitization for the Bank as the originator was RMB47,290 million (see Table 7.1A for details). As an originator, the Bank had no unmatured securitization products that were amortized ahead of schedule.

*As Investor*

As an investor in the ABS market, the Bank generates investment returns through purchasing and holding assets-backed securities, and exposes to the relevant credit risk, market risk and liquidity risk.

The investment amount is determined with reference to the annual investment strategy and risk-adjusted returns.

### 7.1.2 Accounting Policies

In the normal course of business, the Bank enters into securitization transactions by selling credit assets to special purpose trust which issue asset-backed securities to investors.

The Bank may retain partial risk and return in its transferred credit assets as it may hold subordinated tranches of the asset-backed securities in its asset securitization business. The Bank will, according to the retention degree of risk, return and control, analyze and judge whether to terminate recognition of relevant credit assets. Those financial assets concerning the continuing involvement are recognized on the consolidated statement of financial position to the extent of the Bank's continuing involvement. The extent of the Bank's continuing involvement is the extent to which the Bank is exposed to changes in the value of the transferred financial assets or the return from them.

### 7.1.3 Securitization Risk Exposure

The Bank adopted the standardized approach to measure the capital requirement of the risk-weighted assets in securitization in accordance with the *Capital Rules for Commercial Banks (Provisional)*. At the end of 2022, the securitization risk exposure of the Bank was RMB15,114 million, and the capital requirement was RMB9,491 million.

*In millions of RMB*

**Table 7.1A: Securitization Originated by the Bank, not Settled during the Reporting Period**

| Asset securitization product | Originating year | Balance of principal of underlying assets at origination | Balance of principal of underlying assets at the end of 2022 | External credit ratings institution |
|---|---|---|---|---|
| Nongying Lixin Yuanxin Non-performing Asset-backed Securities 2022 Issue IV | 2022 | 2,716 | 2,555 | China Bond Rating Co.,Ltd. and China Lianhe Credit Rating Co., Ltd. |
| Nongying Lixin Huize Non-performing Asset-backed Securities 2022 Issue II | 2022 | 894 | 827 | China Bond Rating Co.,Ltd. and China Chengxin International Credit Rating Co., Ltd |
| Nongying Lixin Yuanxin Non-performing Asset-backed Securities 2022 Issue III | 2022 | 1,864 | 1,705 | China Bond Rating Co.,Ltd. and China Lianhe Credit Rating Co., Ltd. |

| | | | | |
|---|---|---|---|---|
| Nongying Lixin Yuanxin Non-performing Asset-backed Securities 2022 Issue II | 2022 | 1,222 | 1,080 | China Bond Rating Co.,Ltd. and CSCI Pengyuan Credit Rating Co., Ltd. |
| Nongying Lixin Huize Non-performing Asset-backed Securities 2022 Issue I | 2022 | 1,240 | 1,114 | China Bond Rating Co.,Ltd. and China Chengxin International Credit Rating Co., Ltd |
| Nongying Lixin Yuanxin Non-performing Asset-backed Securities 2022 Issue I | 2022 | 886 | 770 | China Bond Rating Co.,Ltd. and China Lianhe Credit Rating Co., Ltd. |
| Nongying Huiyu Personal Housing Mortgage Loan Asset-backed Securities2021 Issue III | 2021 | 8,966 | 5,953 | China Bond Rating Co.,Ltd. and CSCI Pengyuan Credit Rating Co., Ltd. |
| Nongying Huiyu Personal Housing Mortgage Loan Asset-backed Securities 2021 Issue II | 2021 | 9,095 | 6,023 | China Bond Rating Co.,Ltd. and China Chengxin International Credit Rating Co., Ltd |
| Nongying Huiyu Personal Housing Mortgage Loan Asset-backed Securities 2021 Issue I | 2021 | 20,015 | 11,971 | China Bond Rating Co.,Ltd. and China Chengxin International Credit Rating Co., Ltd |
| Nongying Personal Housing Mortgage Loan Asset-backed Securities2019 Issue IV | 2019 | 8,780 | 3,491 | China Bond Rating Co.,Ltd. and China Chengxin International Credit Rating Co., Ltd |
| Nongying Personal Housing Mortgage Loan Asset-backed Securities 2019 Issue II | 2019 | 15,508 | 5,447 | China Bond Rating Co.,Ltd. and China Chengxin International Credit Rating Co., Ltd |
| Nongying Personal Housing Mortgage Loan Asset-backed Securities 2019 Issue I | 2019 | 10,194 | 3,589 | China Bond Rating Co.,Ltd. and China Lianhe Credit Rating Co., Ltd. |
| Nongying Personal Housing Mortgage Loan Asset-backed Securities 2018 Issue V | 2018 | 10,316 | 2,765 | China Bond Rating Co.,Ltd. and China Chengxin International Credit Rating Co., Ltd |
| **Total** | | **91,696** | **47,290** | |

*In millions of RMB*

**Table 7.1B: Balance of Risk Exposures of Securitization**

| Type | 31 December 2022 | | 31 December 2021 | |
|---|---|---|---|---|
| | As originator[1] | As investor | As originator[1] | As investor |
| **Risk exposure by transaction types** | | | | |
| Balance of risk exposures of traditional asset securitization | 9,638 | 5,476 | 9,462 | 15,574 |
| Balance of risk exposures of synthetic asset securitization | - | - | - | - |
| **Risk exposure by risk exposure types** | | | | |
| Asset-backed securities | 9,390 | 553 | 9,292 | 3,988 |
| Mortgage-backed securities (MBS) | - | 4,923 | - | 11,586 |
| Credit enhancement | - | - | - | - |
| Liquidity facility | - | - | - | - |
| Interest rate or currency swap | - | - | - | - |
| Credit derivatives | - | - | - | - |
| Offset by tranche | - | - | - | - |
| Others | 248 | - | 170 | - |

Note:1. Serving as originator refers to risk exposure arising from the asset securitization retained and issued by the Bank other than the aggregate amount of the assets securitization program issued by the Bank as originator.

*In millions of RMB*

**Table 7.1C: Risk Exposures of Securitization Based on Risk Weights**

| Risk weights | 31 December 2022 | | 31 December 2021 | |
|---|---|---|---|---|
| | Risk exposure | Capital requirement | Risk exposure | Capital requirement |
| Risk weights≤20% | 4,900 | 78 | 14,762 | 236 |
| 20%<Risk weights≤50% | 597 | 24 | 812 | 32 |
| 50%<Risk weights≤100% | 248 | 20 | 170 | 14 |
| 100%<Risk weights≤350% | - | - | - | - |
| 350%<Risk weights≤1250% | 9,369 | 9,369 | 9,292 | 9,292 |
| **Total** | **15,114** | **9,491** | **25,036** | **9,574** |

*In millions of RMB*

**Table 7.1D: Securitization Assets of Originator**

**31 December 2022**

| Type | Balance of underlying assets | Of which: Balance of the non-performing assets | Of which: Balance of the overdue loans | Profits or losses recognized during the reporting period[1] |
|---|---|---|---|---|
| Loans to corporate customers | 1,941 | 1,941 | - | - |
| Personal residential mortgage loans | 39,239 | 142 | 234 | - |
| Other personal loans | - | - | - | - |
| Re-Securitization | - | - | - | - |
| Others | 6,110 | 6,110 | - | - |
| **Total** | **47,290** | **8,193** | **234** | **-** |

**31 December 2021**

| Type | Balance of underlying assets | Of which: Balance of the non-performing assets | Of which: Balance of the overdue loans | Profits or losses recognized during the reporting period[1] |
|---|---|---|---|---|
| Loans to corporate customers | 466 | 426 | - | - |
| Personal residential mortgage loans | 50,523 | 84 | 164 | - |
| Other personal loans | - | - | - | - |
| Re-Securitization | - | - | - | - |
| Others | 4,905 | 4,905 | - | - |
| **Total** | **55,894** | **5,415** | **164** | **-** |

Notes: 1. Losses recognized during the reporting period refer to the impairment and write-off of the securitization retained and issued by the Bank as originator during the reporting period.

## 7.2 Counterparty Credit Risk

Counterparty credit risk refers to the risk from the default of the counterparty to a transaction before the final settlement of the transaction's cash flows. The counterparty credit risk of the Bank is mainly from Over-the-Counter (OTC) derivative transactions. During the reporting period, the Bank continuously improved the management of counterparty credit risk, prudently selected counterparties, and accurately measured the counterparty credit risk. The Bank developed relevant management measures, which required clients to accept a risk rating assessment and pay a corresponding proportion of margins before entering into derivative transactions. The clients should enter into derivative transactions on an as-required basis, so as to avoid clients conducting derivative transactions for speculative purposes. Collaterals were monitored periodically to keep abreast of changes in collateral.

As of the end of 2022, the Bank adopted the standardised approach for measuring counterparty credit risk exposures of derivatives. Details are shown in the following table.

*In millions of RMB*

**Table 7.2A: Counterparty Credit Risk Exposures**

| Item | 31 December 2022 | 31 December 2021 |
|---|---|---|
| **Derivatives counterparty credit risk exposure** | **94,344** | **86,265** |
| Total positive contractual fair value (without netting) | 38,427 | 21,979 |
| Total credit risk exposures (without netting) | 94,344 | 86,265 |
| Total credit risk exposures (after netting) | - | - |
| Less: Collaterals and pledges | - | - |
| **Securities Financing Transactions counterparty credit risk exposure** | **3,303** | **1,862** |
| **Total** | **97,647** | **88,127** |

*In millions of RMB*

**Table 7.2B: Distribution of Counterparty Credit Risk Exposures by Product Type**

| Item | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Interest rate contract | 14,193 | 4,858 |
| Foreign exchange contract | 71,818 | 77,692 |
| Stock contract | - | - |
| Commodity contract | 8,333 | 3,715 |
| Credit derivatives | - | - |
| **Derivatives counterparty credit risk exposure** | **94,344** | **86,265** |
| **Securities Financing Transactions counterparty credit risk exposure** | **3,303** | **1,862** |
| **Total** | **97,647** | **88,127** |

## 7.3 Equity Risk of Banking Book

The equity investments of the Bank are classified into three types: long-term equity investments, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. Long-term equity investments are initial measured at initial investment costs and are subsequently measured by cost method and equity method. Equity investments at fair value through other comprehensive income and equity investments at fair value through profit or loss are measured at fair value for both initial recognized and subsequent measurement.

In accordance with the *Capital Rules for Commercial Banks (Provisional)*, for the non-significant minority capital investments in unconsolidated financial institutions, the Bank deducted the amount exceeding 10% of its CET 1 net capital in aggregate from the regulatory capital at all tiers respectively. For the significant minority capital investments in unconsolidated financial institutions, the Bank deducted the amount of investments in CET 1 capital exceeding 10% of its CET 1 net capital in aggregate from its CET 1 capital, and for investments in Additional Tier 1 capital and Tier 2 capital, deducted in full from the corresponding tiers of capital. Where the significant minority capital investments in financial institutions and the corresponding net deferred tax assets are not deducted from the CET 1 capital of the Bank, the aggregate amount shall not exceed 15% of the Bank's CET 1 net capital.

At the end of 2022, the Bank adopted the weighting approach for the measurement of equity investments in financial institutions and other equity investments in banking book that were not deducted. Details are shown in the following table.

*In millions of RMB*

**Table 7.3: Risk Exposures of Equity in Banking Book**

**31 December 2022**

| Types of the invested entity | Risk exposures of publicly traded equity[1] | Risk exposures of non-publicly traded equity[1] | Unrealized profit or loss on potential risk[2] |
|---|---|---|---|
| Financial institutions | 2,533 | 4,260 | 1,857 |
| Companies | 3,520 | 118,922 | (2,592) |
| **Total** | **6,053** | **123,182** | **(735)** |

**31 December 2021**

| Types of the invested entity | Risk exposures of publicly traded equity[1] | Risk exposures of non-publicly traded equity[1] | Unrealized profit or loss on potential risk[2] |
|---|---|---|---|
| Financial institutions | 3,168 | 3,318 | 2,162 |
| Companies | 3,125 | 108,183 | (2,160) |
| **Total** | **6,293** | **111,501** | **2** |

Notes: 1.Risk exposures of publicly traded equity refer to the risk exposures of the listed companies, and risk exposures of non-publicly traded equity refer to the risk exposures of unlisted companies as invested entities.

2.Unrealized profit or loss on potential risk refers to gain or loss that has been recognized in the balance sheet but not yet been recognized in the income statement.

## 7.4 Interest Rate Risk of Banking Book

Interest rate risk of the banking book refers to risk of losses in income or economic value or of the banking book as a result of adverse changes of the interest rate level or term structure. The interest rate risk of the banking book (IRRBB) of the Bank primarily arises from the mismatch of the maturity or re-pricing dates of interest-rate-sensitive assets and liabilities in the banking book and inconsistencies in the change of the benchmark interest rate on which assets and liabilities are based.

In 2022, the Bank paid close attention to the domestic and international macroeconomic situation and the trend of market interest rates, implemented a prudential interest rate risk management strategy of the banking book, and adjusted the asset and liability duration structure in a forward-looking manner to achieve a reasonable balance between risk and return. The Bank strengthened support for key areas and weak links of the real economy, optimized internal and external pricing strategies, and promoted the steady, coordinated and sustainable growth of assets and liabilities. The Bank optimized the interest rate risk limit system, strengthened the transmission of interest rate risk strategies, promoted the continuous optimization of interest rate risk management systems and models, and improved the level of refined management. During the reporting period, the stress test results showed that all interest rate risk indicators of the Bank were controlled within the scope of regulatory requirements and management objectives, and the interest rate risk of the banking book was overall controllable.

At the end of 2022, the details of IRRBB of the Bank are set forth in the table below. The analysis below is made on the assumption that there is a parallel shift in the yield curves and without taking into account assumptions of early repayment of loans and retained non-dated deposit and risk management measures possibly adopted by the management to reduce interest rate risk.

*In millions of RMB*

**Table 7.4: Sensitivity Analysis of Interest Rate Risk of Banking Book**

**31 December 2022**

| **Major currencies** | **Interest rate increased by 100 bps** | | **Interest rate decreased by 100 bps** | |
|---|---|---|---|---|
| | **Impacts on the profit** | **Impacts on the equity** | **Impacts on the profit** | **Impacts on the equity** |
| RMB | (41,955) | (56,559) | 41,955 | 56,559 |
| USD and others | (1,337) | (2,587) | 1,337 | 2,587 |
| **Total** | **(43,292)** | **(59,146)** | **43,292** | **59,146** |

**31 December 2021**

| **Major currencies** | **Interest rate increased by 100 bps** | | **Interest rate decreased by 100 bps** | |
|---|---|---|---|---|
| | **Impacts on the profit** | **Impacts on the equity** | **Impacts on the profit** | **Impacts on the equity** |
| RMB | (38,217) | (36,741) | 38,217 | 36,741 |
| USD and others | 425 | (2,523) | (425) | 2,523 |
| **Total** | **(37,792)** | **(39,264)** | **37,792** | **39,264** |

## 7.5 Liquidity Risk

Liquidity risk refers to the risk of being unable to timely acquire sufficient funds at a reasonable cost by commercial banks to settle amounts due, fulfil other payment obligations and satisfy other funding needs during the ordinary course of business. The major factors affecting liquidity risk include negative impacts of market liquidity, deposit withdrawal by customers, loans withdrawal by customers, imbalance between asset and liability structures, debtor's default, difficulty in asset realization, weakening in financing ability, etc.

*Liquidity Risk Management*

The liquidity risk management governance structure of the Bank consists of a decision-making system, an execution system and a supervision system, among which, the decision-making system comprises the Board of Directors and its Risk Management and Consumers' Interest Protection Committee and the senior management; the execution system comprises departments of liquidity management, asset and liability businesses, and information and technology departments, etc.; and the supervision system comprises the Board of Supervisors, the Audit Office, the Internal Control and Compliance Supervision Department and the Legal Affairs Department. The aforesaid systems perform their respective decision-making, execution and supervision functions based on the division of responsibility.

We adhered to a prudent liquidity management strategy. We formulated our liquidity risk management policy pursuant to the regulatory requirements, external macroeconomic environment and our business development. We effectively maintained balance among liquidity, security and profitability, on condition of the guaranteed security of liquidity.

The objectives of our liquidity risk management were to effectively identify, measure, monitor and report liquidity risk by establishing a scientific and refined liquidity risk management system, to promptly fulfill the liquidity needs of assets, liabilities and off-balance sheet businesses and perform the payment obligations under normal business environment or under operational pressure; and to effectively balance both capital efficiency and security of liquidity while preventing the overall liquidity risk of the Group.

We pay close attention to changes in external economic and financial situation, monetary policies, and market liquidity, continue to monitor our bank-wide liquidity condition and predict the trend. We strengthened the asset-liability management to mitigate risks related to mismatch of maturity. We secured the sources of core deposits and facilitated the use of initiative financial instruments, to keep our financing channels smooth in the market. We improved the liquidity management mechanism through strengthening the monitoring, early warning, and overall allocation of liquidity position. With a moderate reserve level, we satisfied various payment demands. In addition, we refined the functions of the liquidity management system to improve our electronic management.

Based on the market condition and operation practice, we set liquidity risk stress scenarios based on full consideration of various risk factors which may affect the liquidity. We conducted stress testing quarterly. According to the testing results, under the prescribed stress scenarios, we have passed all the shortest survival period tests as required by regulatory authorities.

*Liquidity Risk Analysis*

During the reporting period, we managed cash flows brought by maturing fund properly and the overall liquidity was sufficient, secured and under control. At the end of 2022, we fulfilled the regulatory requirements with liquidity ratios for RMB, foreign currency and the net stable funding ratio of 64.21%, 235.12% and 129.6%, respectively. The average of the liquidity coverage ratio over the fourth quarter in 2022 increased by 0.1 percentage points to 132.1% as compared to the previous quarter.

*In millions of RMB*

**Table 7.5 Liquidity Gap Analysis**

| Term | 31 December 2022 | 31 December 2021 |
|---|---:|---:|
| Past due | 28,091 | 22,689 |
| On demand | (14,851,083) | (13,368,709) |
| Within 1 month | 1,055,881 | 899,919 |
| 1-3 months | (851,713) | (663,272) |
| 3-12 months | 158,614 | (428,608) |
| 1-5 years | 1,075,518 | 2,013,118 |
| Over 5 years | 13,361,537 | 11,388,711 |
| Undated | 2,438,081 | 2,279,803 |
| **Total** | **2,414,926** | **2,143,651** |

# 8 Internal Capital Adequacy Assessment

## 8.1Internal Capital Adequacy Assessment Methods and Process

The Bank coordinated and facilitated the construction of the Second Pillar, consolidated the foundation of capital governance, and established the Internal Capital Adequacy Assessment Process (ICAAP) with the features of the Bank. Based on the corporate governance principles of modern commercial banks, the Bank gradually optimized the management system of ICAAP, and further clarified the reporting lines and the responsibilities of the Board of Directors, senior management and various departments on capital management, thereby making the division of responsibilities and process clearer. The Board of Directors took the primary responsibility for capital management, the senior management was responsible for organizing and implementing the work of the capital management, and all relevant departments cooperated for the internal growth, conservation and release of capital. Based on the development strategy, the Bank strengthened its capital planning management and set reasonable budgets for short/medium/long-term capital adequacy ratio, with balancing conformity to regulatory standard, risk coverage, value creation, and peer comparability. Through refining capital allocation, and enhancing monitoring and assessment, the Bank further improved capital management and had a sound control over the pace of capital consumption, and continued to strengthen the capacity of value creation.

In 2022, the Bank kept on improving of ICAAP, normalizing and refining the working mechanism. Additionally, the Bank carried out an annual assessment on internal capital adequacy and completed the annual report of internal capital adequacy assessment. The report was reviewed and approved by the Board of Directors, and filed with the CBIRC. During the reporting period, the Bank carried out a special audit of ICAAP to ensure the compliance, effectiveness, and continuity of its capital management. In the future, the Bank will further improve its delicacy of management, continuously increase assessment capability and promote the application of assessment results to its daily management in accordance with the CBIRC's requirements.

## 8.2 Capital Planning and Capital Adequacy Ratio Management Plan

In 2013, the Bank formulated the *Compliance Plan of Capital Adequacy Ratios for 2013-2018 of Agricultural Bank of China*, which was reviewed and approved by the Board of Directors. In 2016, 2018 and 2021, according to the relevant rules and regulations on commercial banks and requirements of corporate governance, the Bank formulated the *Capital Plan for 2016-2018 of Agricultural Bank of*

*China*, the *Capital Plan for 2019-2021 of Agricultural Bank of China* and the *Capital Plan for 2022-2024 of Agricultural Bank of China*, which were reviewed and approved by the Board of Directors. The Bank continued to strengthen capital management, optimized allocation of capital, and refine the mechanism of capital control, raised efficiency of capital utilization, optimized the aggregate amount and structure of risk-weighted assets, and improve the long-term capital management mechanism. During the reporting period, the Bank successfully realized the management objectives of capital planning, achieved good performance in management measures, and generally maintained a stable capital adequacy ratio.

Following the requirements of the *Ancillary Regulatory Provision for Systematically Important Banks (Trial)* (Decree of the PBOC and the CBIRC [2021] No. 5) and the *Interim Measures for the Implementation of the Recovery and Disposal Plan of Banking and Insurance Institutions* (CBIRC No. 16 [2021]) and other regulatory requirements, as one of the Global Systemically Important Banks and Domestic Systemically Important Banks, we gradually optimized a retest mechanism for the recovery and disposal plan and constantly improved risk warning and crisis management capabilities to reduce our risk spillover in the crises and strengthen the foundation for financial stability.

# 9 Remuneration

## 9.1 Nomination and Remuneration Committee under the Board of Directors

At the end of 2022, the Nomination and Remuneration Committee under the Board of Directors of the Bank was composed of six Directors, including Non-executive Directors Mr. LI Wei and Ms. ZHOU Ji, Independent Non-executive Directors Mr. LIU Shouying, Mr. HUANG Zhenzhong, Mr. WU Liansheng and Mr. WANG Changyun. Mr. LIU Shouying is the chairman of Nomination and Remuneration Committee under the Board of Directors. The primary duties of the Nomination and Remuneration Committee are to formulate selection and appointment standards and procedures of the Bank's directors, chairman and members of all special committees under the Board of Directors and the senior management, make recommendations to the Board of Directors on the candidates and qualifications of directors and senior management, formulate remuneration measures of directors and senior management, propose remuneration distribution plans, and submit to the Board of Directors for reviewing. During the reporting period, the Nomination and Remuneration Committee under the Board of Directors convened ten meetings.

For basic information about members of senior management and staff in positions that exert significant influence on risks, please refer to the section headed "Directors, Supervisors and Senior Management" in the Bank's 2022 Annual Report.

## 9.2 Remuneration Policy

*Determination and distribution of remuneration*

The Bank formulated and adjusted the remuneration policy in strict accordance with relevant laws and regulations, regulatory requirements, and requirements under the corporate governance of the Bank. In order to attract, retain and incentivize employees, the Bank implemented a position-based wage system on the principles that the salary and bonus are determined based on positions, capabilities and performance and vary with positions, and continuously improved the remuneration system in line with the operational and management needs of a modern commercial bank. The employee remuneration policy applies to all contract employees of the Bank, whereby the employees' pay levels are determined based on such factors as position value, short-term and long-term performance.

*Remuneration and risks*

The remuneration of the Bank's employees primarily comprised of basic salary, position-based wage and performance-based pay. The Bank established and improved the remuneration distribution mechanism that reflected both current performance and covered responsibilities for long-term risk. The Bank established a performance-based salary deferred payment and recall system for employees who assume responsibilities for material risks and have a material impact on the Bank's risk profile. Having considered the actual performance and time-lag risks, part of the payment would be made after expiry of the deferred payment period, thereby linking the employees' current and long-term responsibilities for and contributions with the development and time-lag risk of the Bank. If significant losses of risk exposures are incurred within their sphere of responsibility during their employment, the Bank can recall part or all of performance-related remuneration paid in relevant period and stop further payments.

The remuneration of the employees of the risk and compliance department of the Bank is determined based on factors such as employees' personal ability, performance appraisal, without direct relation to their supervisory duties in order to maintain independence.

*Remuneration and performance*

In compliance with the requirements by the authorities in China, the Bank established a remuneration system based on the performance of the Bank and the performance appraisal. According to the remuneration management system, the remuneration of the Bank's institutions was associated with the operating results of the institutions and the appraisal results, and the remuneration of employees was associated with the performance appraisal results of the institutions and individuals. The performance appraisal of the Bank included the assessment on the performance indicator, risk indicator and other indicators of sustainable development, reflecting long-term performance and risk profile in aggregate. According to the performance appraisal results, the Bank adjusted the pay level by means of salary distribution, deferred payment and other forms.

*Variable remuneration*

The Bank's variable remuneration primarily comprised of performance-based pay (including deferred payment, etc.), which was paid in cash. Variable remuneration was allocated based on factors including the current and long-term contributions of employees and risk profile. If a cut of a performance-based pay and deferred payment is applicable under relevant rules and stipulations, the variable remuneration would be adjusted accordingly.

For the annual remuneration of the Directors, Supervisors and senior management of the Bank, please refer to the section headed "Remuneration of Directors, Supervisors and Senior Management" in the Bank's 2022 annual report.

## 10 Prospects

The Bank adheres to the operation philosophy of modern commercial banks, implements the prudent risk appetite, and consistently works on improving the corporate governance mechanism, maintaining a balance among safety, liquidity and profitability and striking a balance among capital, risk and return. The Bank proactively pushes forward the development of firm-wide risk management system and the implementation of advanced approaches for capital management, so as to ensure that the asset quality has been stable as a whole, the risk-resisting ability has been strong, and the ability in risk management has been constantly enhanced.

Currently, China has to address a less sound economic recovery foundation and a volatile external picture. As a response, we will continue implementing the regulatory requirements and adhere to the prudent risk appetite, enhance our risk prejudgment capacity so as to improve the risk management in a more targeted and effective manner. We will continue to improve the active risk prevention and control mechanism enhance the capacity for the holistic management of credit risks so as to constantly solve the risks related to key areas, industries and clients. We will prioritize an enhanced market and business risk management and control levels of the Group. That means enhancing the full-process and embedded risk control and management to strengthen the multi-layered risk prevention and control means. We will deepen the application of operational risk management tools and strengthen the risk assessment of new business, new products and new systems so as to make the operational risk management more forward-looking and effective, steadily promote the implementation of new rules for capital regulation. We will continue to optimize the calculation of the level of the credit risk, market risk and operational risk, and improve the management system for the risk related to our derivative business counterparts. We will refine our capital management and cement a solid foundation for capital saving so as to underpin our drive to be among the world-class commercial banks.