



中国光大银行  
CHINA EVERBRIGHT BANK

BUILD A FIRST-CLASS WEALTH MANAGEMENT BANK

Stock Code: 6818

- 30th Anniversary of China Everbright Bank -

Partner with Everbright  
Pursue Steady Growth

Manage Wealth for a Prosperous Future



**2022** 年度報告 ANNUAL REPORT

中國光大銀行股份有限公司

China Everbright Bank Company Limited

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



## Important Notice

The Board of Directors, Board of Supervisors and Directors, Supervisors and Senior Management of the Bank hereby warrant the authenticity, accuracy and completeness of the contents of this Report and that there are no false representations, misleading statements or material omissions, and jointly and severally assume full responsibility for the information in this Report.

The Sixth Meeting of the Ninth Session of the Board of Directors of the Bank was convened in Beijing on 24 March 2023, at which the *2022 Annual Report* of the Bank was considered and approved. 14 out of 14 Directors attended this meeting in person. 7 Supervisors were present at the meeting as non-voting attendees.

The financial statements of the Bank for the year 2022 were prepared in accordance with the PRC Generally Accepted Accounting Principles (“PRC GAAP”) and the International Financial Reporting Standards (“IFRS”) and have been reviewed by Ernst & Young Hua Ming LLP and Ernst & Young in accordance with the China Standards on Auditing (CSA) and the International Standards on Auditing (ISA), respectively. Both auditors issued standard unqualified auditor’s reports.

Chairman Mr. Wang Jiang, President Mr. Wang Zhiheng, and Mr. Sun Xinhong, General Manager of Finance and Accounting Department of the Bank, hereby warrant the authenticity, accuracy and completeness of the financial statements in this Report.

Unless otherwise stated, all monetary sums stated in this Report are expressed in Renminbi/RMB.

The Board of Directors of the Bank proposed distributing an ordinary share dividend of RMB1.90 (before tax) for every 10 shares for the year 2022. Please refer to “Significant Events” for details.

Forward-looking statements such as future plans of the Bank mentioned in this Report do not constitute actual commitments of the Bank to the investors. The investors and related parties should be fully aware of the risks, and should understand the difference between plans, predictions and commitments.

The Bank has disclosed herein major risks and proposed risk management measures accordingly. Please refer to “Management Discussion and Analysis” for details.

In this Report, “We/we”, “the Bank”, “whole Bank” and “China Everbright Bank” all refer to China Everbright Bank Company Limited, and “the Group” refers to China Everbright Bank Company Limited and its subsidiaries.

**The Board of Directors of  
China Everbright Bank Company Limited**  
24 March 2023

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# Definitions and List of Documents for Reference

## I. DEFINITIONS

In this Report, unless the context otherwise requires, the following terms shall have the meanings set out below:

MOF	:	Ministry of Finance of the People's Republic of China
PBOC	:	The People's Bank of China
CBIRC	:	China Banking and Insurance Regulatory Commission
CSRC	:	China Securities Regulatory Commission
CHI	:	Central Huijin Investment Ltd.
CEG	:	China Everbright Group Ltd.
SSE	:	Shanghai Stock Exchange
SZSE	:	Shenzhen Stock Exchange
HKEX	:	Hong Kong Exchanges and Clearing Limited
SEHK	:	The Stock Exchange of Hong Kong Limited
EY Hua Ming	:	Ernst & Young Hua Ming LLP
EY	:	Ernst & Young
Articles of Association of the Bank	:	Articles of Association of China Everbright Bank Company Limited
Hong Kong Listing Rules	:	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	:	Appendix 10 to the Hong Kong Listing Rules – The Model Code for Securities Transactions by Directors of Listed Issuers

## II. LIST OF DOCUMENTS FOR REFERENCE

- i. Financial statements bearing the signatures and seals of Chairman, President, and General Manager of Finance and Accounting Department of the Bank
- ii. The original auditor's report bearing the seal of the accounting firms and the signatures and seals of certified public accountants
- iii. The originals of all documents and announcements of the Bank disclosed to the public during the reporting period
- iv. A share annual report and financial statements prepared in accordance with PRC GAAP published by the Bank at SSE during the reporting period

The originals of the aforesaid documents for reference shall be kept at the Office of Board of Directors of the Bank.

# Profile of the Bank

## I. BASIC INFORMATION

### i. Name of the Bank

Registered Chinese Company Name: 中國光大銀行股份有限公司 (Abbreviation: 中國光大銀行 or 光大銀行)  
 Registered English Company Name: CHINA EVERBRIGHT BANK COMPANY LIMITED (Abbreviation: CEB BANK)

### ii. Relevant Persons

Legal Representative: Wang Jiang  
 Authorized Representatives: Wang Zhiheng, Qu Liang  
 Secretary to the Board of Directors: Zhang Xuyang  
 Joint Company Secretary: Zhang Xuyang, Lee Mei Yi  
 Securities Affairs Representative: Zeng Wenxue

### iii. Contacts

Contact Address: China Everbright Center, No. 25 Taipingqiao Street, Xicheng District, Beijing  
 Postal Code: 100033  
 Tel: 86-10-63636363  
 Fax: 86-10-63636713  
 E-mail: IR@cebbank.com  
 Investor Hotline: 86-10-63636388  
 Customer Service Hotline & Customer Complaint Hotline: 95595

### iv. Corporate Information

Office Address: China Everbright Center, No. 25 and No. 25 A Taipingqiao Street, Xicheng District, Beijing  
 Registered Address and Its Change Records:  
 1992-1995: 16/F, New Century Hotel Office Building, No. 6 Shoudutiyuguan South Road, Beijing  
 1995-2012: Everbright Building, No. 6 Fuxingmenwai Street, Xicheng District, Beijing  
 2012-today: China Everbright Center, No. 25 and No. 25 A Taipingqiao Street, Xicheng District, Beijing  
 Website of the Bank: www.cebbank.com  
 Uniform Social Credit Code: 91110000100011743X  
 Code of Financial Authority: B0007H111000001  
 Scope of Business: Taking deposits from the public; granting short-term, medium-term and long-term loans; handling domestic and overseas settlement; handling bill acceptance and discount; issuing financial bonds; issuing, honoring and underwriting government bonds as an agent; trading of government bonds and financial bonds; interbank borrowing and lending; trading and agency trading of foreign exchange; bank card business; providing L/C services and guarantee; agency collection and payment and agency insurance services; safe deposit box services; other businesses approved by CBIRC.

### v. Principal Place of Business in Hong Kong

CEB Hong Kong Branch: 23/F, Everbright Center, 108 Gloucester Road, Wan Chai, Hong Kong

## Profile of the Bank

### vi. Websites and Newspapers Designated for Information Disclosure

Websites designated for publication of A share annual report: *SSE's website*: [www.sse.com.cn](http://www.sse.com.cn)

*The Bank's website*: [www.cebbank.com](http://www.cebbank.com)

Newspapers designated for publication of A share annual report: *China Securities Journal*: [www.cs.com.cn](http://www.cs.com.cn)

*Shanghai Securities News*: [www.cnstock.com](http://www.cnstock.com)

*Securities Times*: [www.stcn.com](http://www.stcn.com)

*Securities Daily*: [www.zqrb.cn](http://www.zqrb.cn)

Websites designated for publication of H share annual report: *HKEXnews website*: [www.hkexnews.hk](http://www.hkexnews.hk)

*The Bank's website*: [www.cebbank.com](http://www.cebbank.com)

Copies of this annual report are available at: Office of the Board of Directors of the Bank  
Shanghai Stock Exchange

### vii. Stock Exchanges for Listing of Shares

A Shares: Shanghai Stock Exchange (SSE)

Abbreviated Name of Ordinary Shares: Everbright Bank, Code: 601818

Abbreviated Name of Preference Shares: Everbright P1, Everbright P2, Everbright P3, Code: 360013, 360022, 360034 (SSE Comprehensive Business Platform)

Abbreviated Name of Bonds: Everbright Convertible Bonds, Code: 113011

H Shares: The Stock Exchange of Hong Kong Limited (SEHK)

Abbreviated Name: CEB Bank, Code: 6818

### viii. Auditors During the Reporting Period

Domestic Auditor: Ernst & Young Hua Ming LLP

Office Address: 19/F, Ernst & Young Tower, Oriental Plaza, No.1 East Chang An Avenue, Beijing

Certified Public Accountants for Signature: Xu Xuming, Hong Xiaodong

Overseas Auditor: Ernst & Young

Office Address: 27/F, 1 Building, Taikoo Place 979 King's Road, Quarry Bay, Hong Kong

Certified Public Accountant for Signature: Ng Chi Keung

### ix. Legal Advisors to the Board of Directors during the Reporting Period

A Share Legal Advisor: Jun He Law Offices

H Share Legal Advisor: Clifford Chance LLP

### x. Securities Depository

A Share Ordinary Shares, Preference Shares and Convertible Bond Depository: Shanghai Branch, China  
Securities Depository and  
Clearing Corporation Limited

Office Address: No. 188 Yanggao South Road, Pudong New Area, Shanghai

H Share Registrar: Computershare Hong Kong Investor Services Limited

Office Address: Shops 1712-1716, 17/F, Hopewell Center, 183 Queen's Road East, Wan Chai, Hong Kong

## II. INTRODUCTION

China Everbright Bank, established in August 1992 and headquartered in Beijing, is a national joint-stock commercial bank approved by the State Council of China and PBOC. The Bank was listed on the SSE in August 2010 (stock code: 601818) and the SEHK in December 2013 (stock code: 6818).

Focusing on the strategic vision of “building a first-class wealth management bank”, the Bank has pressed ahead with digital transformation, and accelerated innovation in products, channels and service models, which not only forged a competitive edge in wealth management, fintech and comprehensive finance, but also built up a sound social image as a first-class wealth management bank, with balanced development of all business sectors, continuous improvement of risk management and gradual enhancement of innovation capabilities.

As at the end of the reporting period, the Bank had established 1,307 branches and outlets in the domestic market, covering all provincial administrative regions and extending its business reach to 150 economic center cities. Centering on wealth management strategy, Everbright Financial Leasing Co., Ltd. strove to serve as a comprehensive operation platform and an asset operation platform for leasing business, Everbright Wealth Management Co., Ltd. focused on asset management and wealth management business, and Beijing Sunshine Consumer Finance Co., Ltd. engaged in the specialized consumption market. In the overseas market, closely following the Belt and Road Initiative, CEB has expanded its international presence at a faster pace. The Bank's Hong Kong Branch, CEB International Investment Corporation Limited, Seoul Branch, China Everbright Bank (Europe) S.A., Luxembourg Branch, Sydney Branch and Macao Branch opened for business successively. And the Bank's Tokyo Representative Office was officially opened. At the same time, the Bank's long-term sponsorship for "Water Cellar for Mothers", a social charity program, demonstrated its commitments to social responsibilities. The Bank's Everbright Cloud Fee Payment, an online convenient service with a focus on people's livelihood services and financial scenarios, has served hundreds of millions of people. The Bank's three rural banks located in Shaoshan of Hunan Province, Huai'an of Jiangsu Province and Ruijin of Jiangxi Province delivered sound results in providing inclusive financial services for rural residents. In 2022, the Bank's corporate image was increasingly improved. It was listed in the "China ESG 50" released by Forbes China, and selected into the Hang Seng (China A) Corporate Sustainability Index. It was ranked 27th among the "Top 1,000 World Banks" according to *The Banker*, up 5 places over the previous year to enter the top 30.

Over the years, along with the evolution of Chinese economy and the growth of Chinese financial sector, the Bank's brand image and market value have improved continuously. While rendering quality financial services to its customers and the public, it has also achieved good results in business performance, becoming a listed bank with sound compliance and wide influence.



## Honors and Awards



1. On 6 January 2022, Everbright Wealth Management Co., Ltd. won the “Outstanding Bank Wealth Management Subsidiary Award” – “GoldenWis Award” at the 2021 10th Annual Ceremony of JRJ Navigation China held by JRJ.com.
2. On 21 January 2022, the selection results of the 16th People’s Corporate Social Responsibility Case Collection Event hosted by people.cn under the guidance of *People’s Daily* were released, and Everbright Cloud Fee Payment was awarded the “2021 Recommendation Case for People’s Corporate Social Responsibility” by people.cn.
3. On 26 April 2022, All-China Federation of Trade Unions issued the commendation decision and conferred the honor of “2022 Pioneer of National Workers” to the E-cloud Banking Services Department of the Bank.
4. On 7 May 2022, *China Banking and Insurance News* released the selection results of “2021 Digital Transformation Cases of China’s Banking Industry”, and Everbright Cloud Payment Technology Co., Ltd. won the title of “Excellent Case of Digital Transformation of China’s Banking Industry”.
5. On 7 June 2022, the MOF issued the *Comprehensive Assessment Results of Agency Banks*, and the Bank was granted “Excellent Agency Bank for Direct Payment of the Central Treasury”, “Excellent Agency Bank for Authorized Payment of the Central Treasury” and “Excellent Agency Bank for Collection of Non-tax Revenues of the Central Treasury”. The Bank has been granted these three honors for five consecutive years.
6. On 17 June 2022, the Bank won the “Outstanding Private Banking Award (Golden Reputation Award)” at the 2022 Annual Summit of China’s Asset Management and Wealth Management Industry and the 2nd “Golden Reputation Award” Ceremony.
7. On 26 July 2022, the Bank was awarded the “Trustworthy Pension Finance Bank”, and the Bank’s subsidiary Everbright Wealth Management Co., Ltd. was awarded as “Trustworthy Bank Wealth Management Institution” at the “2021-2022 Industry Investment and Asset Management Forum” hosted by *The Economic Observer*.
8. On 20 September 2022, CEB Seoul Branch won the “Market Satisfaction Award” of “Korea-China Friendship Award” at the 3rd Korea-China Friendship Award Ceremony in Seoul hosted by *ajunews* and supported by the Embassy of the People’s Republic of China in the Republic of Korea, the Ministry of Trade, Industry and Energy of the Republic of Korea and the Ministry of SMEs and Startups of the Republic of Korea.
9. On 26 September 2022, the Bank was awarded the “Top 10 Green Finance Innovation Award”, the “Top 10 Credit Card Financial Innovation Award” and the “Top 10 Inclusive Financial Service Innovation Award”, and its “AI-based Online Sales Platform for Wealth Customers” won the “Top 10 Fintech Innovation Award” at the 2022 China Financial Innovation Forum and the 2022 China Financial Innovation Achievement Showcase hosted by *The Chinese Banker*.
10. On 28 October 2022, the Bank was awarded the “Annual Inclusive Finance Award” and the “Annual Wealth Management Award” of the 2022 Golden Tripod Awards, and Beijing Sunshine Consumer Finance Co., Ltd was conferred the “Outstanding Consumer Finance Company of the Year” at the 2022 China Financial Development Forum and the Golden Tripod Awards Ceremony organized by *National Business Daily*.
11. On 15 November 2022, the Bank won the “2022 Outstanding Private Banking Award – Golden-Shell Evaluation on Competitiveness in Asset Management”, Everbright Wealth Management Co., Ltd. was awarded the “2022 Excellent Wealth Management Company”, and its product “‘Enjoy Sunshine’ Pension Wealth Management Product – Orange 2028” was awarded the “2022 Outstanding Pension Wealth Management Product” at the 2022 China Asset Management Annual Conference hosted by the *21st Century Business Herald*.





12. On 16 November 2022, the Bank was awarded the “New China Credit Jinlan Cup ESG Outstanding Contribution Case of Rural Revitalization” at the selection event for outstanding ESG cases of the “New China Credit Jinlan Cup” organized by China Economic Information Service. On 8 December, the Bank was awarded the “2022 Responsible Enterprise” at the 18th China Corporate Social Responsibility Forum hosted by China News Service and *China Newsweek*. On 19 December, the Bank was awarded the “ESG Practice Pioneer Award of the Year” at the 5th “New Awards” selection by CAIJING NEW-MEDIA.
13. On 23 November 2022, the Bank’s “Sunshine Gold 36M Tianli No.1” won the “Golden Bull Award for Bank Wealth Management Products” at the selection of the 3rd Golden Bull Awards for Wealth Management of China’s Banking industry hosted by *China Securities Journal*.
14. On 24 November 2022, the Bank was awarded the “Best Financial Institution of the Year” at the 2022 Financial Development Forum hosted by *The Paper*.
15. On 9 December 2022, the Bank was awarded the “2022 Gamma Award for Golden Credit Card”, “Gamma Award for Outstanding Asset Custody Bank” and “Gamma Award for Outstanding Services in the Guangdong-Hong Kong-Macao Greater Bay Area”, and the product of “Sunshine Daily Purchase – 180 Days” was conferred the “2022 Gamma Award for Golden Bank Wealth Management Products” at the 2022 Annual Summit of Chinese Financial Institutions hosted by *Securities Times*.
16. On 14 December 2022, the Bank’s integrated new media marketing case for the IP of “Purple” (a mascot of the Bank, also called “Xiao Qie Zi”) was granted the “Silver Award for Virtual Image Marketing” at the 2022 10th Top Touch Festival Global Business Innovation Awards titled “Brilliant Brand for Better Future”.
17. On 15 December 2022, the selection results of the 5th China Financial Leasing “Tengfei Awards” were released at the 2022 9th Global Leasing Industry Competitiveness Forum, at which Everbright Financial Leasing Co., Ltd. won the “Tengfei Award – Leading Enterprise for Serving the Real Economy”.
18. On 20 December 2022, the Bank was awarded the “Bank with the Most Brand Communication Value of the Year” at the “Sustainable Development Summit & Caijing Awards Ceremony” hosted by the *Caijing* magazine.
19. On 22 December 2022, the Bank was awarded the “Outstanding Mobile Banking” and “Outstanding Retail Banking”, and Everbright Wealth Management Co., Ltd. was conferred the “Outstanding Wealth Management Company of the Year” at the 20th China’s Financial Annual Champion Awards for the Banking Industry held by Hexun.com.
20. On 28 December 2022, the Bank was awarded the “Excellent Innovative Bank of the Year”, “Excellent Mobile Banking of the Year” and “Excellent Private Banking of the Year” at the “New Era for Financial Development” 2022 Annual Finance Development Forum and the 11th Excellent Financial Enterprises Ceremony hosted by *The Economic Observer*.
21. On 30 December 2022, the National Committee of Chinese Financial Workers’ Union issued a commendation decision to award CEB Shanghai Branch and CEB Beijing Yizhuang Sub-branch the “2022 National Finance May-Day Labor Merit Certificate”, the Special Assets Management Department/Asset Management Department of CEB Head Office the honor of “National Financial Pioneer”, and seven CEB employees the “National Finance May-Day Labor Medal”.



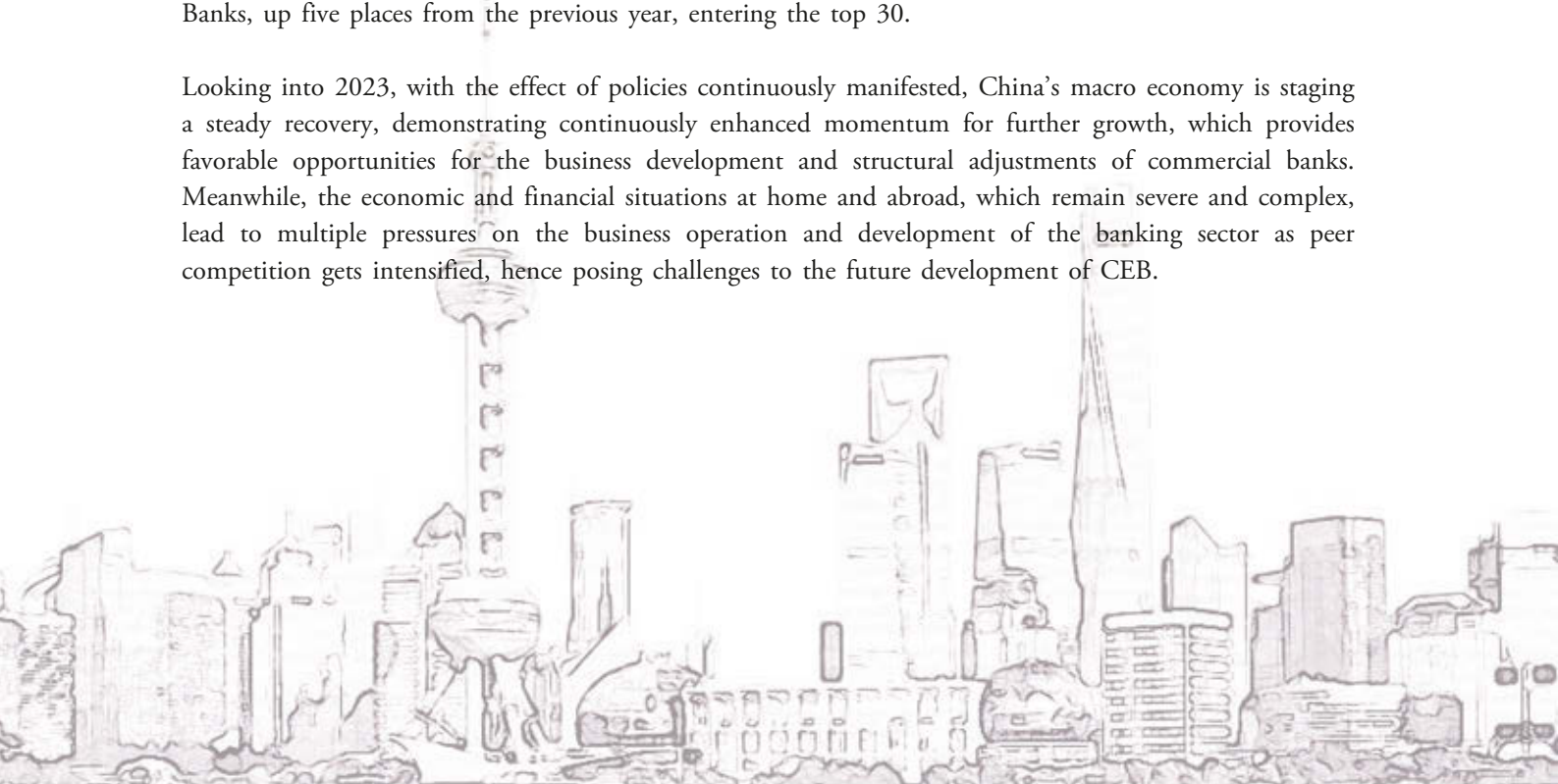
**WANG Jiang**  
*Chairman*

## Message from the Chairman

The year 2022 marks a year of great importance in the history of the Communist Party of China (CPC) and our country, as the 20th CPC National Congress was convened successfully, during which an inspiring blueprint was drawn up for building China into a modern socialist country in all respects, sounding a clarion call of the times for us forging ahead on a new journey. The year 2022 also marks an extraordinary year in the development history of China Everbright Bank (CEB), as it celebrated its 30th anniversary of establishment. In this great era, CEB followed the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, unswervingly pursued the path of financial development with Chinese characteristics, proactively integrated itself into and served the overall development of the country, and made all-out efforts to the building of “a first-class wealth management bank”.

During the past year, staying true to the general principle of pursuing progress while ensuring stability, CEB accomplished main targets and tasks satisfactorily. Strengthening political guidance, CEB ensured that the financial work is politically oriented and can better represent the people, fully implemented the policies and strategies of the CPC and the country, and supported key areas and shored up weak links of the national economy in a targeted manner. Shouldering its due missions and responsibilities, CEB energetically facilitated stabilizing the overall economy, adopted forward-looking policies to ensure steady growth in loan supply, and rolled out a host of measures to reduce the financing cost of enterprises and improved service quality and efficiency in serving the real economy. Insisting in strategic guidance, CEB focused on three North Star Metrics — AUM (Assets Under Management), FPA (Finance Product Aggregate) and GMV (Gross Merchandise Volume) to continuously optimize business structure, vigorously expand fee-based businesses not occupying the Bank’s risk assets, and effectively advancing wealth management transformation. Focusing on digital transformation, CEB dedicated increasingly more resources to technology and talent team building, implemented organizational structure adjustments, promoted digital scenario-based finance, and empowered new business formats with fintech. Boosting high-quality development, CEB brought its comprehensive strengths up to a new stage. In 2022, CEB was ranked 27th among the Top 1,000 World Banks, up five places from the previous year, entering the top 30.

Looking into 2023, with the effect of policies continuously manifested, China’s macro economy is staging a steady recovery, demonstrating continuously enhanced momentum for further growth, which provides favorable opportunities for the business development and structural adjustments of commercial banks. Meanwhile, the economic and financial situations at home and abroad, which remain severe and complex, lead to multiple pressures on the business operation and development of the banking sector as peer competition gets intensified, hence posing challenges to the future development of CEB.



## Message from the Chairman

In the new year, on the new journey to build a modern socialist country in all respects, CEB will uphold the guiding role of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully implement the spirits and principles of the 20th CPC National Congress and 2022 Central Economic Work Conference, stay true to the general principle of pursuing progress while ensuring stability, and firmly grasp the law of business development and the logic of growth for commercial banks. Staying goal-oriented, CEB will strengthen strategic guidance and implementation by working out well-conceived and appropriate operation goals. Staying problem-oriented, CEB will courageously shoulder its due responsibilities with dedications to concentrate efforts in problem identification, confrontation, analysis and resolution. Staying process-oriented and result-oriented, CEB will take development reality and work performance as the yardstick to enhance assessment and evaluation. Staying value-oriented and market-oriented, CEB will strengthen the awareness of prioritizing value, efficiency and quality, highlighting value creation. Staying customer-oriented, CEB will manage to gain deeper insights into customer needs, improve customer experience constantly, nurture customer relationships, and provide customers with around-the-clock services. Staying fintech-empowered and agility-oriented, CEB will proactively embrace technological innovation to empower business expansion with fintech, and take new actions with new prospects to advance the high-quality development of CEB for new accomplishments.

Let's not fear the dangers or obstacles on the road ahead and continue to tramp over rows of mountain ranges. Today's CEB is in its prime and the CEB staff are young and energetic. Promoting innovative spirits to keep abreast of the times and maintaining fighting spirits to advance further despite greater difficulties and dangers, we will integrate these spirits into the Everbright genes to generate endless and tremendous endogenous momentum, and strive for the building of "a first-class wealth management bank", further demonstrating CEB's sense of historic responsibilities and active fulfillment of its missions.





**WANG Zhiheng**  
*President*

## Message from the President

The year 2022 witnessed the successful convening of the 20th CPC National Congress, during which an inspiring blueprint was drawn up for building a modern socialist country in all respects and the Chinese path to modernization was depicted with glories and dreams. Having just turned thirty years old, CEB upheld the guiding principles from the 20th CPC National Congress, insisted in its positioning as a financial central state-owned enterprise, ensured both development and security, and stepped up to a new level in “building a first-class wealth management bank” through vigorous and determined endeavor.

During the past year, in response to the complex and severe domestic and overseas environment, CEB followed the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, thoroughly studied and implemented the guiding principles from the 20th CPC National Congress, ensured that the financial work is politically oriented and can better represent the people, unswervingly pursued the path of financial development with Chinese characteristics, and stayed true to the general principle of pursuing progress while ensuring stability, making new accomplishments in all respects.

During the past year, CEB resolutely implemented the major principles and policies of the Communist Party of China and the country, fully and faithfully applied the new development philosophy on all fronts, gave full consideration to both domestic and international imperatives, and took serving the real economy as the starting point and ultimate goal. CEB rolled out 22 measures in six aspects to facilitate the stabilization of the overall economy and support the real economy, launched a series of events titled “Serving Enterprises for Economic Stability”, and implemented the 16 supportive measures to ensure the steady development of the real estate sector. CEB was the first among joint-stock commercial banks in China to provide supportive lending for the “Major Projects under National Infrastructure Fund”, with its businesses relating to manufacturing, inclusive finance, rural revitalization and green finance all meeting regulatory requirements. CEB not only provided targeted support for key areas of the national economy by steadily increasing loan supply, but also gave full play to its capabilities to meet the needs of the country and live up to the expectations of the people, contributing to the advancement of Chinese modernization with Everbright strengths.

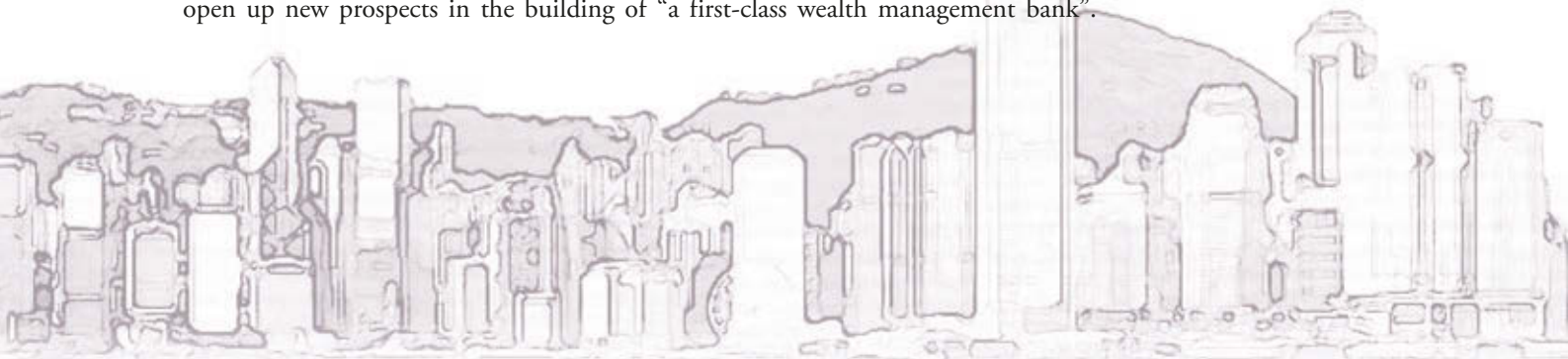
During the past year, CEB focused on three North Star Metrics (AUM, FPA and GMV) to facilitate the building of a wealth management bank. First, with AUM as the indicator for retail banking, CEB formulated a “dual-curve” new development pattern for retail banking, and established a customer management system featuring “stratified and grouped management, data-driven operation, channel coordination and conversion from transaction to contribution” to improve customer experience. Second, with FPA as the indicator for corporate banking, CEB extended the service chain of “commercial banking + investment banking + asset management + transaction banking” to foster new competitive edges through the integration of commercial banking and investment banking. Third, with GMV as the indicator for interbank business, CEB worked to strengthen the capabilities of business operation, investment and trading in financial market business, and built the “Integrated Digital Service Platform for Interbank Institutions” to better serve interbank customers. Using the three North Star Metrics as the guide, CEB improved customer quality, optimized business structure and boosted business efficiency.

During the past year, CEB took innovation as the primary driving force for development to accelerate business transformation. On one hand, CEB took digital operation as the strategic path, data as the production elements, technology as the production tool and platform scenarios as the production mode, and adhering to the customer-centered business philosophy, promoted in-depth integration between technology and business to provide high-quality comprehensive financial services to customers in a targeted manner. On the other hand, guided by the concept of green development, CEB implemented the national strategies of peaking carbon emissions and achieving carbon neutrality, enhanced support for green and low-carbon sectors and circular economy, advocated ESG culture, and proactively shouldered social responsibilities.

During the past year, CEB adopted a problem-oriented approach with bottom-line thinking to intensify efforts in risk prevention and control and compliance management, ensuring that no major risks arose. CEB established the “1+4” credit policy system integrating investment, industry, region, product and portfolio to strengthen risk policy transmission. CEB organized special governance actions to forestall and defuse financial risks, and attached great importance to the implementation of the risk disposal plan of “one solution for one customer” for customers with high risks. Efforts were made to reinforce regional risk classification and customer access management to reduce hidden debts in an orderly manner, improve the comprehensive evaluation indicator system for internal control and compliance management, and refine accountability mechanisms for violations and non-performing assets. CEB was rated A in the consumer protection assessment conducted by PBOC for two consecutive years. CEB took measures to ensure workplace safety, maintain business continuity, and create a safe and stable environment for business operation and development.

During the past year, CEB upheld the fundamental principles, broke new ground, pressed ahead with determination and worked tirelessly with its total assets standing at RMB6.3 trillion, up 6.75% over the end of the previous year, and total liabilities standing at RMB5.79 trillion, up 6.88% over the end of the previous year. Net profit attributable to shareholders of the Bank registered RMB44,807 million, up 3.23% year on year. The NPL ratio remained the same as the previous year. Both the special mention loan ratio and the overdue loan ratio dropped, while the provision coverage ratio increased. In 2022, CEB was ranked 27th among the Top 1,000 World Banks, up five places from the previous year.

With sunshine in our heart, we shall see brilliant prospects. Looking ahead, CEB will stay true to our original aspirations and missions, serve the people heart and soul, acquire a deep understanding of the decisive significance of “Two Establishes” — the establishment of both Comrade Xi Jinping’s core position on the CPC Central Committee and in the Party as a whole and the guiding role of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and firmly implement “Two Upholds” — upholding Comrade Xi Jinping’s core position on the CPC Central Committee and in the Party as a whole and upholding the CPC Central Committee’s authority and its centralized, unified leadership. With the resolve to move mountains and the perseverance to plod on, we will keep our feet on the ground and forge ahead to live up to the expectations of our customers and investors, and strive to open up new prospects in the building of “a first-class wealth management bank”.



# Summary of Accounting Data and Financial Indicators

## I. FINANCIAL DATA AND INDICATORS

Item	2022	2021	Change in 2022 over 2021 (%)	2020 (restated)	2019 (restated)	2018 (restated)
<b>Operating performance (RMB million)</b>						
Net interest income	113,655	112,155	1.34	110,697	101,918	78,163
Net fee and commission income	26,744	27,314	(2.09)	24,409	23,219	19,775
Operating income	151,865	153,366	(0.98)	142,798	132,989	110,388
Operating expenses	(45,227)	(45,540)	(0.69)	(40,335)	(38,466)	(33,707)
Impairment losses on assets	(50,609)	(54,795)	(7.64)	(56,932)	(49,347)	(35,828)
Profit before tax	55,966	52,941	5.71	45,526	45,176	40,853
Net profit	45,040	43,639	3.21	37,928	37,450	33,722
Net profit attributable to shareholders of the Bank	44,807	43,407	3.23	37,835	37,359	33,660
<b>Per share (in RMB)</b>						
Net assets per share attributable to ordinary shareholders of the Bank <sup>1</sup>	7.46	6.99	6.72	6.45	6.10	5.55
Basic earnings per share <sup>2</sup>	0.74	0.71	4.23	0.68	0.68	0.61
Diluted earnings per share <sup>3</sup>	0.67	0.65	3.08	0.61	0.62	0.55
<b>Scale indicators (RMB million)</b>						
Total assets	6,300,510	5,902,069	6.75	5,368,163	4,733,490	4,357,334
Total loans and advances to customers	3,572,276	3,307,304	8.01	3,009,482	2,712,204	2,421,329
Provision for impairment of loans <sup>4</sup>	83,180	76,889	8.18	75,533	76,228	67,209
Total liabilities	5,790,497	5,417,703	6.88	4,913,123	4,347,417	4,034,850
Deposits from customers	3,917,168	3,675,743	6.57	3,480,642	3,017,875	2,571,951
Total equity	510,013	484,366	5.29	455,040	386,073	322,484
Total equity attributable to shareholders of the Bank	507,883	482,489	5.26	453,470	384,992	321,493
Share capital	54,032	54,032	-	54,032	52,489	52,489
<b>Profitability indicators (%)</b>						
Return on average total assets	0.74	0.77	-0.03percentage point	0.75	0.82	0.80
Return on weighted average equity <sup>5</sup>	10.27	10.64	-0.37percentage point	10.72	11.77	11.55
Net interest spread	1.93	2.07	-0.14percentage point	2.20	2.18	1.91
Net interest margin	2.01	2.16	-0.15percentage point	2.29	2.31	1.97
Proportion of fee and commission income in operating income	17.61	17.81	-0.20percentage point	17.09	17.46	17.91
Cost-to-income ratio	28.62	28.64	-0.02percentage point	27.21	27.87	29.48
<b>Asset quality indicators (%)</b>						
NPL ratio	1.25	1.25	-	1.38	1.56	1.59
Provision coverage ratio <sup>6</sup>	187.93	187.02	+0.91percentage point	182.71	181.62	176.16
Provision-to-loan ratio <sup>7</sup>	2.35	2.34	+0.01percentage point	2.53	2.83	2.80



## Notes:

1. Net assets per share attributable to ordinary shareholders of the Bank = (net assets attributable to shareholders of the Bank – preference shares related portion of other equity instruments and non-fixed-term capital bonds)/total number of ordinary shares at the end of the period.
2. Basic earnings per share = net profit attributable to ordinary shareholders of the Bank/weighted average number of ordinary shares outstanding; net profit attributable to ordinary shareholders of the Bank = net profit attributable to shareholders of the Bank – dividends of the preference shares and interest of non-fixed-term capital bonds declared during the period.

The Bank distributed total dividends of RMB2,971 million (before tax) for the preference shares and interest of RMB1,840 million (before tax) for non-fixed-term capital bonds for the year 2022.

3. Diluted earnings per share = (net profit attributable to ordinary shareholders of the Bank + effect of dilutive potential ordinary shares on net profit attributable to ordinary shareholders of the Bank)/(weighted average number of ordinary shares outstanding + weighted average number of potential dilutive ordinary shares converted into ordinary shares).
4. It only includes provision for impairment of loans measured at amortized cost.
5. Return on weighted average equity = net profit attributable to ordinary shareholders of the Bank/weighted average equity attributable to ordinary shareholders of the Bank.
6. Provision coverage ratio = (provision for impairment of loans measured at amortized cost + provision for impairment of loans at fair value through other comprehensive income)/balance of non-performing loans (NPLs).
7. Provision-to-loan ratio = (provision for impairment of loans measured at amortized cost + provision for impairment of loans at fair value through other comprehensive income)/total loans and advances to customers.
8. There was a business combination under common control of the Group in 2021. The Group made retrospective adjustments to relevant items in the comparative financial statements, adding a “restated” note to the items after retrospective adjustments.

The above figures with notes 1, 2, 3 and 5 were calculated according to the *Compilation Rules for Information Disclosure by Companies that Offer Securities to the Public (No.9): Calculation and Disclosure of Rate of Return on Equity and Earnings per Share (2010 Revision)* issued by the CSRC.



## Summary of Accounting Data and Financial Indicators

### II. QUARTERLY OPERATING INDICATORS OF THE YEAR

Unit: RMB million

Item	Q1	Q2	Q3	Q4
Operating income	38,810	39,721	38,879	34,455
Net profit attributable to shareholders of the Bank	11,750	11,549	13,292	8,216
Net cash flows from operating activities	(217,555)	38,774	49,177	73,206

### III. SUPPLEMENTARY FINANCIAL INDICATORS

Unit: %

Item	Standard value	31 December 2022	31 December 2021	31 December 2020
Liquidity ratio	RMB	≥25	74.44	75.58
	Foreign currency	≥25	123.89	125.41
Percentage of loans to single largest customer		≤10	1.63	1.17
Percentage of loans to top ten customers		≤50	8.11	7.74

Note: The above indicators were calculated on a non-consolidated basis.

### IV. CAPITAL COMPOSITION AND CHANGES

The capital adequacy ratio (CAR) indicators calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* (Decree No.1 of CBRC in 2012) are as follows:

Unit: RMB million, %

Item	31 December 2022		31 December 2021		31 December 2020	
	Consolidated <sup>1</sup>	Non-consolidated	Consolidated <sup>1</sup>	Non-consolidated	Consolidated <sup>1</sup>	Non-consolidated
Net capital <sup>2</sup>	593,218	564,700	562,254	536,269	533,530	510,723
Common equity tier-1 capital	404,205	393,475	378,813	370,359	349,479	343,403
Common equity tier-1 capital deductions	(4,809)	(17,650)	(4,021)	(16,893)	(3,457)	(16,407)
Net common equity tier-1 capital <sup>2</sup>	399,396	375,825	374,792	353,466	346,022	326,996
Additional tier-1 capital	105,063	104,899	105,062	104,899	105,023	104,899
Additional tier-1 capital deductions	-	-	-	-	-	-
Net tier-1 capital <sup>2</sup>	504,459	480,724	479,854	458,365	451,045	431,895
Tier-2 capital	88,759	83,976	82,400	77,904	82,485	78,828
Tier-2 capital deductions	-	-	-	-	-	-
Credit risk-weighted assets	4,238,225	4,111,100	3,896,107	3,780,878	3,557,272	3,443,491
Market risk-weighted assets	63,211	63,390	41,485	41,833	39,705	38,193
Operational risk-weighted assets	278,336	267,594	267,141	258,913	240,512	235,050
Total risk-weighted assets	4,579,772	4,442,084	4,204,733	4,081,624	3,837,489	3,716,734
Common equity tier-1 CAR	8.72	8.46	8.91	8.66	9.02	8.80
Tier-1 CAR	11.01	10.82	11.41	11.23	11.75	11.62
CAR	12.95	12.71	13.37	13.14	13.90	13.74

Notes:

1. All domestic and overseas branches, as well as invested financial institutions within the scope of consolidated management in accordance with the *Capital Rules for Commercial Banks (Provisional)*, shall be included in the calculation of the consolidated CARs. Among these, the invested financial institutions within the scope of consolidated management include Everbright Financial Leasing Co., Ltd., Everbright Wealth Management Co., Ltd., Beijing Sunshine Consumer Finance Co., Ltd., CEB International Investment Corporation Limited, China Everbright Bank (Europe) S.A., Shaoshan Everbright Rural Bank Co., Ltd., Jiangsu Huai'an Everbright Rural Bank Co., Ltd., and Jiangxi Ruijin Everbright Rural Bank Co., Ltd.
2. Net common equity tier-1 capital = common equity tier-1 capital – common equity tier-1 capital deductions; net tier-1 capital = net common equity tier-1 capital + additional tier-1 capital – additional tier-1 capital deductions; net capital = net tier-1 capital + tier-2 capital – tier-2 capital deductions.
3. The Group's capital adequacy ratios of all tiers of capital met the regulatory requirements for systemically important banks.
4. The Bank has disclosed the *2022 Capital Adequacy Ratio Report*. Please refer to the websites of SSE, HKEXnews and the Bank for details.

## V. LEVERAGE RATIO

The leverage ratios calculated in accordance with the Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised) (Decree No.1 of CBRC in 2015) are as follows:

Item	Unit: RMB million, %			
	31 December 2022	30 September 2022	30 June 2022	31 March 2022
Leverage ratio	6.81	6.73	6.63	6.73
Net tier-1 capital	504,459	498,955	487,814	487,650
Adjusted balance of on- and off-balance-sheet assets	7,402,349	7,412,046	7,361,094	7,240,628

Note: The leverage ratios of the Group met the regulatory requirements on systemically important banks.

Please refer to “Unaudited Supplementary Financial Information” for more details on leverage ratio.

## VI. LIQUIDITY COVERAGE RATIO

The liquidity coverage ratio indicators calculated in accordance with the *Measures for the Administration of Liquidity Risk of Commercial Banks* (Decree No.3 of CBIRC in 2018) are as follows:

Item	Unit: RMB million, %			
	31 December 2022	30 September 2022	30 June 2022	31 March 2022
Liquidity coverage ratio	130.24	112.05	114.99	119.89
High quality liquid assets	972,725	962,265	876,134	732,656
Net cash outflow in the next 30 days	746,886	858,788	761,891	611,108

Note: All indicators of liquidity risk of the Group met regulatory requirements. There are no other additional regulatory requirements on liquidity to the Group by regulatory authorities.

## Summary of Accounting Data and Financial Indicators

### VII. NET STABLE FUNDING RATIO

The net stable funding ratios calculated in accordance with the *Measures for the Information Disclosure Regarding Net Stable Funding Ratios of Commercial Banks* (CBIRC [2019] No.11) are as follows:

Unit: RMB million, %

Item	31 December 2022	30 September 2022	30 June 2022	31 March 2022
Net stable funding ratio	105.63	104.44	104.06	104.20
Available stable funding	3,632,315	3,543,369	3,489,134	3,458,890
Required stable funding	3,438,630	3,392,784	3,352,889	3,319,550

Please refer to “Unaudited Supplementary Financial Information” for more details on net stable funding ratio.

### VIII. INDICATORS OF LARGE EXPOSURES

The indicators of large exposures calculated in accordance with the *Administrative Measures for Large Exposures of Commercial Banks* (Decree No.1 of CBIRC in 2018) are as follows:

Unit: %

Item	31 December 2022		31 December 2021	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Percentage of loans to the single largest non-bank customer in net capital	1.63	1.71	1.17	1.22
Percentage of exposures of the single largest non-bank customer in net tier-1 capital	1.92	2.01	1.31	1.38
Percentage of exposures of the single largest non-bank group customer or economically interdependent customer in net tier-1 capital	4.29	4.50	4.34	4.55
Percentage of exposures of the single largest interbank customer in net tier-1 capital	5.36	5.62	4.04	4.23
Percentage of exposures of the single largest interbank group customer in net tier-1 capital	6.25	6.53	5.02	5.25

Note: All indicators of large exposures of the Group met regulatory requirements. There are no other additional regulatory requirements on large exposures to the Group by regulatory authorities.

# Management Discussion and Analysis

## I. ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENT DURING THE REPORTING PERIOD

In the face of radical changes in the international environment in 2022, the world was living through accelerating changes unseen in a century, characterized by further development of a new round of technological revolution and industrial transformation, frequent outbreaks of regional conflicts and disturbances, restructuring of global supply chains and industry chains, global surges of inflation, and constant downward pressure on the global economy.

Acting on the general principle of “keeping stability the top priority and pursuing progress while ensuring stability”, the Chinese government applied the new development philosophy in all respects, fostered a new development pattern, advanced socioeconomic development, intensified efforts in macro control, and mitigated the impact of unexpected factors, so that the growth quality improved steadily and the overall economic and social stability was maintained. China’s GDP reached RMB121.02 trillion in 2022, up 3.0% from the previous year.

PBOC strengthened both cross-cyclical and counter-cyclical adjustments of macroeconomic policies, and adopted a prudent monetary policy that is flexible and moderate while maintaining its consistency, stability and sustainability. China’s loan prime rate (LPR) reform continued to unleash dividends, the efficiency of monetary policy transmission improved, and the lending rates dropped prominently. RMB exchange rate showed stronger resilience, maintaining two-way fluctuations within a reasonable and balanced range.

CBIRC issued a number of policies and measures to guide reasonable growth of RMB loans, encouraged financial institutions to support the development of the real economy, increased support for the industrial transformation and upgrading, and made a major push to develop inclusive finance and green finance; resolutely forestalled and defused financial risks and strictly stuck to the bottom line of no systemic financial risk; persistently deepened reform and opening-up of the financial industry, improved modern financial regulatory system, and enhanced adaptability, competitiveness and inclusiveness of the financial system.

## II. INDUSTRY LANDSCAPE AND STATUS OF THE BANK

In 2022, China’s banking industry embraced a new stage of development and responded to new changes with quality financial services to strongly support the steady recovery of the national economy; continuously optimized credit structure, and vigorously supported the development of key economic areas and shored up weak links such as manufacturing, green development, inclusive finance to SMEs, and infrastructure; constantly improved corporate governance mechanism, with risk-specific policies implemented to effectively forestall and defuse financial risks, hence maintaining sound operations; expanded the size of assets and liabilities steadily, and gradually strengthened financial service capabilities despite fierce competition in the wealth management market; promoted the integration of finance and technology with better enhanced online service capabilities, thus strengthening digital, intelligent and intensive operation significantly.

In 2022, new regulations and industrial policies promulgated by regulatory authorities helped commercial banks strengthen risk prevention and maintain prudent and sound operations.

Committed to keeping stability the top priority and pursuing progress while ensuring stability, focusing on the strategic vision of “building a first-class wealth management bank”, the Bank took a variety of measures to ensure steady business operation. The Bank fully implemented national strategies, fulfilled its responsibilities as a central enterprise, and proactively supported the development of key regions and rural revitalization, with its manufacturing loans, green loans, inclusive loans and loans to private enterprises growing faster than the average of its total loans. It stepped up its wealth management bank building endeavors via coordination within China Everbright Group and strengthened fintech-driven development, so as to give full play to its wealth management advantages and enhance its brand effect.

## Management Discussion and Analysis

### III. DEVELOPMENT STRATEGY OF THE BANK

#### i. Strategic vision

Building a first-class wealth management bank

#### ii. Strategy connotations

Ensuring that the financial work is politically oriented and can better represent the people, the Bank, as a resolute implementer of national strategies, proactively serves and integrates into China's new development pattern. Leveraging China Everbright Group's advantages including a complete range of financial licenses, collaboration between finance and industry, and coordination between Chinese mainland and Hong Kong SAR, the Bank pushes for digital transformation, upholds a customer-centered business philosophy, and builds competitive advantages in wealth management based on customers' changing needs, so as to achieve high-quality development and create greater value for the society, shareholders, customers and employees.

#### iii. Development strategy

Upholding the strategic vision of "building a first-class wealth management bank", the Bank focuses on the main task of high-quality development and regards digital operation as the path. The Bank determines three North Star Metrics (NSMs) — AUM (Assets Under Management), FPA (Finance Product Aggregate) and GMV (Gross Merchandise Volume), leads its three main business segments to provide customers with comprehensive financial services, works on key business areas such as wealth management, comprehensive finance and transaction banking, enhances capabilities in customer base management, intelligent risk control, product innovation and middle-office construction as well as professional capabilities of the whole team, and strives to achieve high-quality development.

#### iv. Strategy implementation

During the reporting period, the Bank firmly upheld a customer-centered business philosophy, accelerated digital transformation, and expanded key businesses such as wealth management, comprehensive finance and transaction banking, to improve the quality and efficiency of financial services for the real economy. Targeted support was given to key areas including major national projects, manufacturing industry, technological innovation, inclusive finance, green finance, rural revitalization, private enterprises, SMEs and household consumption, thus effectively controlling operational risks, strengthening value creation capabilities, continuously promoting high-quality development and contributing CEB's strengths to Chinese modernization.

- 1. The Bank actively supported the real economy and enhanced sustainability of development.** Upholding the original purpose of finance, the Bank provided targeted support for the country's key economic areas and weak links, with the total volume of credit up 8.01% compared with the end of the previous year. The Bank held a series of service activities titled "Serving Enterprises for Economic Stability", and took incentive and restrictive measures such as devising separate credit plans for key areas, making preferential policies for differentiated internal funds transfer pricing, and strengthening balanced scorecard evaluation. Compared with the end of the previous year, the Bank's inclusive loans to SMEs, medium- and long-term manufacturing loans, green loans and inclusive agriculture-related loans grew by 28.82%, 40.74%, 59.95% and 39.03% respectively, higher than the average growth rate of the Bank's loans. By responding to the complex and fast-changing external environment, the Bank, rooted in the real economy, advanced business development and improved profitability steadily.

2. **The Bank promoted business structural adjustment and strengthened wealth management features.** The Bank optimized the allocation of resources, vigorously expanded green fee-based business, and facilitated the transformation towards asset-light and integrated operations. The annual income from fee-based businesses not occupying the Bank's risk assets including wealth management, agency service, settlement and custody amounted to RMB11,411 million, a year-on-year increase of 4.97%. In corporate banking, the Bank accelerated the integrated transformation of "commercial banking + investment banking + asset management + transaction banking", innovated the one-stop account opening service for corporate customers, promoted mobile customer visiting among managers, and launched a series of competitive products including Sunshine Receivables Express (Guang Xin Tong), Sunshine Logistics Express (Wu Liu Tong), Sunshine Payment Express (Guang Fu Tong) and Sunshine Housing Express (An Ju Tong). In retail banking, the Bank utilized digitalization to empower full-life-cycle customer management and scenario marketing, strengthened the ability to acquire customers in batches and take in quality deposits through payroll agency and social security services, facilitated the coordination of CEB Mobile Banking and Cloud Fee Payment apps, and promoted the issuance of themed wealth management products featuring common prosperity, rural revitalization, green development and elderly care. In financial market business, the Bank enhanced the ecosystem development of customers, sped up the development of the "Integrated Digital Service Platform for Interbank Institutions", and built digital channels for interbank customers covering sales, agency service, market-making and matchmaking, to expand the interbank customer ecosystem.
3. **The Bank improved risk governance system and heightened risk resistibility.** In adherence to a sound and prudent risk management policy, the Bank improved its risk management system, promoted more forward-looking risk management, and strengthened the ability to deal with various risks. The Bank reinforced whole-process asset quality management, promoted a mechanism to dispatch risk managers and embed risk control measures to business front-end, and shifted approval to earlier procedures. It stepped up efforts to dispose and recover non-performing assets (NPLs) and maintained stable asset quality. To refine the credit industry research management system, the Bank reinforced portfolio monitoring as well as penetrated risk monitoring of large-value credit customers, and enhanced the accuracy of marketing service and risk control. The Bank deepened the building of an automated approval management system and risk warning platform, and built a pre-review and consultation mechanism at front and middle offices.
4. **The Bank continuously increased investment in technology and accelerated digital transformation.** The Bank kept strengthening the input of technological resources and the cultivation of technology talents. During the reporting period, the Bank's investment in technology reached RMB6,127 million, accounting for 4.03% of its operating income, up RMB341 million or 5.89% from the end of the previous year; the number of technical personnel was 3,212, up 851 compared with the end of the previous year. Moreover, the Bank actively promoted the deep integration of business and technology, and advanced the implementation of new strategic plans for technological development. Taking "new experience, new mode, new integration, middle office-oriented transformation, agility and intelligence" as technological development goals, the Bank organized nearly a hundred key technology projects to enhance value management for data assets, concentrate on the building of business middle office, data middle office and technology middle office, and drive all-around business development with digital transformation.

#### IV. ANALYSIS ON CORE COMPETITIVENESS OF THE BANK

First, the Bank has a distinguished shareholder featured by diversified operation, industry-finance integration and a complete range of financial licenses. The Bank's controlling shareholder China Everbright Group (CEG) is a large financial holding conglomerate directly under the administration of the central government, and also one of the Fortune Global 500 companies. CEG's business scope encompasses financial services and non-financial industries including environmental protection, tourism, healthcare and high-tech. CEG runs businesses in both Hong Kong SAR and Chinese mainland, and has a global presence in terms of both institutions and businesses. Relying on the platform of CEG, the Bank could provide a full package of financial services and promote coordinated development of finance and industry.

## Management Discussion and Analysis

Second, the Bank has advantages in its unified Sunshine brand. Upholding the business philosophy of “Sharing Sunshine, Innovating Life”, the Bank has stepped up its efforts to build the “Sunshine” brand series and launched hit product series including Sunshine Wealth Management, Cloud Fee Payment, Sunshine Inclusive Finance Cloud, Auto Full Pass, Sunshine E-financing Chain, Sunshine Receivables Express (Guang Xin Tong) and Sunshine Logistics Express (Wu Liu Tong).

Third, the Bank has an outstanding innovative gene. The Bank was established during the times when China started building a competitive financial market, and grew stronger through years of exploration and innovation, thus possessing strong innovation awareness. It became the first bank that launched the RMB wealth management products, the first one to be fully-licensed for running the national treasury business on an agency basis, and one of the first banks that obtained dual qualifications as both enterprise annuity fund custodian and account manager in China. Besides that, it has forged China’s largest open-ended payment platform Cloud Fee Payment. The Bank has achieved positive results through innovation.

Fourth, the Bank has leading advantages in some businesses. Committed to building a first-class wealth management bank, the Bank has obtained certain competitive advantages in wealth management. In investment banking, the Bank has built first-mover advantages as a pioneer in the industry, and is able to provide corporate customers with comprehensive investment banking services. In digital banking, the Bank has built an open service system based on its open-ended platforms, which has also become an industry-leading business model. In financial market business, the Bank has maintained stable and compliant operation with its trading strategies highly recognized in the market. In retail banking, the Bank has improved its capabilities of value creation and high-quality development continuously, providing new drivers for the sustainable development of the Bank.

Fifth, the Bank operates in a prudent and steady manner. The Bank has always upheld a prudent risk management philosophy, persisted in stable business development strategies and taken compliant operation measures. The Bank’s comprehensive risk management methods and techniques have become increasingly diversified to ensure effective control of asset quality. The Bank’s risk management system has been continuously improved to make risk management more proactive, forward-looking and predictable.

Sixth, the Bank has advantages in technology-driven innovation. The Bank has continuously advanced in-depth integration between business and technology, and build the “123+N” digital Everbright development system, namely a combination of “one smart brain, two technological platforms, three service capabilities and N digital hit products.” The Bank has continuously increased technological inputs, improved technological governance, and enhanced basic technological capabilities to empower business development.

**Bank** 中国光大银行  
CHINA EVERBRIGHT BANK

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中国领先的开放便民缴费平台，提供水、电、燃气、供暖、有线电视、社保、教育、物业、健康医疗等便民生活与普惠金融服务。

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## V. REVIEW OF MAIN WORK OF THE BANK

### i. The Bank supported overall economic stability upholding the tenet of “finance for the people”.

The Bank put forward 22 initiatives in six aspects to stabilize the overall economy and bolster the real economy. A series of events titled “Serving Enterprises for Economic Stability” were organized, to provide targeted support for key areas, hence the balance of loans achieved steady growth. The growth rate of outstanding loans in the six key regions of the country, including the Beijing-Tianjin-Hebei region, the Yangtze River Delta and the Yangtze Economic Belt, was higher than that of ordinary loans. The growth rates of outstanding medium- and long-term manufacturing loans, manufacturing loans, inclusive loans, inclusive unsecured SME loans, and agriculture-related loans were all higher than that of ordinary loans. The Bank was the first among joint-stock commercial banks in China to provide supportive financing for the “Major Projects under National Infrastructure Fund”. The Bank implemented the 16 supportive financial measures put forward by the government to ensure the steady development of the real estate sector, and signed strategic cooperation agreements with ten high-quality real estate companies.

### ii. The Bank boosted business development using three North Star Metrics as the guide.

In retail banking, AUM reached RMB2.42 trillion, up 14.21% over the end of the previous year, and retail deposits and loans surpassed RMB1 trillion. The operating income of retail banking accounted for 43.46%, up 2.13 percentage points year on year, a new high in recent years. The Bank ranked among the forefront of comparable peers in terms of the increment and growth rate of income from fee-based agency businesses. In corporate banking, FPA totaled RMB4.70 trillion, up more than RMB420 billion from the end of the previous year. The proportion of FPA related to bond underwriting and businesses other than loans and bonds achieved fast growth. In financial market business, assets and liabilities increased significantly, with the volume of bond market-making and agency transactions reaching RMB821,687 million, up 11.49% year on year. In addition, the Bank built the “Integrated Digital Service Platform for Interbank Institutions” to improve services for interbank customers.

### iii. The Bank broke new ground for business development with digital transformation as the path.

To strengthen the top-level design, the Bank set up a digital transformation committee, established a three-in-one digital Everbright strategic framework featuring Bank-wide strategic leadership, digital transformation planning and implementation, and fintech strategic guarantee, and built a fintech operation system involving two departments (Financial Technology Department and Data Asset Management Department) and two centers (Technology R&D Center and Intelligent Operation Center). In corporate banking, the Bank established an online service matrix comprised of corporate online banking, corporate mobile banking and WeCom, and launched special online service zones for cash management, cross-border finance and “Sunshine Supply Chain Cloud Platform”, innovated one-stop account opening services for corporate customers, promoted mobile customer visiting among managers, and upgraded digital services for “Sunshine Corporate Easy Win” and “Sunshine Inclusive Cloud”. In retail banking, the Bank set up a customer operation center, established business middle office, improved customer portraits, model labels and marketing strategies, constructed more than one hundred retail banking model libraries, and reached 276 million person-times with its marketing leads. The Bank facilitated the coordination of CEB Mobile Banking and Cloud Fee Payment apps, and upgraded CEB Mobile Banking to version 10.0. The Cloud Fee Payment app had 153 million direct users, up 44.91% over the end of the previous year. Furthermore, the Bank constructed digital banking scenario finance with the introduction of product series including Sunshine Receivables Express (Guang Xin Tong), Sunshine Logistics Express (Wu Liu Tong), Sunshine Housing Express (An Ju Tong) and Sunshine E-financing Chain, empowering new forms of business with fintech.

## Management Discussion and Analysis

### iv. The Bank improved risk control with financial security as the bottom line.

The Bank adopted a risk appetite policy and clarified risk appetite management requirements, established the “1+4” credit policy system integrating investment, industry, region, product and portfolio to strengthen risk policy transmission, and built an industry research team to intensify study on industries for credit granting. Special governance actions were organized to prevent and diffuse financial risks, and the risk disposal plan of “one solution for one customer” was implemented for customers with high risks. The Bank strictly controlled the concentration of large-value credit of group customers, set concentration limits for different tiers, established a customer relationship termination mechanism, reinforced regional risk classification and customer access management to reduce hidden debts in an orderly manner, and implemented a matrix management mechanism for overseas institutions to conduct special investigations into the asset quality and bond investment risks of overseas institutions.

## VI. OVERALL OPERATIONS OF THE BANK

### i. Assets and liabilities increased steadily as the Bank proactively served the real economy.

As at the end of the reporting period, total assets of the Group posted RMB6,300,510 million, representing an increase of RMB398,441 million or 6.75% as compared with the end of the previous year. Total loans and advances to customers stood at RMB3,572,276 million, representing an increase of RMB264,972 million or 8.01% as compared with the end of the previous year. The balance of deposits reached RMB3,917,168 million, representing an increase of RMB241,425 million or 6.57% as compared with the end of the previous year.

During the reporting period, the Group actively implemented the decisions and plans of the CPC Central Committee and the State Council of the People’s Republic of China, launched a host of measures to stabilize the overall economy and support the real economy, and accurately supported the country’s key economic areas and weak links. Loans to manufacturing, green finance, clean energy industry and inclusive finance grew rapidly.

### ii. Operating income structure improved persistently as operating revenues grew steadily.

During the reporting period, operating income of the Group registered RMB151,865 million, down 0.98% year on year. Specifically, net interest income posted RMB113,655 million, up 1.34% year on year, and net fee and commission income posted RMB26,744 million, down 2.09% year on year. Income from fee-based businesses not occupying the Bank’s risk assets posted RMB11,411 million, up 4.97% year on year. The operating income structure was improved. The Group realized net profit of RMB45,040 million, up 3.21% year on year, indicating profitability improvement.

### iii. Asset quality remained stable as risk indicators showed positive signs.

As at the end of the reporting period, the balance of the Group’s NPLs amounted to RMB44,674 million, an increase of RMB3,308 million as compared with the end of the previous year. The NPL ratio was 1.25%, the same as the previous year. The ratio of special mention loans was 1.84%, a decrease of 0.02 percentage point as compared with the end of the previous year. The ratio of overdue loans stood at 1.96%, a decrease of 0.03 percentage point as compared with the end of the previous year. Provision coverage ratio reached 187.93%, up 0.91 percentage point over the end of the previous year.

### iv. Capital foundation was further consolidated, meeting regulatory requirements continuously.

The Group completed the issuance of RMB45 billion tier-2 capital bonds in August 2022, effectively replenishing tier-2 capital and consolidating capital foundation. As at the end of the reporting period, the Group’s net capital registered RMB593,218 million. The CAR, tier-1 CAR and common equity tier-1 CAR was 12.95%, 11.01% and 8.72% respectively, all of which met the regulatory requirements.

## VII. MAIN ITEMS OF INCOME STATEMENT

### i. Changes in income statement items

Unit: RMB million

Item	2022	2021	Change
Net interest income	113,655	112,155	1,500
Net fee and commission income	26,744	27,314	(570)
Net trading gains	2,470	2,193	277
Dividend income	49	24	25
Net gains arising from investment securities	6,416	10,092	(3,676)
Net gains on derecognition of financial assets measured at amortized cost	858	115	743
Net foreign exchange gains	484	3	481
Other net operating gains	1,189	1,470	(281)
Operating expenses	45,227	45,540	(313)
Impairment losses on credit assets	50,600	54,772	(4,172)
Impairment losses on other assets	9	23	(14)
Losses on investments of joint ventures	63	90	(27)
Profit before tax	55,966	52,941	3,025
Income tax	10,926	9,302	1,624
Net profit	45,040	43,639	1,401
<b>Net profit attributable to shareholders of the Bank</b>	<b>44,807</b>	<b>43,407</b>	<b>1,400</b>

### ii. Operating income

During the reporting period, the Group realized an operating income of RMB151,865 million, a year-on-year decrease of RMB1,501 million or 0.98%. Net interest income accounted for 74.84%, up 1.71 percentage points year on year. Net fee and commission income accounted for 17.61%, down 0.20 percentage point year on year.

Unit: %

Item	2022	2021
Proportion of net interest income	74.84	73.13
Proportion of net fee and commission income	17.61	17.81
Proportion of other income	7.55	9.06
<b>Total operating income</b>	<b>100.00</b>	<b>100.00</b>

## Management Discussion and Analysis

### iii. Net interest income

During the reporting period, the Group realized net interest income of RMB113,655 million, a year-on-year increase of RMB1,500 million or 1.34%.

The Group's net interest spread was 1.93%, a year-on-year decrease of 14 bps. Net interest margin was 2.01%, down 15 bps year on year. Mainly due to several downward adjustments of LPR, the loan yield declined. Meanwhile, the Bank actively implemented the policy of interest concessions to reduce financing cost of the real economy.

Unit: RMB million, %

Item	Average balance	2022 Interest income/expense	Average yield/cost	Average balance	2021 Interest income/expense	Average yield/cost
<b>Interest-earning assets</b>						
Loans and advances to customers	3,470,892	172,825	4.98	3,203,836	163,736	5.11
Finance lease receivables	109,329	6,084	5.56	109,473	6,358	5.81
Investments	1,533,559	53,358	3.48	1,403,509	52,273	3.72
Deposits with the central bank	319,628	4,619	1.45	327,307	4,800	1.47
Placements and deposits with banks and other financial institutions, and financial assets held under resale agreements	229,349	4,423	1.93	149,687	2,167	1.45
Total interest-earning assets	5,662,757	241,309	4.26	5,193,812	229,334	4.42
<b>Interest income</b>		<b>241,309</b>			<b>229,334</b>	
<b>Interest-bearing liabilities</b>						
Deposits from customers	3,759,684	86,392	2.30	3,486,521	77,558	2.22
Placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements	846,774	18,142	2.14	902,139	22,099	2.45
Debt securities issued	881,759	23,120	2.62	599,017	17,522	2.93
Total interest-bearing liabilities	5,488,217	127,654	2.33	4,987,677	117,179	2.35
<b>Interest expenses</b>		<b>127,654</b>			<b>117,179</b>	
<b>Net interest income</b>		<b>113,655</b>			<b>112,155</b>	
<b>Net interest spread<sup>1</sup></b>			<b>1.93</b>			<b>2.07</b>
<b>Net interest margin<sup>2</sup></b>			<b>2.01</b>			<b>2.16</b>

Notes:

1. Net interest spread is the difference between the average yield of total interest-earning assets and the average cost of total interest-bearing liabilities.
2. Net interest margin is the net interest income divided by the average balance of total interest-earning assets.

The following table sets forth the changes in interest income and interest expenses of the Group due to changes in business scale and interest rate:

Unit: RMB million

Item	Scale factor	Interest rate factor	Change in interest
Loans and advances to customers	13,648	(4,559)	9,089
Finance lease receivables	(8)	(266)	(274)
Investments	4,844	(3,759)	1,085
Deposits with the central bank	(113)	(68)	(181)
Placements and deposits with banks and other financial institutions, and financial assets held under resale agreements	1,153	1,103	2,256
<b>Changes in interest income</b>	<b>19,524</b>	<b>(7,549)</b>	<b>11,975</b>
Deposits from customers	6,077	2,757	8,834
Placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements	(1,356)	(2,601)	(3,957)
Debt securities issued	8,271	(2,673)	5,598
<b>Changes in interest expenses</b>	<b>12,992</b>	<b>(2,517)</b>	<b>10,475</b>
<b>Net interest income</b>	<b>6,532</b>	<b>(5,032)</b>	<b>1,500</b>

#### iv. Interest income

During the reporting period, the Group realized an interest income of RMB241,309 million, a year-on-year increase of RMB11,975 million or 5.22%. Such increase was mainly due to the expanding interest income from loans and advances to customers.

##### 1. Interest income from loans and advances to customers

During the reporting period, the Group's interest income from loans and advances to customers amounted to RMB172,825 million, a year-on-year increase of RMB9,089 million or 5.55%. Such increase was mainly due to the expanding scale of loans.

Unit: RMB million, %

Item	2022			2021		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
Corporate loans	1,874,288	81,033	4.32	1,765,900	77,042	4.36
Personal loans	1,479,464	89,442	6.05	1,358,655	84,417	6.21
Discounted bills	117,140	2,350	2.01	79,281	2,277	2.87
<b>Loans and advances to customers</b>	<b>3,470,892</b>	<b>172,825</b>	<b>4.98</b>	<b>3,203,836</b>	<b>163,736</b>	<b>5.11</b>

## Management Discussion and Analysis

### 2. Interest income from investments

During the reporting period, the Group's interest income from investments amounted to RMB53,358 million, a year-on-year increase of RMB1,085 million or 2.08%. Such increase was mainly due to the expanding investment scale.

### 3. Interest income from placements and deposits with banks and other financial institutions, and financial assets held under resale agreements

During the reporting period, the Group's interest income from placements and deposits with banks and other financial institutions and financial assets held under resale agreements was RMB4,423 million, a year-on-year increase of RMB2,256 million or 104.11%. Such increase was mainly due to the increase in scale.

### v. Interest expenses

During the reporting period, the Group's interest expenses amounted to RMB127,654 million, representing a year-on-year increase of RMB10,475 million or 8.94%. Such increase was mainly due to the growing interest expenses on deposits from customers.

#### 1. Interest expenses on deposits from customers

During the reporting period, the Group's interest expenses on deposits from customers amounted to RMB86,392 million, a year-on-year increase of RMB8,834 million or 11.39%. Such increase was mainly due to the increasing scale of deposits from customers.

Unit: RMB million, %

Item	2022			2021		
	Average balance	Interest expenses	Average cost ratio	Average balance	Interest expenses	Average cost ratio
Corporate deposits	2,836,706	64,098	2.26	2,680,063	57,786	2.16
Demand deposits	845,312	8,824	1.04	849,964	7,564	0.89
Time deposits	1,991,394	55,274	2.78	1,830,099	50,222	2.74
Personal deposits	922,978	22,294	2.42	806,458	19,772	2.45
Demand deposits	234,195	968	0.41	234,932	1,005	0.43
Time deposits	688,783	21,326	3.10	571,526	18,767	3.28
<b>Total deposits from customers</b>	<b>3,759,684</b>	<b>86,392</b>	<b>2.30</b>	<b>3,486,521</b>	<b>77,558</b>	<b>2.22</b>

#### 2. Interest expenses on placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements

During the reporting period, the Group's interest expenses on placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements registered RMB18,142 million, representing a decrease of RMB3,957 million or 17.91% year on year. Such decrease was mainly due to the decrease in the scale and interest rates of placements and deposits from banks and other financial institutions.

#### 3. Interest expenses on debt securities issued

During the reporting period, the Group's interest expenses on debt securities issued totaled RMB23,120 million, a year-on-year increase of RMB5,598 million or 31.95%. Such increase was mainly due to the increase of the scale of debt securities issued.

## vi. Net fee and commission income

During the reporting period, net fee and commission income of the Group was RMB26,744 million, a year-on-year decrease of RMB570 million or 2.09%. Such decrease was mainly due to the increase in fee and commission expenses.

Unit: RMB million

Item	2022	2021
<b>Fee and commission income</b>	<b>30,077</b>	<b>30,131</b>
Underwriting and advisory fees	1,335	1,412
Bank card service fees	13,067	13,084
Settlement and clearing fees	2,303	2,681
Wealth management service fees	4,677	3,976
Acceptance and guarantee fees	1,486	1,500
Agency service fees	3,149	3,725
Custody and other fiduciary business fees	2,058	1,872
Others	2,002	1,881
<b>Fee and commission expenses</b>	<b>(3,333)</b>	<b>(2,817)</b>
<b>Net fee and commission income</b>	<b>26,744</b>	<b>27,314</b>

## Column 1: Continuously advancing wealth management bank construction, achieving prominent results from asset-light transformation

Guided by the concept of wealth management bank construction, the Bank took “creating value for customers” as the starting point for business development to meet the needs of corporate and personal wealth management, promoted transformation towards an asset-light business structure, and enhanced sustainable development capabilities with internal driving forces.

### I. Prominent results from asset-light transformation

The Bank overcame the pressure arising from capital market fluctuations on the development of fee-based business, and proactively adjusted its development strategy to promote business transformation and innovation and enhance value creation capabilities. During the reporting period, the Group’s income from fee-based businesses not occupying the Bank’s risk assets including wealth management, agency service, custody and settlement amounted to RMB11,411 million, an increase of RMB540 million or 4.97% year on year, and accounted for 7.51% of the Bank’s total operating income, up 0.42 percentage point year on year, indicating optimized income structure.

### II. Continuous consolidation of customer base

In adherence to the customer-centered business philosophy, the Bank deepened the stratified, tiered and grouped customer management model, to effectively improve customer service capabilities. As at the end of the reporting period, there were 147.0641 million retail customers (including both debit card and credit card customers), an increase of 5.02% over the end of the previous year; the number of cumulative users of the three major apps was 255.6352 million, up 28.71% from the end of the previous year. Among them, there were 58.4081 million monthly active users, an increase of 14.17% over the end of the previous year.

## Management Discussion and Analysis

### III. Steady growth in business scale

The Bank insisted in taking AUM as a North Star Metric, continuously improved its product system, and optimized its capabilities in resource allocation, to effectively facilitate the growth in business scale. As at the end of the reporting period, AUM totaled RMB2,424.034 billion, an increase of 14.21% over the end of the previous year; the scale of custody business amounted to RMB7,611.242 billion, up 7.87% from the end of the previous year; the scale of wealth management business reached RMB1,185.241 billion, representing an increase of 11.01% compared with the end of the previous year.

Looking into 2023, the Bank will continue to strengthen the implementation of its strategy for fee-based business development, take the three North Star Metrics as indicators, focus on the main task of high-quality development, and make every effort to promote wealth management bank construction. First, the Bank will continue to improve customer management capabilities, clarify the standards and scope of intensive management, and fully implement online management for long-tail customers and basic customers; provide customers with diversified financial products and services, and enhance customer stickiness with more enriched product lines and equity services. Second, the Bank will drive forward digital transformation, take the needs of customers and users as the starting point, and promote in-depth integration between technology and business; build an intelligent marketing system to accelerate the growth of AUM for long-tail customers; deepen scenario-based financial services to optimize whole-process services, and intensify the empowerment of technological innovation on wealth management business. Third, the Bank will comprehensively enhance wealth management capabilities, and coordinate the whole Bank to work together in promoting channel management, customer management, product marketing and procedure management for wealth management; seize the opportunity of the growth and revival of wealth management business to expand and optimize AUM, and strengthen custody business; accelerate NAV-based transformation and enhance professional capabilities in product selection and portfolio allocation, so as to satisfy the increasingly diversified needs of customers in wealth management.

### vii. Other income

During the reporting period, the Group's other income stood at RMB11,466 million, representing a year-on-year decrease of RMB2,431 million or 17.49%. The decrease was mainly due to the decrease of net gains arising from investment securities.

Unit: RMB million		
Item	2022	2021
Net trading gains	2,470	2,193
Dividend income	49	24
Net gains arising from investment securities	6,416	10,092
Gains from derecognition of financial assets at amortized cost	858	115
Net foreign exchange gains	484	3
Other operating income	1,189	1,470
<b>Total</b>	<b>11,466</b>	<b>13,897</b>



### viii. Operating expenses

During the reporting period, the Group incurred operating expenses of RMB45,227 million, a decrease of RMB313 million or 0.69% year on year. Cost-to-income ratio stood at 28.62%, down 0.02 percentage point year on year.

Item	Unit: RMB million	
	2022	2021
Staff costs	22,237	21,990
Premises and equipment expenses	7,327	6,743
Tax and surcharges	1,766	1,620
Others	13,897	15,187
<b>Total operating expenses</b>	<b>45,227</b>	<b>45,540</b>

### ix. Impairment losses on assets

During the reporting period, the Group pursued an objective and prudent provisioning policy, continued to consolidate the provision foundation and increased risk-resisting abilities. The Bank sustained impairment losses on assets totaling RMB50,609 million, representing a year-on-year decrease of RMB4,186 million or 7.64%.

Item	Unit: RMB million	
	2022	2021
Impairment losses on loans and advances to customers	47,668	50,646
Loans and advances to customers measured at amortized cost	47,366	50,766
Loans and advances to customers at fair value through other comprehensive income	302	(120)
Debt instruments at fair value through other comprehensive income	500	233
Financial investments measured at amortized cost	2,062	5,229
Impairment losses on finance lease receivables	815	619
Others	(436)	(1,932)
<b>Total impairment losses on assets</b>	<b>50,609</b>	<b>54,795</b>

### x. Income tax

During the reporting period, the Group incurred income tax of RMB10,926 million, an increase of RMB1,624 million or 17.46% year on year, mainly due to the increase in taxable income caused by rising non-tax-deductible credit asset losses.

## Management Discussion and Analysis

### VIII. BALANCE SHEET ANALYSIS

#### i. Assets

As at the end of the reporting period, the Group's total assets reached RMB6,300,510 million, an increase of RMB398,441 million or 6.75% as compared with the end of the previous year, mainly due to the increase in loans and advances to customers.

Unit: RMB million, %

Item	31 December 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
Total loans and advances to customers	3,572,276		3,307,304	
Loan interest receivable	10,255		8,981	
Provision for impairment of loans <sup>Note</sup>	(83,180)		(76,889)	
Net loans and advances to customers	3,499,351	55.55	3,239,396	54.89
Finance lease receivables	108,012	1.71	109,053	1.85
Due from banks and other financial institutions	32,073	0.51	51,189	0.87
Cash and due from central bank	356,426	5.66	378,263	6.41
Investment in securities and other financial assets	2,062,342	32.73	1,849,721	31.34
Precious metals	7,187	0.11	6,426	0.11
Placements with banks and other financial institutions, and financial assets held under resale agreements	130,007	2.06	169,513	2.87
Long-term equity investment	165	0.00	256	0.00
Fixed assets	26,174	0.42	25,155	0.43
Right-of-use assets	10,281	0.16	10,953	0.19
Goodwill	1,281	0.02	1,281	0.02
Deferred tax assets	32,703	0.52	19,895	0.34
Other assets	34,508	0.55	40,968	0.68
<b>Total assets</b>	<b>6,300,510</b>	<b>100.00</b>	<b>5,902,069</b>	<b>100.00</b>

Note: It only includes provision for impairment of loans measured at amortized cost.

#### 1. Loans and advances to customers

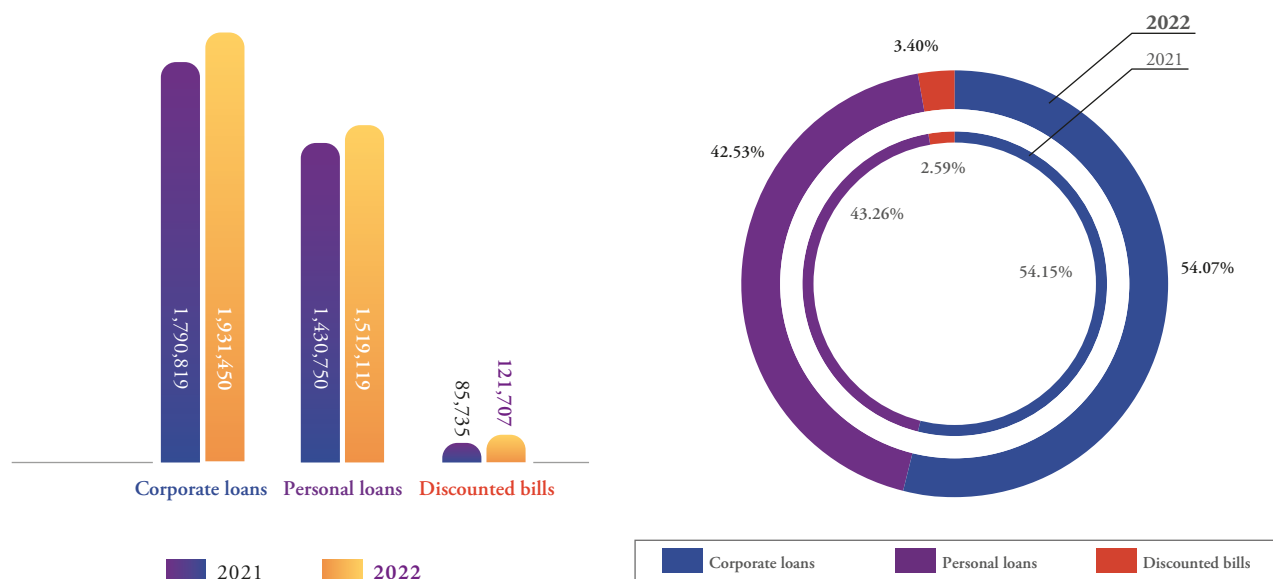
As at the end of the reporting period, the Group's total loans and advances to customers were RMB3,572,276 million, an increase of RMB264,972 million or 8.01% as compared with the end of the previous year. The proportion of net loans and advances to customers in total assets was 55.55%, an increase of 0.66 percentage point as compared with the end of the previous year.

Unit: RMB million, %

Item	31 December 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
Corporate loans	1,931,450	54.07	1,790,819	54.15
Personal loans	1,519,119	42.53	1,430,750	43.26
Discounted bills	121,707	3.40	85,735	2.59
<b>Total loans and advances to customers</b>	<b>3,572,276</b>	<b>100.00</b>	<b>3,307,304</b>	<b>100.00</b>

### Major Composition of the Group's Loans and Advances as at the End of the Reporting Period

Unit: RMB million



## 2. Investment in securities and other financial assets

As at the end of the reporting period, the Group's investments in securities and other financial assets totaled RMB2,062,342 million, an increase of RMB212,621 million as compared with the end of the previous year, accounting for 32.73% of total assets, up 1.39 percentage points as compared with the end of the previous year.

Unit: RMB million, %

Item	31 December 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
Financial assets at fair value through profit or loss	403,617	19.57	383,666	20.74
Derivative financial assets	15,730	0.76	13,705	0.74
Debt instruments at fair value through other comprehensive income	449,596	21.81	325,695	17.61
Financial investments measured at amortized cost	1,192,273	57.81	1,125,530	60.85
Equity instruments at fair value through other comprehensive income	1,126	0.05	1,125	0.06
<b>Total investments in securities and other financial assets</b>	<b>2,062,342</b>	<b>100.00</b>	<b>1,849,721</b>	<b>100.00</b>

## Management Discussion and Analysis

### 3. Types and amounts of financial bonds held

As at the end of the reporting period, the financial bonds held by the Group amounted to RMB678,081 million, up RMB100,302 million over the end of the previous year. Of these, the financial bonds measured at amortized cost occupied a proportion of 61.49% in the total.

Unit: RMB million, %

Item	31 December 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
Financial assets at fair value through profit or loss	100,233	14.78	51,395	8.90
Financial investments measured at amortized cost	416,943	61.49	412,129	71.33
Debt instruments at fair value through other comprehensive income	160,905	23.73	114,255	19.77
<b>Total financial bonds held</b>	<b>678,081</b>	<b>100.00</b>	<b>577,779</b>	<b>100.00</b>

### 4. Top 10 financial bonds held in scale

Unit: RMB million, %

Name of bond	Nominal value	Annual interest rate	Maturity date	Allowance for impairment losses
Bond 1	21,870	4.04	2027-04-10	—
Bond 2	19,290	4.24	2027-08-24	—
Bond 3	18,150	3.05	2026-08-25	—
Bond 4	14,930	4.39	2027-09-08	—
Bond 5	13,700	3.18	2026-04-05	—
Bond 6	12,480	3.86	2029-05-20	—
Bond 7	12,420	4.04	2028-07-06	—
Bond 8	12,140	4.65	2028-05-11	—
Bond 9	11,550	4.73	2025-04-02	—
Bond 10	10,670	3.63	2026-07-19	—

### 5. Goodwill

The cost of the Group's goodwill stood at RMB6,019 million. As at the end of the reporting period, the allowance for impairment losses on goodwill was RMB4,738 million, and the book value of goodwill registered RMB1,281 million, the same as the end of the previous year.

### 6. As at the end of the reporting period, none of the Bank's principal assets was sealed up, detained, frozen, mortgaged or pledged.

#### ii. Liabilities

During the reporting period, the Bank formulated the *Management Measures for Liability Quality (Trial)* in accordance with relevant regulatory requirements, established its own liability quality management system, improved the organizational structure for liability quality management, clarified the responsibilities of the Board of Directors, Senior Management, relevant departments and operating institutions in liability quality management, and specified the liability quality management strategy, management procedure, reporting system, information disclosure and emergency plan. The Bank strictly implemented the requirements for liability quality management, and closely monitored relevant limit indicators. Through these efforts, the Bank recorded a steady growth in total liabilities and a steady decrease in liability cost with a diversified and reasonable structure, the overall liability quality condition was good, and the six major elements of liability quality management was implemented well in general.

As at the end of the reporting period, the Group's total liabilities reached RMB5,790,497 million, an increase of RMB372,794 million or 6.88% as compared with the end of the previous year, mainly due to the increase in deposits from customers.

Unit: RMB million, %

Item	31 December 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
Due to central bank	63,386	1.09	101,180	1.87
Due to customers	3,917,168	67.65	3,675,743	67.85
Due to banks and other financial institutions	540,668	9.34	526,259	9.71
Placements from banks and other financial institutions	188,601	3.26	179,626	3.32
Financial liabilities at fair value through profit or loss	27	0.00	67	0.00
Derivative financial liabilities	14,261	0.25	13,337	0.25
Financial assets sold under repurchase agreements	92,980	1.61	80,600	1.49
Accrued staff costs	19,006	0.33	16,777	0.31
Taxes payable	11,141	0.19	6,535	0.12
Lease liabilities	10,151	0.17	10,736	0.20
Debt securities payable	875,971	15.13	763,532	14.09
Other liabilities	57,137	0.98	43,311	0.79
<b>Total liabilities</b>	<b>5,790,497</b>	<b>100.00</b>	<b>5,417,703</b>	<b>100.00</b>

As at the end of the reporting period, the balance of the Group's deposits from customers reached RMB3,917,168 million, representing an increase of RMB241,425 million or 6.57%, as compared with the end of the previous year.

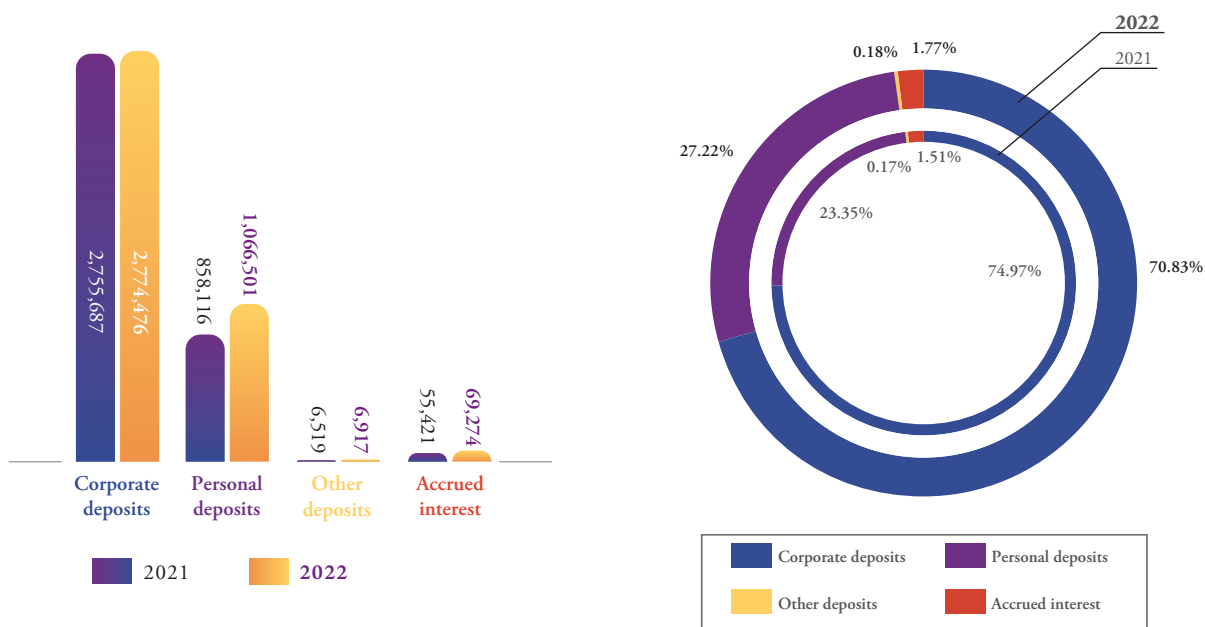
Unit: RMB million, %

Item	31 December 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
Corporate deposits	2,774,476	70.83	2,755,687	74.97
Demand deposits	1,222,309	31.20	1,149,318	31.27
Time deposits	1,552,167	39.63	1,606,369	43.70
Personal deposits	1,066,501	27.22	858,116	23.35
Demand deposits	259,400	6.62	255,458	6.95
Time deposits	807,101	20.60	602,658	16.40
Other deposits	6,917	0.18	6,519	0.17
Accrued interest	69,274	1.77	55,421	1.51
<b>Total deposits from customers</b>	<b>3,917,168</b>	<b>100.00</b>	<b>3,675,743</b>	<b>100.00</b>

## Management Discussion and Analysis

### Composition of the Group's Deposits as at the End of the Reporting Period

Unit: RMB million



### iii. Equity of shareholders

As at the end of the reporting period, the Group's equity attributable to shareholders of the Bank amounted to RMB507,883 million, representing a net increase of RMB25,394 million as compared with the end of the previous year. The increase was mainly due to the increase in profit realized in the current period.

Unit: RMB million

Item	31 December 2022	31 December 2021
Share capital	54,032	54,032
Other equity instruments	109,062	109,062
Capital reserve	58,434	58,434
Other comprehensive income	(590)	3,152
Surplus reserve	26,245	26,245
General risk reserve	81,401	75,596
Retained earnings	179,299	155,968
Total equity attributable to shareholders of the Bank	507,883	482,489
Non-controlling interests	2,130	1,877
<b>Total equity</b>	<b>510,013</b>	<b>484,366</b>

#### iv. Off-balance-sheet items

The Group's off-balance-sheet items are mainly credit commitments, including loan and credit card commitments, bank's acceptance bills, letters of guarantee, letters of credit and guarantees. As at the end of the reporting period, the total amount of credit commitments was RMB1,379,424 million, an increase of RMB9,820 million as compared with the end of the previous year.

Item	Unit: RMB million	
	31 December 2022	31 December 2021
Loan and credit card commitments	367,128	361,385
Bank's acceptance bills	724,330	669,088
Letters of guarantee	116,297	121,565
Letters of credit	171,484	217,381
Guarantees	185	185
<b>Total credit commitments</b>	<b>1,379,424</b>	<b>1,369,604</b>

## IX. CASH FLOWS

The Group's net cash outflows from operating activities amounted to RMB56,398 million, of which cash outflows arising from changes in operating assets stood at RMB354,707 million, and cash inflows arising from changes in operating liabilities totaled RMB226,169 million.

The Group's net cash outflows from investing activities amounted to RMB103,094 million, of which cash inflows arising from disposal and redemption of investments was RMB733,672 million and cash outflows arising from investment payments was RMB893,056 million.

The Group's net cash inflows from financing activities were RMB70,566 million, of which net proceeds from bond issuance posted RMB930,514 million and cash inflows generated from principal repayment of debt securities registered RMB818,471 million.

## Management Discussion and Analysis

### X. LOAN QUALITY

#### i. Industry concentration of loans

Unit: RMB million, %

Industry	31 December 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
Manufacturing	379,002	19.62	331,050	18.49
Water, environment and public utility management	320,176	16.58	316,576	17.68
Leasing and commercial services	268,954	13.92	242,545	13.55
Real estate	178,649	9.25	197,503	11.03
Wholesale and retail trade	160,716	8.32	149,726	8.36
Construction	151,748	7.86	131,822	7.36
Transportation, storage and postal service	110,579	5.73	95,893	5.35
Finance	85,008	4.40	76,557	4.27
Production and supply of power, gas and water	72,531	3.76	55,328	3.09
Agriculture, forestry, animal husbandry and fishery	65,622	3.40	63,098	3.52
Others <sup>Note</sup>	138,465	7.16	130,721	7.30
<b>Subtotal of corporate loans</b>	<b>1,931,450</b>	<b>100.00</b>	<b>1,790,819</b>	<b>100.00</b>
<b>Personal loans</b>	<b>1,519,119</b>		<b>1,430,750</b>	
<b>Discounted bills</b>	<b>121,707</b>		<b>85,735</b>	
<b>Total loans and advances to customers</b>	<b>3,572,276</b>		<b>3,307,304</b>	

Note: "Others" includes mining; accommodation and catering; public administration and social organizations; information transmission, computer services and software; health, social security and social welfare; resident services and other services; scientific research, technical services and geological prospecting; culture, sports and recreation; education.

#### ii. Distribution of loans by region

Unit: RMB million, %

Region	31 December 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
Yangtze River Delta	841,441	23.56	750,167	22.68
Central China	610,286	17.08	578,837	17.50
Pearl River Delta	511,900	14.33	455,150	13.76
Bohai Rim	465,674	13.04	429,285	12.98
Western China	446,599	12.50	431,443	13.05
Northeastern China	106,440	2.98	107,845	3.26
Head Office	473,669	13.26	447,812	13.54
Overseas	116,267	3.25	106,765	3.23
<b>Total loans and advances to customers</b>	<b>3,572,276</b>	<b>100.00</b>	<b>3,307,304</b>	<b>100.00</b>

#### iii. Types and proportions of loans by collateral

Unit: RMB million, %

Type	31 December 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
Unsecured loans	1,192,422	33.38	1,076,478	32.55
Guaranteed loans	845,036	23.66	765,976	23.16
Mortgage loans	1,188,728	33.28	1,117,183	33.78
Pledged loans	346,090	9.68	347,667	10.51
<b>Total loans and advances to customers</b>	<b>3,572,276</b>	<b>100.00</b>	<b>3,307,304</b>	<b>100.00</b>



## iv. Top ten loan customers

Unit: RMB million, %

Name	Industry	Balance of loans as at 31 December 2022	Proportion in total loans and advances	Proportion in net capital <sup>1</sup>
Borrower 1	Leasing and commercial services	9,650	0.28	1.63
Borrower 2	Mining	5,870	0.16	0.99
Borrower 3 <sup>2</sup>	Leasing and commercial services	5,000	0.14	0.84
Borrower 4	Manufacturing	4,734	0.13	0.80
Borrower 5	Construction	4,216	0.12	0.71
Borrower 6	Manufacturing	4,200	0.12	0.71
Borrower 7	Information transmission, computer services and software	3,986	0.11	0.67
Borrower 8	Transportation, storage and postal service	3,690	0.10	0.62
Borrower 9	Leasing and commercial services	3,411	0.10	0.57
Borrower 10	Water, environment and public utility management	3,365	0.09	0.57
<b>Total</b>		<b>48,122</b>	<b>1.35</b>	<b>8.11</b>

Notes:

1. The proportion of the balance of loans in net capital is calculated according to the requirements of the CBIRC.
2. Borrower 3 is a related party of the Bank and therefore the transactions between them constitute related party transactions.

## v. Five-category loan classification

Unit: RMB million, %

Type	31 December 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
Pass	3,461,714	96.91	3,204,469	96.89
Special mention	65,888	1.84	61,469	1.86
Substandard	25,037	0.70	23,012	0.70
Doubtful	13,427	0.38	12,513	0.37
Loss	6,210	0.17	5,841	0.18
<b>Total loans and advances to customers</b>	<b>3,572,276</b>	<b>100.00</b>	<b>3,307,304</b>	<b>100.00</b>
Performing loans	3,527,602	98.75	3,265,938	98.75
Non-performing loans	44,674	1.25	41,366	1.25

Note: Performing loans comprise of pass loans and special mention loans, and non-performing loans comprise of substandard loans, doubtful loans and loss loans.

## Management Discussion and Analysis

### vi. Loan migration ratio

Unit: %

Item	31 December 2022	31 December 2021	Change from the end of 2021 to the end of 2022	31 December 2020
Migration ratio of pass loans	2.05	2.22	-0.17 percentage point	3.35
Migration ratio of special mention loans	27.78	49.40	-21.62 percentage points	43.43
Migration ratio of substandard loans	80.68	76.00	+4.68 percentage points	83.11
Migration ratio of doubtful loans	51.43	74.64	-23.21 percentage points	67.65

### vii. Restructured loans and overdue loans

#### 1. Restructured loans

Unit: RMB million, %

Type	31 December 2022		31 December 2021	
	Balance	Proportion of loans and advances in total principal	Balance	Proportion of loans and advances in total principal
Restructured loans and advances to customers	4,404	0.12	4,634	0.14
Restructured loans and advances to customers overdue for more than 90 days	19	0.00	70	0.00

#### 2. Overdue loans

Unit: RMB million, %

Type	31 December 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
Overdue within 3 months	32,182	46.04	29,839	45.41
Overdue from 3 months up to 1 year	24,223	34.65	24,339	37.04
Overdue from 1 year up to 3 years	11,519	16.48	10,139	15.43
Overdue more than 3 years	1,979	2.83	1,387	2.12
<b>Total principal of overdue loans</b>	<b>69,903</b>	<b>100.00</b>	<b>65,704</b>	<b>100.00</b>

### viii. NPLs by business type

Unit: RMB million, %

Type	31 December 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
Corporate loans	28,099	62.90	25,846	62.48
Personal loans	16,575	37.10	15,520	37.52
Discounted bills	—	—	—	—
<b>Total NPLs</b>	<b>44,674</b>	<b>100.00</b>	<b>41,366</b>	<b>100.00</b>

## ix. Distribution of NPLs by region

Unit: RMB million, %

Region	31 December 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
Pearl River Delta	9,326	20.88	9,845	23.80
Central China	6,099	13.65	4,148	10.03
Northeastern China	5,078	11.37	5,867	14.18
Yangtze River Delta	4,724	10.57	4,734	11.45
Bohai Rim	4,428	9.91	4,992	12.07
Western China	4,186	9.37	3,497	8.45
Head Office	7,483	16.75	8,275	20.00
Overseas	3,350	7.50	8	0.02
<b>Total NPLs</b>	<b>44,674</b>	<b>100.00</b>	<b>41,366</b>	<b>100.00</b>

## x. Distribution of NPLs by industry

Unit: RMB million, %

Industry	31 December 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
Manufacturing	8,578	19.20	10,935	26.44
Real estate	6,952	15.56	2,436	5.89
Wholesale and retail trade	4,216	9.44	2,887	6.98
Leasing and commercial services	1,858	4.16	2,105	5.09
Transportation, storage and postal service	1,582	3.54	704	1.70
Construction	1,053	2.36	2,152	5.20
Mining	603	1.35	605	1.46
Production and supply of power, gas and water	573	1.28	558	1.35
Information transmission, computer services and software	362	0.81	84	0.20
Accommodation and catering	147	0.33	1,350	3.26
Others <sup>Note</sup>	2,175	4.87	2,030	4.91
<b>Subtotal of corporate loans</b>	<b>28,099</b>	<b>62.90</b>	<b>25,846</b>	<b>62.48</b>
<b>Personal loans</b>	<b>16,575</b>	<b>37.10</b>	<b>15,520</b>	<b>37.52</b>
<b>Discounted bills</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total NPLs</b>	<b>44,674</b>	<b>100.00</b>	<b>41,366</b>	<b>100.00</b>

Note: "Others" includes health, social security and social welfare; scientific research, technical services and geological prospecting; finance; public administration and social organization; water, environment and public utility management; agriculture, forestry, animal husbandry and fishery; education, etc.

## xi. Distribution of NPLs by collateral type

Unit: RMB million, %

Type	31 December 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
Unsecured loans	12,625	28.26	12,546	30.33
Guaranteed loans	9,241	20.69	7,352	17.77
Mortgage loans	19,978	44.72	19,045	46.04
Pledged loans	2,830	6.33	2,423	5.86
<b>Total NPLs</b>	<b>44,674</b>	<b>100.00</b>	<b>41,366</b>	<b>100.00</b>

## Management Discussion and Analysis

### xii. Repossessed assets and provision for impairment

Unit: RMB million

Item	31 December 2022	31 December 2021
Reposessed assets	440	529
Land, buildings and structures	440	529
Provision for impairment	(202)	(202)
Net value of reposessed assets	238	327

### xiii. Provision for loan impairment losses and write-off

After determining the credit risk of financial instruments on the balance sheet date, the Group made provision for the estimated credit loss for loans of varied risk levels according to their potential risk based on the expected credit loss model and such quantitative risk parameters as PD (probability of default) and LGD (loss given default) of customers. The provision for impairment losses was recognized through current profit or loss.

Unit: RMB million

Item	As at 31 December 2022	As at 31 December 2021
Balance at the beginning of the year <sup>1</sup>	76,889	75,533
Charge for the year <sup>2</sup>	47,366	50,766
Recovery of loans and advances written-off	7,505	5,757
Unwinding of discount <sup>3</sup>	(758)	(907)
Write-off and disposal for the year	(47,828)	(54,253)
Others	6	(7)
<b>Balance at the end of the year<sup>1</sup></b>	<b>83,180</b>	<b>76,889</b>

Notes:

1. It excludes provision for impairment of discounted bills and forfaiting under domestic L/C at fair value through other comprehensive income.
2. It includes provision for impairment of loans made due to the change of stage and change in cash flow resulting in loan contract being not derecognized.
3. It refers to cumulative interest income of impaired loans due to the subsequent increase in present value over time.

### xiv. Disposal of non-performing assets and write-off policies for bad debts

The Bank continued to optimize the operation and management mechanism for special assets, pushed forward the intensive, specialized and platform-based transformation, and enhanced the operation, management and value creation capacities of special assets. Focusing on key areas, branches and projects, the Bank proactively and prudently dealt with and mitigated risks in real estate, local government financing vehicles, credit cards and other fields. The Bank innovated disposal methods, expanded disposal channels, built a special-asset management ecosystem, and vigorously strengthened cash recovery. Taking advantages of technological means, the Bank promoted online digital business processing. Furthermore, the Bank implemented regulatory policies, improved relevant systems and procedures, and intensified efforts to write off bad debts to ensure maximum write-off. Insisting in keeping records of written-off assets and exercising creditor's rights for asset recovery, the Bank reinforced the recovery management of written-off assets to fully protect the Bank's legitimate rights and interests.

During the reporting period, the Bank disposed NPLs amounting to RMB49,036 million, a decrease of RMB8,933 million over the previous year, including writing off bad debts of RMB36,461 million, transferring creditor's rights with principal amounting to RMB206 million, conversion of bonds to shares valuing RMB146 million, and asset securitization of RMB12,223 million. In addition, the Bank recovered cash of RMB22,766 million through asset preservation.

## XI. CAR ANALYSIS

Please refer to “Summary of Accounting Data and Financial Indicators” and *Capital Adequacy Ratio Report 2022* publicly disclosed by the Bank for details.

## XII. SEGMENT PERFORMANCE

### i. Performance by regional segment

Unit: RMB million

Region	2022		2021	
	Operating income	Total Profit	Operating income	Total Profit
Yangtze River Delta	28,355	14,987	27,675	12,869
Bohai Rim	27,202	12,488	26,509	10,017
Central China	26,434	11,693	25,794	11,306
Pearl River Delta	21,625	4,644	20,719	3,270
Western China	18,587	7,811	19,756	6,455
Northeastern China	5,889	(1,279)	5,999	(2,813)
Head Office	20,771	5,161	24,193	10,346
Overseas	3,002	461	2,721	1,491
<b>Total</b>	<b>151,865</b>	<b>55,966</b>	<b>153,366</b>	<b>52,941</b>

### ii. Performance by business segment

Unit: RMB million

Type	2022		2021	
	Operating income	Profit before tax	Operating income	Profit before tax
Corporate banking	57,619	25,844	59,693	19,672
Retail banking	65,998	6,358	63,380	10,598
Financial market business	28,051	23,776	29,953	22,563
Other business	197	(12)	340	108
<b>Total</b>	<b>151,865</b>	<b>55,966</b>	<b>153,366</b>	<b>52,941</b>

Please refer to “Notes to the Consolidated Financial Statements” for details of performance by business segment.

## Management Discussion and Analysis

### XIII. OTHERS

#### i. Changes in major financial indicators and reasons

Unit: RMB million, %

Item	31 December 2022	31 December 2021	Increase/ Decrease	Major reasons for change
Deposits with banks and other financial institutions	32,073	51,189	-37.34	Decrease in the scale of deposits with banks and other financial institutions
Financial assets held under resale agreements	28	31,164	-99.91	Decrease in the time-point scale of financial assets held under resale agreements
Debt instruments at fair value through other comprehensive income	449,596	325,695	38.04	Increase in bond assets at fair value through other comprehensive income
Deferred tax assets	32,703	19,895	64.38	Expected increase in non-tax-deductible asset losses during the period
Due to central bank	63,386	101,180	-37.35	Decrease in due to central bank
Taxes payable	11,141	6,535	70.48	Increase in enterprise income tax payable
Other liabilities	57,137	43,311	31.92	Increase in settlement volume
Item	2022	2021	Increase/ Decrease	Major reasons for change
Net gains arising from investment securities	6,416	10,092	-36.42	Decrease in valuation of investment securities
Gains from derecognition of financial assets at amortized cost	858	115	646.09	Increase in disposed bond assets at amortized cost
Net trading gains	484	3	16,033.33	Increase in gains from foreign currency translation increased

#### ii. Overdue and outstanding debts

During the reporting period, the Bank did not incur any overdue or outstanding debts.

### iii. Provision for interest receivables and allowance for related bad debts

#### 1. Change in on-balance-sheet interest receivable

Unit: RMB million

Item	Balance at the beginning of the year	Increase during the period	Decrease during the period	Balance at the end of the period
On-balance-sheet interest receivable <sup>Note</sup>	38,900	235,701	231,721	42,880

Note: It includes accrued interest and interest receivable that has not been collected.

#### 2. Provision of allowance for bad debts of interest receivable

Unit: RMB million

Item	31 December 2022	31 December 2021	Increase/Decrease
Balance of allowance for bad debts of interest receivable	101	3	98

### iv. Other receivables and provision of allowance for related bad debts

#### 1. Change in other receivables

Unit: RMB million

Item	31 December 2022	31 December 2021	Increase/Decrease
Other receivables	18,045	25,750	(7,705)

#### 2. Provision of allowance for bad debts of other receivables

Unit: RMB million

Item	31 December 2022	31 December 2021	Increase/Decrease
Balance of allowance for bad debts of other receivables	816	692	124

## Management Discussion and Analysis

### XIV. PERFORMANCE OF BUSINESS SEGMENTS

#### i. Corporate banking

The corporate banking line of the Bank resolutely implemented national strategies, proactively served and integrated into China's new development pattern, and took the initiative to work with state ministries and commissions in the major work of "expanding effective investment", serve the real economy and stabilize the economy. Following the strategic plan of "building a first-class wealth management bank", the Bank gave full play to the guiding role of FPA (Finance Product Aggregate), a North Star Metric, accelerated the strategic transformation towards a combination of commercial banking, investment banking, asset management and transaction banking to provide customers with full-life-cycle comprehensive financial products and services, and fostered new competitive edges through the integration of commercial banking and investment banking. The Bank enriched the wealth management functions of corporate banking, expanded cooperation channels for agency sales, and launched the first corporate banking mutual funds on an agency sales basis, an innovative breakthrough in wealth management. Adhering to the customer-centered business philosophy, the Bank established and improved a stratified, tiered and grouped customer management model, focused on key projects, enterprises and industrial chains, strengthened the effect of scenario clustering and ecology synergy, and developed an innovative scenario-based model for financial products and service modes to enhance cooperation with customers and increase the value of corporate banking. During the reporting period, the Bank's corporate banking registered an operating income of RMB57,619 million, a decrease of RMB2,074 million or 3.47% compared with the end of the previous year, accounting for 37.94% of the Bank's total operating income. As at the end of the reporting period, the Bank's total FPA was RMB4.7 trillion, an increase of RMB420 billion over the end of the previous year. The number of corporate customers reached 963,900, an increase of 81,100 or 9.19% over the end of the previous year. The number of customers with deposit contribution value increased by 7.05% over the end of the previous year, marking further improvement in customer quality.

#### 1. Corporate deposits and loans

Adhering to its fundamental purpose of serving the real economy, the Bank launched a series of events titled "Serving Enterprises for Economic Stability" to provide more credit support in key areas such as national key projects, manufacturing industry, inclusive finance, green finance and technology innovation. Following the principle of "strengthening settlement, transaction and volume", the Bank relied on transaction banking, settlement business, platform introduction and source funds to boost deposit growth, strengthened chain marketing and business volume conversion, and increased low-cost deposits. The Bank promoted digital transformation and upgraded digital service platforms including "Sunshine Corporate Easy Win", "Sunshine Inclusive Finance Cloud" and "Sunshine Supply Chain Cloud Platform", so as to provide customers with convenient online services and improve customer experience. Efforts were made to fend off risks, strengthen risk prevention and maintain sound asset quality. As at the end of the reporting period, corporate deposits (including the corporate business-related portion in other deposits) amounted to RMB2,781,300 million, representing an increase of RMB19,280 million or 0.70% over the end of the previous year. Among these, the balance of core corporate deposits increased by RMB99,467 million or 4.29%, and the balance of corporate loans (excluding discount loans) was RMB1,931,450 million, an increase of RMB140,631 million or 7.85% over the end of the previous year.



## 2. Inclusive finance

The Bank fulfilled its social responsibilities of serving SMEs and people's well-being, developed a long-effect mechanism to help SMEs become confident, willing, qualified and able to apply for loans. By enhancing financial service capabilities for SMEs, the Bank eased the difficulties of SMEs and helped ensure overall economic stability. Focusing on core enterprises, the Bank facilitated the optimization and upgrading of industrial chains and supply chains, and developed more than 130 inclusive ecological chains. As at the end of the reporting period, the balance of loans in these sectors amounted to RMB9,305 million. The Bank launched a promotion event titled "Serving Specialized, Sophisticated, Distinctive and Innovative Enterprises with Joint Efforts" to step up marketing efforts on tech enterprises, and provided more credit support for specialized, sophisticated, distinctive and innovative enterprises as well as technology startups. More financial resources were channeled to weak links of the economy and SMEs in need, especially those in accommodation, catering, retail, tourism, culture and transportation. As at the end of the reporting period, the balance of loans in these industries amounted to RMB54,243 million. The Bank actively carried out the policy of temporarily postponing principal and interest repayment on loans, allowing SMEs to apply for repayment extension through various channels, and supported their requests for renewal or extension based on market principles. As at the end of the reporting period, the Bank fulfilled the regulatory objectives for "Two Increases and Two Controls". The balance of inclusive loans for SMEs amounted to RMB305,317 million, an increase of RMB68,316 million or 28.82% over the end of the previous year, which was higher than the average loan growth rate of the Bank. The number of inclusive loan customers registered 425,288, an increase of 33,163 customers over the end of the previous year. The weighted average interest rate of new loans was 4.44%, down 46 bps over the end of the previous year, and the NPL ratio was 0.67%.

## 3. Investment banking

In line with the business philosophy of combining commercial banking, investment banking, asset management and transaction banking, the Bank placed emphasis on the building of FPA system, improved the capability to innovate products and provide professional services in investment banking, gave play to multi-dimensional drivers in investment banking including bond financing, M&A financing, structured financing, equity financing and business matchmaking, and fostered new competitive edges through the integration of commercial banking and investment banking. During the reporting period, the Bank underwrote 715 debt financing instruments of non-financial enterprises in the interbank bond market, with an underwriting amount of RMB429,394 million, including different innovative debt financing instruments such as technological innovation notes, green debt financing instruments (including carbon neutrality bonds), rural revitalization notes, Panda bonds and energy supply bonds, covering various national key strategic areas including advanced manufacturing, technological innovation, rural revitalization and carbon neutrality. The Bank promoted M&A business to facilitate mixed ownership reform of SOEs, M&A of listed companies, and policies for easing burdens and difficulties of real estate enterprises, and registered an increase of RMB28,653 million in M&A loans. The Bank issued five credit securitization projects with an asset amount of RMB12,223 million.

## Management Discussion and Analysis

### 4. Transaction banking

The Bank kept enriching the spectrum of transaction banking products and refining its “all-scenario, full-category and omni-channel” financial solutions to meet the comprehensive financial needs of customers. The Bank established various channels to provide scenario-based financial services for core enterprises on supply chains, public resource trading centers and corporate customers via Sunshine E-financing Chain, Sunshine Supply Chain Cloud Platform and Sunshine Cash Management System. The Bank also expanded the supply and coverage of the “Sunshine Wages” financial services to help safeguard the legitimate rights and interests of rural migrant workers. As at the end of the reporting period, the Bank provided wage payment guarantee for rural migrant workers with a cumulative amount of RMB9,031 million, serving 1,426 corporate customers. Relying on technological innovation, the Bank served new formats and new modes of foreign trade such as market procurement and cross-border e-commerce platforms, improved the functions of corporate mobile banking with more online products to facilitate import and export enterprises in cross-border payment and settlement, and advanced the development of international settlement and cross-border RMB business. As at the end of the reporting period, the balance of the on- and off-balance-sheet trade finance business registered RMB454,174 million.



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## Column 2: Actively serving the real economy, ensuring overall economic stability

As a financial central enterprise, the Bank focuses on the needs of the country and the expectations of the people, and gives full play to its capabilities to serve the real economy, thus making contributions to ensuring overall economic stability.

### I. Continuously optimizing work mechanism to help build a strong manufacturing country

The Bank formulated four work plans for serving the new development pattern, manufacturing industry, national major regional strategies and inclusive micro and small enterprises, and provided policy guarantee in five aspects including strengthening learning and training, enhancing evaluation incentives, giving preferential pricing, optimizing financial services and intensifying risk control. The Bank provided special resource and incentive policies for manufacturing loans, such as special credit lines, FTP evaluation, provision discounts and capital fee discounts, and gave more support in pricing. Besides, the Bank opened green channels for approval, to actively serve specialized, sophisticated, distinctive and innovative enterprises, leading enterprises in single manufacturing sectors, high-tech enterprises and other key enterprises. As at the end of the reporting period, the balance of basic corporate loans stood at RMB1.79 trillion, an increase of more than RMB150 billion, higher than that of the previous year. The yield of corporate loans decreased by 4 bps compared with the end of the previous year, the interest rate of new loans dropped steadily, and corporate financing costs also declined. The balance of medium- and long-term loans for the manufacturing industry reached RMB193,624 million, up 40.74% over the end of the previous year. The Bank served about 1,900 specialized, sophisticated, distinctive and innovative “small giant” enterprises, and its corporate credit balance exceeded RMB26 billion, an increase of over 50%.

### II. Continuously strengthening institutional guarantee and accelerating the promotion of green credit

The Bank incorporated green and low-carbon development into its overall strategy of “building a first-class wealth management bank” to promote the green finance work and the attainment of the carbon peak and carbon neutrality goals. The Bank gradually improved the organizational structure and institutional mechanism for “peaking carbon emissions and achieving carbon neutrality”, and formulated an interim action plan and green financial market development guidelines. To increase resource allocation and pricing support for green development and low-carbon transformation, the Bank launched a series of special policies. To enrich the green financial product system, the Bank introduced “Carbon Trading Scenario-based Finance” and forest ownership mortgage loans. The Bank also actively participated in the underwriting of green bonds, and reasonably invested in green bonds, with the underwriting amount reaching RMB9,077 million during the reporting period. Moreover, the Bank had more partners, and held a strategic cooperation signing ceremony titled “Boosting Development with Green Finance, Creating a New Future by Peaking Carbon Emissions and Achieving Carbon Neutrality”. As at the end of the reporting period, green loans increased by 59.95% from the end of the previous year, and loans to the clean energy industry rose by 144.92% from the end of the previous year, both of which were higher than the average loan growth rate of the Bank.

## Management Discussion and Analysis

### **III. Working unswervingly to consolidate and develop the public sector and to encourage, support and guide development of the non-public sector and helping private enterprises to solve difficulties**

The Bank took several measures to meet the financing needs of private enterprises, helped alleviate the financing difficulties and high-cost financing problems for private enterprises, and promoted the growth of the private economy. By strengthening survey and research, the Bank formulated a Bank-wide credit plan for private enterprises and organized branches to continuously promote it. To shore up economic and social development, the Bank supported private enterprises in industries such as wholesale & retail trade, logistics & transportation and culture & tourism. In addition, the Bank revised and improved the management measures for due diligence and responsibility exemption for credit business with private enterprises, and rewarded institutions and employees with outstanding performance in serving private enterprises, to motivate cadres and employees to serve private enterprises. As at the end of the reporting period, private enterprise loans increased by RMB57,160 million compared with the end of the previous year, and the number of customers with outstanding loans grew by 277,400 over the end of the previous year. The financing costs of loans decreased by 14 bps over the end of the previous year, and the proportion of unsecured loans increased by 2.81% year on year.

### **IV. Actively integrating into the country's overall development and fully supporting major regional strategies**

The Bank proactively advanced serving the country's major regional strategies by issuing the *Plan for Organizing and Promoting Services for the Implementation of National Major Regional Strategies*, clarified the overall requirements, basic principle and work objectives of serving national strategies, established six strategic working groups to provide regular services, enrich credit products constantly and introduce more preferential policies. As at the end of the reporting period, the balance of the Bank's corporate RMB loans (including discounted loans) in the six strategic regions stood at RMB1.68 trillion, an increase of RMB161,966 million or 10.64% over the end of the previous year.

### **V. Taking various measures to promote the "stabilization and intensification of supply chains" and propping up the smooth circulation of economy**

The Bank proactively developed supply chain financing to help smooth the national economic cycle and ensure the safety of supply chains in important industrial chains. By means of key products such as Auto Full Pass, Sunshine E-financing Chain and Sunshine Inclusive Finance Eco-chain, the Bank focused on the real economy with longer industrial chains such as automobiles, electronics and high-end manufacturing, and supported the "chain master" enterprises in the industrial chains that dominates the industry ecology, the specialized, sophisticated, distinctive and innovative "small giant" enterprises that serve as important nodes in industrial chains, and leading enterprises in single manufacturing sectors. Furthermore, the Bank improved service quality and efficiency by providing whole-process online services for key products, intelligent approval, automatic accounting and other services, and provided integrated financial services including settlement, financing, cross-border payment and cash management for trading entities in supply chains. During the reporting period, there were 75 new key supply chain projects and 3,254 new supply chain customer groups.

## ii. Retail banking

Focusing on the building of digital retail banking and following the guideline of customer-oriented philosophy, the Bank deepened structural reform of retail banking, and formulated a “dual-curve” new development model. The Bank deeply engaged in the “first curve” by giving play to the advantages of outlets and professional customer managers to boost offline operation capacity. The Bank expanded the “second curve” to establish a more intensive, scenario-based and platform-based business model, and accelerated service transformation and upgrading. Meanwhile, the Bank strengthened digital-driven development and continued to deepen the integrated operation of retail customers, with the total number of retail customers increased and quality improved. The Bank accelerated structural adjustments on the liability side, leading to the expanded scale, optimized structure and reduced cost of retail deposits. The Bank advanced business transformation on the asset side, initiated intensive operation, supported the development of inclusive finance, and cultivated hit products of Sunshine retail loans, leading to the rapid growth of scale and stable asset quality of retail loans. The Bank continued to deepen wealth management transformation, optimized product spectrum, enhanced asset allocation capability, and adapted to customers’ diversified investment needs while accompanying customers. During the reporting period, operating income from retail banking stood at RMB65,998 million, up RMB2,618 million or 4.13% over the end of the previous year, accounting for 43.46% of the total operating income of the Bank. Specifically, net interest income from retail banking was RMB47,496 million, up 6.15% from the end of the previous year, accounting for 41.79% of the total net interest income of the Bank. Net non-interest income from retail banking reached RMB18,502 million, down 0.71% over the end of the previous year, accounting for 48.42% of the total net non-interest income of the Bank.

### 1. Retail customers and AUM

The Bank gave full play to the retail customer management committee to ensure that relevant mechanisms and systems fully play their roles, and adopted a retail customer management strategy featuring “stratified and grouped management, data-driven operation, channel coordination and conversion from transaction to contribution”. The Bank optimized organizational structure, and set up a clear retail customer management model that is stratified and grouped. The Bank established a customer operation center and gradually realized intensive management of all groups of basic customers. The Bank improved centralized management of medium- and high-end customer groups mainly via offline channels. The Bank established middle offices for retail banking, cultivated digitalization capability, and established a digital customer management model covering all products, all channels and the entire chain, so as to improve the comprehensive contributions of customers. As at the end of the reporting period, the Bank had 147,064,100 retail customers (including holders of debit and credit cards). Medium- and high-end customers with at least RMB500,000 of daily average assets per month grew by 10.76% from the end of the previous year, marking improvement in customer quality. There were a total of 255,635,200 users of the three apps — CEB Mobile Banking, Sunshine Life and Cloud Fee Payment, up 28.71% from the end of the previous year. Among these, the number of monthly active users (MAU) was 58,408,100, and the balance of retail AUM totaled RMB2,424,034 million, up 14.21% from the end of the previous year.

## Management Discussion and Analysis

### 2. Retail deposits

Guided by the high-quality development philosophy, the Bank deepened the integrated operation of deposit businesses to expand the scale, optimize the structure and reduce the cost of retail deposits. In order to acquire customers in batches, the Bank actively expanded customer acquisition channels and scenarios such as social security, people's livelihood, health and medical care, business district operation, community property management, transportation, culture and education, tourism, consumption payment and internet innovation platforms. Furthermore, the Bank strengthened the coordination between corporate banking and retail banking to develop its payroll agency business, optimized "Payroll Manager", an integrated financial service platform based on payroll agency services, launched "Payroll Pass", an enterprise administration service platform, carried out targeted marketing events such as "Premium Pay" and "Payday Afternoon Tea", and conducted characteristic customer group management in payroll agency services. In addition, the Bank stepped up channel coordination, actively expanding quick payment business by linking CEB cards to third parties, and increased transaction volume via online platforms, thus retaining settlement funds. The Bank strengthened "debit card + credit card" linkage, and created a powerful synergy of debit card and credit card businesses for customer acquisition and activation, which effectively improved customer loyalty and service experience. As at the end of the reporting period, the balance of retail deposits (including the portion of retail deposits in other deposits) of the Bank amounted to RMB1,066,594 million, representing an increase of RMB208,292 million or 24.27% over the end of the previous year.

### 3. Retail loans

The Bank increased the granting of retail inclusive loans, enriched retail inclusive product spectrum featuring "agility, inclusiveness and accessibility", and launched featured "Sunshine Rural Loans" to facilitate rural revitalization. The Bank supported people's demand for buying their first home or improving their housing situation, "ensuring timely delivery of pre-sold homes, people's livelihood and stability". The Bank rolled out 24 measures to serve new citizens and facilitate them to settle down in cities. The Bank strengthened capacity building, and promoted intensive and standardized operations across the Bank to increase process efficiency and productivity. In order to accelerate digital transformation, the Bank developed an operation mechanism integrating business, risk management, technology and operation, and established an internal innovation incubation mechanism to ensure agile response to market changes and needs of bank branches. A comprehensive risk management system was established to increase risk management capability, ensure compliance operations and maintain the stability of asset quality. As at the end of the reporting period, retail loans (excluding credit card business) posted RMB1,055,390 million, an increase of 7.37% over the end of the previous year.

### 4. Wealth management

With AUM as a North Star Metric, the Bank accelerated wealth management transformation, enriched the contents of inclusive wealth management, and rolled out a series of inclusive finance products. Through "dual-curve" integrated development, the Bank improved the value of retail banking channels in all respects and injected new vitality into retail banking. By building offline tiered and professional wealth manager teams and forging a new management mode featuring "integrated lobby marketing management" at outlets, the Bank improved the offline service efficiency of outlets. The Bank developed an online open wealth management ecosystem, enhanced cooperation with external partners, expanded the scope of "financial + non-financial" services, and established a whole-journey and full-life-cycle customer companion system. Moreover, the Bank strengthened asset allocation capability, improved the investment research and investment advisory system, and enriched the wealth management and agency product spectrum to suit customers' diversified investment needs. During the reporting period, net fee income from personal wealth management stood at RMB8,021 million, up 0.97% year on year. Specifically, income from agency wealth management and agency insurance business grew by 25.70% and 14.35% year on year, respectively.

## 5. Private banking

Based on the DSC customer management model featuring data-based customer introduction (D), scenario-based customer acquisition (S) and whole-journey companion (C), the Bank continued to tap the potential of data-driven operations, and acquired nearly 10,000 private banking customers using the data insight model. The Bank focused on key scenarios such as fund supervision of second-hand housing transactions and collaboration with the Group to acquire over 6,000 new private banking customers. In order to improve the whole-journey companion services, the Bank provided full-channel coordinated services via channels including CEB Mobile Banking, video IC (investment consultation) and private banking (experience) center, which attracted a total of over 5.5 million person/times, and the number of monthly active users reached 40,000, up 35.16% year on year. At the same time, the Bank established 20 offline private banking (experience) centers. With an endeavor to accelerate the NAV-based transformation of wealth management business, the Bank managed to overcome the pressure arising from capital market volatility, increased the supply of conservative, protection-oriented and inclusive products, and launched more than 1,800 products titled “90% off for Class C Funds” and 36 inclusive insurance products. The Bank worked to improve professional product selection capability, and adopted multi-dimensional criteria such as customer experience, product evaluation and investment penetration to establish an independent, around-the-clock and total-market selection system for public and private funds. In terms of customer companion service, the Bank followed the long-term investment and value investment concept. The sales volume of on-going marketing plan and automatic investment plan (AIP) accounted for 45.47%, and the premiums from medium- to long-term protection-oriented insurance policies accounted for 51.31%. The Bank made efforts to promote pension finance by launching nearly 300 pension products and developing the “Enjoy Sunshine” online pension wealth management special zone. During the reporting period, the Bank registered RMB2,662 million fee-based income from agency retail banking. The Bank accelerated digital transformation of wealth management business, and built an open wealth management ecosystem, thus forming a featured “CEB Mobile Banking + Cloud Fee Payment” dual-platform layout. In mobile banking, the Bank achieved all-round content operations. The number of monthly active users of publicly-offered and privately-offered funds and insurance products increased by 28.31%. With the Cloud Fee Payment platform, the Bank developed an integrated transaction system covering funds, insurance and wealth management, and formed a one-stop service system featuring “fee payment + inclusive finance”. The Bank launched a wealth advisory platform (“Sunshine Advisor”) to enrich investment education materials and asset allocation tools, which effectively improved the investment advisory capability of front-line wealth advisors. As at the end of the reporting period, the Bank had 56,526 private banking customers, an increase of 6,505 customers or 13% over the end of the previous year. The AUM amounted to RMB568,185 million, representing an increase of RMB67,057 million or 13.38% over the end of the previous year.

## Management Discussion and Analysis

### 6. Credit card business

The Bank firmly promoted credit card business to return to the origin of consumption, strengthened the introduction of young and high-value consumers, and rolled out the series of CEB Youth Credit Card products targeting at young customers, such as the Yue series and Yao series. As a result, the proportion of young customers and high-quality customers with a steady risk profile maintained steady growth. In order to boost customer loyalty of credit cards, the Bank accelerated the building of merchant service system in four consumption scenarios — “Dining Appointment”, “Shopping Appointment”, “Entertainment Appointment” and “Car Appointment”, with various brand marketing campaigns such as “Friday Discounts” and “Happy Shopping Festival”. The Bank launched the Sunshine Life app version 7.0, attracting 13,975.7 thousand monthly active users (MAU). Moreover, the Bank refined the installment business layout, upgraded the installment product system based on the dual credit line framework of “Revolving + Special”, and increased the supply of consumption installment products, achieving a steady growth in interest-bearing assets. The Bank empowered business development with technological innovation, launched the Phase I online authorization technology for the Next-Generation Credit-Card Integrated Business Systems (NGCC-IBS), with a focus on key systems such as the refined intelligent customer management system and marketing operation management system. In respect of risk management, the Bank adopted new verification methods, improved the loan maintenance early-warning mechanism, and strengthened recovery and disposal of overdue loans. As a result, both the overdue loan ratio and the NPL ratio fell from the end of the previous year. In order to strengthen consumer protection, the Bank refined the customer-centered full-process service mechanism in respect of organizational structure, personnel arrangement and system process to improve customer satisfaction. As at the end of the reporting period, the Bank had a total of 47,646.6 thousand credit card customers, among which 3,306.8 thousand were newly added this year. The transaction volume was RMB2,756,607 million, up 0.25% year on year. The overdraft balance at the end of the reporting period recorded RMB465,348 million (excluding payment adjustments to transitional accounts), up 3.44% year on year, and the income from the credit card business posted RMB43,968 million.





## 7. Digital banking and Cloud Fee Payment

The Bank promoted the building of digital banking and accelerated digital transformation across the Bank. As at the end of the reporting period, 99.41% of counter transactions were handled through electronic channels. Adhering to the customer-centered business philosophy, the Bank focused on building three main areas including Cloud Fee Payment, scenario-based finance and dual platform mechanism (also the “wealth +” open service ecosystem with CEB Mobile Banking and Cloud Fee Payment apps at its core), so as to improve digital, intelligent and efficient service capability. With the Cloud Fee Payment platform, the Bank promoted convenient livelihood services and inclusive finance, with continuously increasing service items, expanding output channels and widening service coverage, and facilitated local governments to increase digital capability in collection of non-tax revenues and collection of personal contributions to social security. The Bank released the *Convenient Fee Payment Industry Report of China* for eight consecutive years, and maintained its leading edges as China’s largest open-ended and convenient fee payment platform. As at the end of the reporting period, the platform offered 14,491 fee payment service items cumulatively, an increase of 2,228 items or 18.17% for the year. The payment service items were exported to 743 platforms cumulatively, an increase of 75 platforms or 11.23% within this year. The Bank processed 2,569 million transactions, up 20.51% year on year, with the total amount of payment reaching RMB676,251 million, up 22.41% year on year. The total number of users was 589 million cumulatively, an increase of 13.79% year on year. Meanwhile, the Bank concentrated on the development of scenario-based finance, and realized rapid development in Sunshine Logistics Express (Wu Liu Tong), Sunshine Housing Express (An Ju Tong), Sunshine Flexible Employment Express (Ling Gong Tong) and other key businesses. With the accelerating multi-dimensional advancement of Sunshine Logistics Express (Wu Liu Tong), the Bank cooperated with over 53 leading enterprises and served over 8.2 million cargo owners and drivers. The transaction amount reached RMB191,862 million during the reporting period, up 64.33% year on year. In terms of Sunshine Housing Express (An Ju Tong), relying on housing transaction scenarios, the Bank established in-depth cooperation with 20 leading enterprises in the industry, and the transaction amount stood at RMB300,082 million during the reporting period, up 55.18% year on year. In terms of government affairs scenarios, the Bank focused on customs, education, courts, welfare lottery and other key areas, and made important breakthroughs in a number of key projects. The Bank strengthened the dual-platform layout to improve comprehensive online operation capability and customer experience. CEB Mobile Banking 10.0 was launched, with a new mode featuring “one-stop services for wealth management, loan application, fee payment and social security”. On the Cloud Fee Payment platform, the Bank improved the featured “Life+” micro finance services by launching more inclusive financial products, and further increased the capability to attract more traffic and convert it into customers. As at the end of the reporting period, CEB Mobile Banking app had 57,467.2 thousand registered users and 23,028.3 thousand monthly active users, up 22.62% year on year. The total number of directly-linked users of Cloud Fee Payment was 153 million, marking an increase of 44.91% year on year, and the number of directly-linked monthly active users reached 21,404,100, an increase of 20.35% year on year.

## Management Discussion and Analysis

### Column 3: Promoting the implementation of retail banking strategy, deepening wealth management transformation

The Bank promoted the “1245+C” strategy for retail banking in an all-around manner, which means closely centering on the “1” strategic vision of “building a first-class wealth management bank”, highlighting the “2” characteristics of “wealth management” and “fintech”, focusing on the “4” core businesses of “wealth management, retail deposits, retail loans and credit card business”, and strengthening the “5” key projects of “customer management, dual-curve model, scenario-based empowerment, technology-based empowerment and multi-synergy”. With digital operation as the path, the Bank built the whole chain of mega wealth management ecology covering “wealth management, asset management and asset custody” to facilitate the high-quality development of retail banking.

#### **I. Adhering to the guiding principle of “customer value creation” and building a stratified management system for retail customers**

The Bank implemented a customer strategy featuring “stratified and grouped management, data-driven operation, channel coordination and conversion from transaction to contribution”, built a more agile and efficient organizational structure for retail banking, and further clarified the pyramid-shaped tiered management system for retail customers, with the total number of retail customers exceeding 147 million. For basic customers, an intensive business model was adopted, and efforts were continuously made in the building of online channels to enhance customer coverage and enrich scenarios, and promote online, intensive and precise marketing. During the reporting period, 45,000 business strategies were generated cumulatively to reach 3,435 million person-times, and the AUM of basic customers increased by 23.58% year on year. For wealth customers, the Bank explored an exclusive operation model for branches and sub-branches, with “VIP wealth management managers + wealth consultants” as the main body. Focusing on the characteristics of customer base, the Bank gained insights into customer needs and carried out digital precision marketing to comprehensively enhance customer contribution. For private banking customers, with “private banking wealth management managers + investment consultants” as the main body, the Bank continued to deepen the DSC customer group management model featuring data-based customer introduction, scenario-based customer acquisition and whole-journey companion to enhance comprehensive customer management capabilities. At the end of the reporting period, the number of the Bank’s wealth customers with monthly average assets of RMB0.5 million to RMB6 million exceeded 1.16 million, up 10.65% over the end of the previous year; and the number of private banking customers with assets of RMB6 million and above reached 56,500, an increase of 13% over the end of the previous year.

#### **II. Strengthening offline and online integration and promoting the “dual-curve” development model for retail banking**

The Bank deeply engaged in the “first curve”, and focused on forging the new management mode featuring “integrated lobby marketing management” at outlets. During the past year, it organized more than 50,000 related activities, and pushed forward the transformation of outlets from trading centers to customer service, experience and activity centers. The activity titled “Client Manager Training 3.0” was conducted to improve the capabilities of comprehensive management and professional marketing. Intensive retail credit operation was also quickly implemented. 35 branches established direct sales teams, and 39 branches had credit approval dispatch teams, with the per capita production capacity of direct sales teams rising by more than 60% compared with that of ordinary sub-branches. Professional tiered wealth management manager teams were set up to improve the building of investment research and advisory system and enhance the core capabilities of wealth management. The Bank expanded the “second curve”, focused on the development of “CEB Mobile Banking + Cloud Fee Payment” apps to improve its capabilities in comprehensive management of online customers. The Bank officially launched the CEB Mobile Banking app version 10.0, upgraded the special module for private banking as well as the special zones for funds and pension finance, and introduced the open service ecosystem titled “Fortune+” to the Cloud Fee Payment app, realizing a year-on-year increase of 21.52% in the number of monthly active users of these two apps. Adhering to the concept of digital intelligence, the Bank established a proprietary online lending (joint) operation team to improve market responsiveness.

### **III. Giving full play to the advantages of scenario-based customer base expansion and realizing customer conversion and value enhancement**

The Bank continuously released the potential of traffic aggregation and customer conversion in Cloud Fee Payment scenarios, and expanded the scale of traffic with the focus on digital livelihood services, digital industry and digital government affairs. The Bank accelerated the multi-dimensional promotion of Sunshine Logistics Express (Wu Liu Tong). Through Sunshine Housing Express (An Ju Tong), relying on second-hand housing transaction scenarios, the Bank provided featured customer benefits, exclusive cards and customized services to effectively boost customer conversion. Sunshine Flexible Employment Express (Ling Gong Tong) offered integrated financial services and solutions to SMEs and freelancers, such as account management, payment, settlement and fund supervision. During the reporting period, more than 1.6 million users were served cumulatively.

### **IV. Promoting the development of digital retail banking and highlighting distinctive features of fintech**

The Bank reshaped its customer operation model through digital means. Under a pyramid-shaped framework for stratified and grouped management of retail customers, the Bank realized precise marketing and intelligent operation of customers with data elements as the driving force and platform tools as the means, to build a digital customer operation model covering all products, all channels and the entire chain. Besides, the Bank established the core capabilities of middle offices for retail banking, and continuously made efforts in the development of basic systems, marketing models and digital tools to empower front-line operations. During the reporting period, more than 180 retail banking model libraries were built, with marketing leads reaching 276 million person-times. A variety of digital tools were launched for branches, sub-branches and wealth management managers, including scenario marketing tools such as new customer acquisition and agency payment, customer connection tools such as “R+ Quick Connect” and Event Manager, and operational tools such as digital business cards and “Sunshine Advisor”.

### **V. Concentrating on diversified integration and coordination and improving comprehensive financial service capabilities in an all-around manner**

The Bank promoted multi-dimensional coordination and collaboration, including collaboration within China Everbright Group (CEG), collaboration between CEB Head Office and branches, coordination of corporate banking and private banking and internal coordination of retail banking sector, to highlight the strategy of “collaboration for win-win outcomes”. Leveraging on CEG’s advantages in owning a complete range of financial licenses, the Bank gained access to the customer and product resources of different CEG’s enterprises to form a “one-stop” comprehensive personal banking service model that integrates banking, securities, trust, insurance and tourism businesses in an organic manner. In terms of collaboration between CEB Head Office and branches as well as coordination between corporate and private banking businesses, key projects were further advanced to improve the ability to obtain source funds, achieving remarkable results in customer base expansion. A sound collaborative marketing mechanism for payment agent service was established, with the transaction amount up 11.30% year on year and more than 9.3 million personal customers served during the reporting period. In addition, social security and livelihood service projects were jointly promoted, and more than 10 million social security customers were served during the reporting period.

## Management Discussion and Analysis

### iii. Financial market business

In financial market business, adhering to the original purpose of finance and proactively serving national strategies, the Bank continued to improve capabilities of business operation, investment and trading in financial market business, and provided strong financing support for the real economy. With GMV as a North Star Metric, the Bank followed the business philosophy of serving interbank customers, strengthened capability building in wealth management, agency market-making, business matchmaking, payment and settlement, and promoted the quality and efficiency of financial interbank business. In custody business, the Bank coordinated marketing efforts to promote publicly-offered REITs, launched personal pension business, and brought various ESG-themed insurance asset management products under its custody, with steady growth in both AUM and FPA. Meanwhile, the Bank continued to enrich the “Colorful Sunshine” product spectrum, vigorously promoted pilot projects of pension wealth management products, and managed to cope with market volatility, thus creating sustainable value and returns for investors. During the reporting period, the Bank’s financial market business registered an operating income of RMB28,051 million, representing a year-on-year decrease of RMB1,902 million or 6.35%, accounting for 18.47% of the Bank’s total operating income.

#### 1. Treasury business

The Bank acted in strict accordance with regulatory requirements, and adopted investment and trading strategies to improve efficiency in the allocation of financial assets and promote overall economic development. Leveraging on its advantages in money market trading, the Bank strengthened market-based debt taking and ensured liquidity safety of RMB and foreign currencies. The Bank strengthened market research and analysis, closely followed market trends, and improved bond portfolio management with an emphasis on central government bonds, local government bonds, policy financial bonds and high-grade debentures, staying at the forefront among joint-stock banks in terms of government bond underwriting. In terms of agency business, the Bank developed personalized, differentiated and customized financial products to meet various customer needs for asset appreciation and risk hedging. In addition, the Bank enhanced business coordination and resource integration to improve the Bank’s comprehensive capability to generate profits. As at the end of the reporting period, the balance of bonds in proprietary account amounted to RMB1,246,413 million, accounting for 19.78% of the Bank’s total assets, 48.58% of which were central government bonds and local government bonds.

#### 2. Interbank business

The Bank fully implemented the national strategy of ensuring overall economic stability, and provided more support for key areas such as manufacturing, inclusive finance, SMEs, green finance and rural revitalization. The Bank strengthened specialized interbank business management, and maintained an appropriate scale to ensure compliance and prudence in its operation. Through forward-looking market research and analysis, the Bank provided targeted financial services to the real economy, refined asset structure and accelerated business transformation to improve the quality and efficiency of interbank business. With GMV as a North Star Metric, the Bank followed the business philosophy of serving interbank customers, explored the diversified development path, and regarded interbank business as a new profit growth opportunities. The Bank enhanced capability building in wealth management, agency market-making, business matchmaking, payment and settlement, and enriched the contents of interbank customer management. In addition, the Bank continued to pay attention to liquidity safety and facilitated liquidity management across the Bank. Adhering to the bottom line of risk management, the Bank kept business risks under strict control, enhanced the monitoring and early warning of credit risks, and maintained the stability of asset quality. During the reporting period, the Bank conducted business cooperation with 3,908 interbank customers, and the balance of interbank deposits stood at RMB540,668 million.

### 3. Asset management business

In order to meet the diversified customer needs for wealth management, the Bank continued to enrich the “Colorful Sunshine” NAV wealth management product spectrum, and launched wealth management products under various themes including inclusive finance, common prosperity, support for servicemen, rural revitalization, green development and publicly-offered REITs. Moreover, the Bank developed ten pension wealth management products to meet the long-term elderly care needs of customers and suit their life-cycle characteristics. The Bank was one of the first to be licensed for personal pension wealth management business, the first to complete the agency wealth management business for the strategic reserve fund of provincial social security fund, and one of the first to attract insurance funds to invest in wealth management products. In order to strengthen investment capability, the Bank developed the systemic structure combining production, research and investment, conducted data-based research, and empowered investment with financial instruments. With such efforts, the Bank strengthened the multi-asset allocation strategy, and became one of the most active financial institution investors of REITs. The Bank adhered to operation with compliance, fulfilled risk control responsibilities, and improved its initiatives and forecasting abilities in risk control to ensure high-quality development of wealth management business. As at the end of the reporting period, the Bank’s non-principal-guaranteed wealth management products under the scope of consolidated management marked a balance of RMB1,185,241 million, an increase of RMB117,532 million or 11.01% over the end of the previous year. Among these, the balance of NAV wealth management products stood at RMB1,143,109 million, accounting for 96.45%. During the reporting period, the Bank cumulatively issued RMB4.14 trillion of non-principal-guaranteed wealth management products, and cumulatively created RMB32,870 million of value for investors.

### 4. Asset custody business

Committed to “value symbiosis and sharing”, the Bank gave full play to the role of the comprehensive asset custody platform, integrated various business segments such as corporate banking, retail banking, interbank business and wealth management, enhanced coordinated marketing efforts, and achieved continuous increase in value contribution of custody business. The Bank carried out business operation in a well-coordinated way, improved the emergency response mechanism, and adopted measures to ensure uninterrupted, safe and steady operation of the custody business. The Bank conducted stratified and grouped marketing campaigns to consolidate customer base, and achieved rapid growth in the total number of customers. The Bank optimized product strategies based on market changes, actively promoted publicly-offered REITs, expanded the categories of trust custody services, and spared no effort to accelerate pension finance business, becoming one of the first to conduct personal pension business in China. The Bank strengthened technological empowerment, improved product spectrum and business system, and enhanced the online, automated and digital operation ability of custody business. As at the end of the reporting period, the Bank’s income after tax from custody business amounted to RMB1,749 million.

## XV. BUSINESS INNOVATION

Giving full play to the advantages of special funds for fintech innovation, the Bank improved the innovation management mechanism and enhanced innovation guidance and incentives to promote innovation-oriented development, and supported project cultivation and incubation relying on innovation funds. As at the end of the reporting period, the Bank initiated 86 innovation projects, of which 36 projects achieved phased targets.

Great achievements were made in digital transformation with CEB characteristics, which was highly recognized in the industry. The Bank was awarded the “Best Digital Bank Award” and “Best Scenario Innovation Award for Digital Banking” by China Financial Certification Authority (CFCA). CEB Mobile Banking won the “Outstanding Digital Technology Innovation Award” by JRJ.com and “Outstanding Mobile Banking for 2022” by Hexun.com. “Social Security Cloud Fee Payment” won the Gold Award at the 5th Digital Finance Innovation Competition. Cloud Fee Payment, Sunshine Receivables Express (Guang Xin Tong) and Sunshine Payment Express (Guang Fu Tong) were awarded “Excellent Cases of Digital Transformation in Chinese Banking Industry”, and Cloud Fee Payment and Sunshine Logistics Express (Wu Liu Tong) were awarded “Digital Inclusive Finance Innovation Achievements of China”.

## Management Discussion and Analysis

### XVI. INFORMATION TECHNOLOGY

The Bank held steadfast to its blueprint and accelerated the building of the “123+N” digital banking development system, with substantial growth in core indicators. Continuously empowered by “one smart brain”, the Bank developed over 1,000 training algorithm models, up 22% from the previous year, and realized the cross application of multi-modal bio-metrics identification covering over 600 scenarios, up 13% from the previous year. “Two technological platforms”, namely cloud computing platform and big data platform, were further consolidated. The cloud computing platform 3.0 (i.e. “Full Stack Cloud” or “Quan Zhan Yun”) realized automatic and controllable operation, and received enhanced authentication for “Distributed System Stability Measurement Model” from China Academy of Information and Communications Technology (CAICT), with nearly 90% of the Bank’s application systems uploading to the cloud. The big data platform supported efficient computing, and the total amount of data on the platform exceeded 12 PB, an increase of 42% over the same period of the previous year. “Three service capabilities” were further improved with a focus on mobilized, open-ended and ecosystem-based development, and the new digital operation model based on the customer-centered business philosophy was created. The “N (numerous) digital hit products” adhered to the people-centered attributes of financial work, and provided customers with convenient online financial services such as Cloud Fee Payment, Cloud Payment, Sunshine Digital Loans, Sunshine Logistics Express (Wu Liu Tong), Overseas Finance Cloud and Sunshine E-financing Chain.

The Bank optimized the technology innovation mechanism, launched the “Golden Idea” incubation program, and achieved encouraging results in technology innovation projects. During the reporting period, 79 technology projects obtained patents or software copyrights, including the “Yin Bao Tong Information Management System” and “Unified Terminal Safety Operation Management System”. Moreover, 22 technological projects, including the “Online Sales Platform Based on Artificial Intelligence for Wealth Customers” and “Sunshine RPA Process Automation Platform” won recognition and awards in the industry.

The Bank invested more in technology and put more efforts in building talent teams. During the reporting period, the Bank invested RMB6,127 million in technology development, an increase of RMB341 million or 5.89% over the previous year, accounting for 4.03% of the operating income. As at the end of the reporting period, the number of IT personnel across the Bank was 3,212, an increase of 851 over the previous year-end, accounting for 6.75% of the IT personnel. By educational background, the number of employees with junior college degree or below was 42, accounting for 1.31% of the IT personnel; the number of employees with bachelor’s degree, 1,420, accounting for 44.21% of the IT personnel; the number of employees with master’s degree or above, 1,750, accounting for 54.48% of the IT personnel. By age, 890 employees were under the age of 30, accounting for 27.71% of the IT personnel; 2,248 were aged 30 to 50, accounting for 69.99%; and 74 were over the age of 50, accounting for 2.30%.

The Bank strengthened efforts to ensure safety during critical periods of time. The Bank organized activities such as network security and data securities inspections, “technological mine-sweeping”, disaster recovery drills and other activities to enhance the safe operation capability of information systems. During the reporting period, the Bank’s information systems operated steadily, with no major security incident occurred.

## Column 4: Promoting technology empowerment and building a digital bank

Focusing on the new strategic plan for technology, the Bank proactively promoted in-depth integration of business and technology, carried out key strategic technology projects, and propelled data governance and value creation of data assets, to comprehensively empower the realization of the strategic goal of “building a first-class wealth management bank”.

### I. Strengthening the top-level design and planning for the building of a digital Everbright

The Bank set up a digital transformation committee, constructed the top-level design, organizational structure and working mechanism for the Bank’s digital transformation, established a three-in-one digital Everbright strategic framework featuring Bank-wide strategic leadership, digital transformation planning and implementation, and fintech strategic guarantee, and built a fintech operation system involving two departments (Financial Technology Department and Data Asset Management Department) and two centers (Technology R&D Center and Intelligent Operation Center) to advance the digital transformation of the Bank. The Bank promoted the implementation of blueprints for technological governance, application architecture, data architecture, technology architecture and information security architecture as stated in the new strategic technology plan, focused on the building of business middle offices of customer management, marketing, intelligent operation and intelligent risk control, as well as data middle office and technology middle office, and further strengthened the building of enterprise-level sharing capabilities. The Bank continuously optimized the technology personnel dispatch mechanism for corporate banking, retail banking and digital banking, with a total of more than 1,300 technology personnel dispatched, thus greatly improving the efficiency of demand response and system development.

### II. Relying on fintech to facilitate digital transformation of businesses

In corporate banking, the Bank built digital service capabilities around the building of customer and marketing middle offices, created a “front-line – scenario – middle-office” building mechanism and service model for corporate banking to empower the unified identification, marketing and operation of corporate customers. About 8.5 million pieces of information of potential customers were discovered, and approximately 78,000 new accounts were opened at the Bank. In addition, the Bank kept fostering the “Sunshine Supply Chain Cloud Platform” to consolidate the scenario-based financial services integrating industry and financing. In retail banking, the Bank promoted the building of retail customer middle office, retail marketing middle office, operation strategy middle office and retail customer manager workbench, and put into production a new-generation intelligent, agile and online retail credit management platform, to further improve customer experience and enhance business efficiency. Moreover, a model factory for retail customers, retail marketing and retail credit was built, and federated learning and joint modeling were used, making the Bank’s retail AUM increased by close to RMB100 billion. In digital banking, the Bank continuously created and improved a number of well-known digital products including Cloud Fee Payment, Sunshine Payment Express (Guang Fu Tong), Sunshine Receivables Express (Guang Xin Tong), Sunshine Logistics Express (Wu Liu Tong), Sunshine Inclusive Finance Cloud and Sunshine E-financing Chain. Sunshine Payment Express (Guang Fu Tong), an online sales platform for agricultural and sideline products in areas that have been lifted out of poverty, provides remote account opening service for settlement accounts with limited functions, winning high recognition from both the platform and merchants in those areas. Sunshine Receivables Express (Guang Xin Tong) was selected as one of the first batches of fintech innovation and management service platforms by PBOC.

## Management Discussion and Analysis

### III. Deepening data governance and exploring the value of data assets

To strengthen data security and quality management, the Bank introduced data standards. The “Cornerstone Project” aims to consolidate basic data capacity, and the “Lighthouse Project” leads the high-quality application of key indicator data. The Bank devised a data security governance plan with data life-cycle security management as the core, covering organizations, policies, norms, operations and technical tools of data security. The Bank’s data warehouse platforms were successfully migrated from Teradata to the domestic GaussDB, thus becoming the first bank in China to realize large centralization of domestic data warehouse platforms. As the first commercial bank data broker contracted with Beijing International Big Data Exchange, the Bank released the *Research Report on Accounting of Data Assets of Commercial Banks and the Research Report on Data Element Market Ecosystem of Commercial Banks*, proposing solutions for deepening the market-oriented reform of data elements and promoting independent and orderly flow of data elements.

### IV. Promoting intelligent applications and creating intelligent risk control and marketing systems

In intelligent risk control, by means of AI, big data and cloud computing technologies, the Bank established an intelligent anti-money-laundering (AML) and anti-fraud system that starts from customer admittance session, providing whole-process intelligent risk control covering automatic pre-lending approval and intelligent post-lending warning. The Bank devised an intelligent risk control service plan for inclusive finance, and enabled automatic and auxiliary approval functions for businesses such as Sunshine E-mortgage Loans and Sunshine E-tax Loans to provide more convenient financing channels for inclusive customers, with 20 inclusive finance scenarios maintained, about 2.1 million new SMEs and business owners introduced, and RMB34.0 billion of new loans granted. Besides, the Bank shored up the development of various whitelist customer groups of Sunshine Fast Loans (Guang Su Dai) and the semi-open customer acquisition mode of branches, supported more than 80 automated approval scenarios for online retail loans, newly introduced about 20 million credit customers, and issued new loans of RMB410 billion approximately. With respect to intelligent marketing, the Bank provided services for industry research, strategic agreement signing and intelligent marketing of specialized, sophisticated, distinctive and innovative enterprises in corporate banking by means of digital technologies such as marketing resource pools and fission marketing, with newly-added credit lines of close to RMB110 billion. The Bank built a data-driven digital intelligent marketing system for retail customers featuring “processing in batches + real-time marketing” to greatly improve precision marketing capability, and carried out more than 4,000 marketing activities using about 276 million marketing leads, covering about 68 million customers.

## XVII. HUMAN RESOURCES MANAGEMENT

The Bank attached great importance to leadership building and cadre management and supervision, expanded the scope of personnel selection and appointment, optimized leadership structure, and strengthened supervision on leading cadres. The Bank enhanced cadres’ abilities to perform duties, took political literacy as a core indicator for the assessment of cadres, intensified exchanges of cadres, established a regular cultivation and selection mechanism for outstanding young cadres, and put cadres in multiple positions for training. The Bank intensified efforts to build talent teams, formulated talent development plans, sped up the building of professional talent pools, stepped up the building of wealth management teams, carried out two-way exchanges between IT positions and business positions, and built a three-dimensional talent training system. Focusing on its development strategy, the Bank adjusted and optimized personnel structure, prioritized filling positions in key strategic fields such as wealth management and fintech, established an introduction mechanism for in-demand talents, and expanded employee promotion channels. The Bank refined performance evaluation and remuneration management system, and gave full play to the role of performance-oriented incentives and constraints. Furthermore, the Bank strengthened the capacity building of the human resources line, reviewed human resources rules and regulations, improved authorization management system, pushed forward IT-based management, and worked out evaluation and assessment plans for human resources management in directly-administered institutions.



## VIII. INVESTMENT ANALYSIS

i. As at the end of the reporting period, the balance of the Bank's material equity investments amounted to RMB13,233 million, on par with that of the previous year.

### ii. Material Equity Investments

Unit: RMB10,000, 10,000 shares, %

Investee	Principal business	Investment amount	Number of shares held	Percentage of shareholding	Profit or loss in the reporting period	Partner
Everbright Financial Leasing Co., Ltd.	Financial leasing	468,000	531,000	90	176,567	Hubei Port Group Co., Ltd., Wuhan Rail Transit Construction Co., Ltd.
Everbright Wealth Management Co., Ltd.	Wealth management	500,000	-	100	187,900	Nil
Beijing Sunshine Consumer Finance Co., Ltd.	Personal consumer finance	60,000	60,000	60	13,500	China CYTS Tours Holding Co., Ltd., O-Bank Co., Ltd.
CEB International Investment Corporation Limited	Investment banking	HKD2.6 billion	-	100	-HKD646 million	Nil
China Everbright Bank (Europe) S.A.	Fully-licensed banking business	EUR20 million	-	100	EUR0.95 million	Nil
Shaoshan Everbright Rural Bank Co., Ltd.	Commercial banking	10,500	10,500	70	800	Sany Group Co., Ltd., Guangzhou Baoli Hetai Financial Holding Co., Ltd., Changsha Tongcheng Holding Co., Ltd., Shaoshan Urban Construction Investment Co., Limited
Jiangsu Huai'an Everbright Rural Bank Co., Ltd.	Commercial banking	7,000	7,000	70	27	Jiangsu East Goldfox Fashion Co., Ltd., Huai'an Hongyun Municipal Co., Ltd., Nanjing Mengdu Tobacco Packaging Co., Ltd., Huai'an Honghuai Agricultural Industry Development Co., Ltd.
Jiangxi Ruijin Everbright Rural Bank Co., Ltd.	Commercial banking	10,500	10,500	70	829	Ruijin Cultural Tourism Development and Investment Co. Ltd., Ruijin Hongdu Aquatic Product Food Co. Ltd., Ruijin Lyexuan Forestry Co., Ltd., Ruijin Tiancheng Agricultural Products Co., Ltd.
China UnionPay Co., Ltd.	Bank card clearing	9,750	7,500	2.56	1,580,700	Other commercial banks, etc.
National Financing Guarantee Fund Co., Ltd.	Re-guarantee	100,000	-	1.51	-	20 shareholders including MOF, China Development Bank, Industrial and Commercial Bank of China, China Merchants Bank, China Life, etc.

Notes:

- All the above-mentioned material equity investments were made with unquoted equity.
- All the above-mentioned material equity investments were long-term investments.
- All the above-mentioned material equity investments were in the form of new establishment.
- All the above-mentioned material equity investments were completed.
- All the above-mentioned material equity investments were not subject to any litigation.

## Management Discussion and Analysis

**iii. During the reporting period, there was no material non-equity investment and the Bank conducted bond investment in the ordinary and usual course of business. Please refer to the aforementioned for details.**

**iv. Financial assets designated at fair value during the reporting period**

The Bank held domestic and overseas bonds and financial derivative instruments measured at fair value in the ordinary and usual course of business. Please refer to “Notes to the Consolidated Financial Statements” for details.

### **XIX. DURING THE REPORTING PERIOD, THERE WAS NO DISPOSAL OF MATERIAL ASSETS OR EQUITY OF THE BANK.**

### **XX. MAJOR COMPANIES IN WHICH THE BANK HELD EQUITY**

**i. Everbright Financial Leasing Co., Ltd.**

Established in May 2010, the company engages in financial leasing business. It was registered in Wuhan City, Hubei Province with a registered capital of RMB5.9 billion. During the reporting period, the company mainly focused its financial leasing business on fields relating to national economy and people’s well-being, such as public utilities, infrastructure and urbanization as well as national strategic emerging industries such as new materials, new energy and high-end manufacturing. By now, it has gained certain brand advantages in aviation equipment and vehicle equipment, and is actively expanding business in the fields of wind power and shipping vehicles, with a nationwide coverage of business network. As at the end of the reporting period, its total assets and net assets were RMB130,877 million and RMB13,212 million, respectively. It realized a net profit of RMB1,766 million for the reporting period.

**ii. Everbright Wealth Management Co., Ltd.**

Founded in September 2019, the company specializes in asset management related businesses such as the issuance of publicly-offered wealth management products, the issuance of privately-offered wealth management products, and wealth management advisory and consultation. It was registered in Qingdao City, Shandong Province with a registered capital of RMB5 billion. During the reporting period, putting customers at the center of business, the company continued to optimize its product structure, supported the country’s efforts in developing a multi-tier and multi-pillar pension insurance system, and was granted the first batch of qualifications for personal pension wealth management business. It built an all-round accompanying system for customers’ investment experience, strengthened service support for the real economy and market entities, and safeguarded the long-term and fundamental interests of financial consumers. As at the end of the reporting period, its total assets under management, total assets and net assets were RMB1,185,241 million, RMB8,861 million and RMB8,249 million, respectively. It realized a net profit of RMB1,879 million for the reporting period.

**iii. Beijing Sunshine Consumer Finance Co., Ltd.**

Founded in August 2020, the company specializes in business relating to personal consumer loans. It was incorporated in Beijing with a registered capital of RMB1 billion. During the reporting period, the company actively promoted the building of self-owned scenarios and improved its independent risk control capability. As at the end of the reporting period, its total assets and net assets were RMB12,477 million and RMB1,148 million, respectively. It realized a net profit of RMB135 million for the reporting period.

**iv. CEB International Investment Corporation Limited**

Registered with a capital of HKD2.6 billion in Hong Kong in June 2015, the company has obtained the licenses for securities trading, securities consultation, financing consultation and asset management business. During the reporting period, the company focused on developing such investment banking businesses as listing sponsorship and underwriting, public offering and placement of new shares by listed companies, and enterprise refinancing. As at the end of the reporting period, its total assets and net assets were HKD6,951 million and HKD1,520 million, respectively. It registered a loss of HKD646 million for the reporting period.

#### v. China Everbright Bank (Europe) S.A.

The company was incorporated in Luxembourg in July 2017 with a registered capital of EUR20 million. As a fully-licensed banking institution, it mainly engages in deposit taking, lending, bill issuance, bond issuance and other businesses of credit institutions permitted by the laws in Luxembourg. During the reporting period, it mainly conducted risk participation buying, among other credit businesses. As at the end of the reporting period, its total assets and net assets were EUR103.76 million and EUR14.47 million, respectively. It realized a net profit of EUR0.95 million for the reporting period.

#### vi. Shaoshan Everbright Rural Bank Co., Ltd.

Founded in September 2009, the rural bank engages in commercial banking services including deposit taking and lending. It was registered in Shaoshan City, Hunan Province with a registered capital of RMB150 million. During the reporting period, focusing on serving agriculture, rural areas and rural residents as well as Shaoshan, it developed businesses for micro and small enterprises, helped boost the growth of county economy, and explored ways to support rural economic development with its financial products and services. As at the end of the reporting period, its total assets and net assets were RMB835 million and RMB236 million, respectively. It realized a net profit of RMB8 million for the reporting period.

#### vii. Jiangsu Huai'an Everbright Rural Bank Co., Ltd.

Founded in February 2013, the rural bank engages in commercial banking services including deposit taking and lending. It was registered in Huai'an City, Jiangsu Province with a registered capital of RMB100 million. During the reporting period, it served agriculture, rural areas and rural residents, expanded businesses for micro and small enterprises, and achieved a steady growth. As at the end of the reporting period, its total assets and net assets were RMB1,128 million and RMB137 million, respectively. It realized a net profit of RMB0.27 million for the reporting period.

#### viii. Jiangxi Ruijin Everbright Rural Bank Co., Ltd.

Founded in November 2018, the rural bank engages in commercial banking services including deposit taking and lending. It was registered in Ruijin City, Jiangxi Province with a registered capital of RMB150 million. During the reporting period, it explored ways to serve agriculture, rural areas and rural residents, and developed businesses for micro, small and medium enterprises. As at the end of the reporting period, its total assets and net assets were RMB571 million and RMB176 million, respectively. It realized a net profit of RMB8.29 million for the reporting period.

## XXI. STRUCTURED ENTITIES CONTROLLED BY THE BANK

The structured entities controlled by the Group but not recognized in the consolidated financial statements mainly include special asset management plans. Please refer to “Notes to the Consolidated Financial Statements” for details.

# Management Discussion and Analysis

## XXII. RISK MANAGEMENT

### i. Credit risk management

The Bank deepened unified credit management, strengthened consolidated limit management and control, improved consolidated risk management mechanism, and enhanced the management of domestic and overseas institutions and subsidiaries, thereby ensuring effective transmission of risk policies and credit policies. The Bank continued to strengthen loan concentration management, established a large-value credit customer management and control mechanism, and set large-value credit concentration limits for different tiers. The Bank promoted the building of Sunshine Pre-warning Platform, established a pre-review and consultation mechanism at front and middle offices to make both marketing and risk prevention and control more accurate. The Bank strengthened the development of credit-granting industry research system, and integrated industry research with business development to make risk management policy guidance more pertinent, forward-looking and adaptive. The Bank also applied big data, artificial intelligence and blockchain to transform traditional risk control technologies, advanced digitalized transformation of risk management, and improve the intelligent level of risk management.

The Bank actively served market entities, helped stabilize the economy and facilitated the steady growth of credit. The Bank also supported major national strategies, and provided financing services for infrastructure construction, major projects, green finance, etc. The Bank bolstered emerging industries of strategic importance and advanced manufacturing industry, granted more medium- and long-term loans to manufacturing industry and loans to private enterprises and green industries, and met the financing needs of specialized, sophisticated, distinctive and innovative enterprises. The Bank ensured the implementation of support policy for unsecured loans, followed up with the supporting financing of major projects, and leveraged such structural monetary policy tools as re-lending for equipment upgrading and renovation and supporting instruments for carbon emission reduction. Meanwhile, the Bank implemented the 16 financial measures put forward by PBOC and CBIRC to boost the virtuous circle development and healthy development of the real estate industry, and support the call for “ensuring timely delivery of pre-sold homes, people’s livelihood and stability”. The Bank formulated a separate credit plan for micro and small enterprises and stepped up credit support for SMEs. The Bank also strengthened financial services for the consumption sector and implemented the policy of domestic demand expansion.

The Bank classified assets in an accurate manner so as to disclose risk profile dynamically and objectively. The Bank pursued a prudent and sound provision policy, performing impairment testing and provisioning strictly in line with the new accounting standards for financial instruments. Besides, the Bank improved the whole-process asset quality management mechanism, strengthened portfolio monitoring and penetration risk monitoring for large-value credit customers, and stepped up risk prevention in key areas. It also intensified the disposal of existing non-performing loans, and broadened disposal channels.

Please refer to “Notes to the Consolidated Financial Statements” for further details about credit risk management.

### ii. Liquidity risk management

The Bank strictly stuck to the bottom line of liquidity safety, insisted in a prudent concept for liquidity risk management, and adopted an active liquidity management strategy, in a bid to maintain liquidity at an adequate and stable level. In response to changes in economic and financial situations at home and abroad, the Bank positively responded to the challenges in operating environment such as geopolitical conflicts, made forward-looking liquidity planning, and enhanced overall planning for diversified liabilities. The Bank regularly conducted stress testing and emergency plan assessment, strictly controlled liquidity risk limits to properly balance liquidity, security and benefits, further improved its consolidated management governance system, and enhanced the risk resistance capacity for the Group.

Please refer to “Notes to the Consolidated Financial Statements” for further details about liquidity risk management.

### iii. Market risk management

The Bank closely monitored international political and economic situations as well as domestic and overseas markets, conducted forward-looking analysis and management on interest rate risk, exchange rate risk and commodity risk, and continued to improve its market risk management policy system. The Bank strengthened market risk limit management, and actively pressed ahead with consultation and system building programs of the new standardized approaches for market risks under Basel III.

Please refer to the “Notes to the Consolidated Financial Statements” for further details about market risk management.

### iv. Large exposures management

In line with the *Measures for the Administration of Large Exposures of Commercial Banks* (Decree No.1 of CBIRC in 2018), the Bank continuously enhanced the management of large exposures, orderly carried out work relating to measurement, monitoring and system optimization for large exposures, and thus effectively brought customer concentration risk under control. During the reporting period, all limit indicators for the Bank’s large exposures were controlled within the regulatory scope.

Please refer to “Summary of Accounting Data and Financial Indicators” for relevant data about indicators of large exposures.

### v. Country risk management

The Bank established a country risk management system that fits in with its risk profile, set country risk limits and regularly monitored them, carried out country risk stress tests, and formulated procedures for handling material risk events. As at the end of the reporting period, the Bank was granted above investment grades in national and international ratings of country risk exposures. It also accrued adequate country risk provisions in accordance with regulatory requirements.

### vi. Operational risk management

The Bank continuously enhanced reporting on operational risk identification and monitoring in key areas, paid close attention to regulatory penalties in and outside the Bank, saw that all those involved assume their full responsibilities for risk management, and further raised employees’ compliance awareness in operation. The Bank effectively applied three major operational risk tools to identify, monitor, assess and report risks to improve management effect. The Bank reported typical risk cases, increased monitoring, early warnings and notifications on recurring problems, early risks and regular risks. Furthermore, in reference to relevant provisions of Basel III and regulatory requirements, the Bank carried out capital testing, designed implementation plans, developed and optimized systems, and enhanced coordinated management capability of capital measurement in operational risk management.

Please refer to “Notes to the Consolidated Financial Statements” for further details about operational risk management.

## Management Discussion and Analysis

### vii. Compliance risk management

The Bank constantly followed changes in external laws and regulations, and carried out annual review on internal rules and regulations. Focusing on key areas of regulatory concern, the Bank strengthened the governance of recurring problems, and improved the quality and efficiency of compliance inspection. The Bank improved the comprehensive evaluation indicator system for internal control and compliance management, strengthened early warning and reporting management for compliance risks of consolidated institutions, and built a long-effect mechanism for compliance management. The Bank established a corporate lawyer management mechanism, built a legal and compliance talent team, improved authorization management system, and strengthened dynamic adjustment. The Bank also optimized the unannounced inspection mechanism, and continuously carried out screening and investigations into employees' abnormal transactions. Furthermore, the Bank enhanced the management of employee behaviors, revised the measures for handling employee behaviors in violation of rules, and promoted strict and precise accountability.

### viii. Reputational risk management

The Bank attached great importance to reputational risk management, strictly implemented regulatory requirements, took reputational risk as an important risk indicator, and continuously improved the reputational risk management mechanism that is applicable to the whole Bank. Emphasizing on ex-ante prevention, the Bank strengthened routine monitoring and potential risk identification of reputational risks, and persisted in mitigating reputational risk from sources. The Bank enhanced the linkage between reputational risk management and business development as well as consumer protection, streamlined procedures, clarified responsibilities and strengthened supervision and assessment, hence enhancing the Bank's capacity and efficiency in addressing reputational risk.

During the reporting period, there occurred no material reputational risk event which could seriously endanger the reputation of the Bank.

### ix. Money laundering risk management

Aiming at accelerating the transformation towards a risk-based approach (RBA) anti-money laundering (AML) working mechanism, the Bank rectified all the deficiencies identified in PBOC's inspections of law enforcement, further improved the money laundering risk management system, strengthened the coordination mechanism at the senior management level, increased resource investment in AML, and improved internal supervision and performance assessment. The Bank completed a new round of institutional money laundering risk assessment, organized continuous due diligence on existing customers and conducted AML supervision and inspection. The Bank also improved the effectiveness of large-value and suspicious transaction reporting, and stepped up AML training and publicity to enhance the AML risk management capability.

### x. Credit policies for key fields

The Bank attached great importance to risk prevention in the real estate sector, maintained reasonable and moderate financing for the real estate industry under the overall principle of "housing is for living in, not for speculation", and promoted the formation of virtuous circles for healthy development in the real estate industry. In corporate banking, the Bank adhered to the customer list-based management, and further highlighted the selection of "high-quality real estate enterprises" in credit granting; worked unswervingly to consolidate and develop the public sector and to encourage, support and guide development of the non-public sector, and treated all real estate enterprises equally including state-owned enterprises and private enterprises; strictly implemented project compliance management, and followed the regulatory requirements on closed management of funds. In retail banking, the Bank granted personal mortgage loans to core regions and projects, and implemented differentiated mortgage ratio management for different regions and projects; properly carried out access management of real estate projects, and opted for projects of developers with strong operational capability and sound financial position.

## XXIII. OUTLOOK OF THE BANK

### i. Landscape and development trend of the industry

Looking into 2023, China's banking industry will maintain prudent operation. The industry is expected to witness a steady growth in the scale of assets, effective increase in the total amount of credits, optimized asset structure based on major credit business, real economy and consumer demand, continuous decrease in the costs of both corporate comprehensive financing and personal consumer credit, gradually improved asset quality, and controllable overall credit risk. The liability structure will see continuous optimization based on macro policies and market trends, adjustments with focuses on obtaining source funds and increasing demand deposits, and possible decline in liability cost at the same time. Operation differentiation among banks will increase further on account of economic restructuring as well as different phases and varying effectiveness of commercial banks' reform and transformation.

### ii. Business plan

In 2023, the Bank will further optimize its asset and liability structure, focus on serving the real economy, stick to the three North Star Metrics (NSM), and enhance comprehensive financial service capabilities. Under the premise that no significant change will happen in current operation environment and regulatory policies, the Bank will strive to achieve a loan growth rate of no lower than 8%. This business plan does not constitute a performance commitment of the Bank to its investors, who shall maintain sufficient risk awareness and understand the discrepancy between business plan and performance commitment.

### iii. Capital demand plan

The Bank will formulate capital replenishment plans based on its financial budget, strategic plans and stress testing results. Based on actual conditions, the Bank will replenish capital via both internal and external channels, and further consolidate capital foundation, to address the influences of economic cyclical fluctuations and changes in regulatory policy changes, ensuring long-term sustainable development.

### iv. Potential risks and countermeasures

In 2023, internationally speaking, both global inflation pressure and fiscal deficits remain high. International financial market remains unstable, geopolitical conflicts linger, the external environment is volatile, and world economy lacks the momentum for recovery. From the domestic perspective, with effective macro-control, Chinese economy enjoys strong resilience, tremendous potential and great vitality, and the fundamentals sustaining its long-term growth remain strong. Meanwhile, the foundation for economic recovery is still not solid enough, and the triple pressure of demand contraction, supply shocks and weakening expectations remains high. Under the background of fiercer competition in the banking industry, rapid fintech development, deepened interest rate market reform and heavier downward pressure on deposit and loan spreads all give rise to difficulties in bank asset and liability management, and the traditional business philosophy and model of commercial banks face major challenges.

The Bank will adhere to the general principle of "keeping stability the top priority and pursuing progress while ensuring stability". The Bank will continue to strengthen strategic orientation and innovation drive, highlight wealth management and fintech features, and promote high-quality development of the Bank. Focusing on building a first-class wealth management bank, the Bank will put emphasis on the following tasks: first, the Bank will follow decisions and policies made by the central government, and thoroughly implement national strategies; second, the Bank will further promote strategy implementation with a focus on strategic path; third, the Bank will focus more on innovation and leverage the role of technology to empower development; last but not least, the Bank will focus more on customer services and safeguard the rights and interests of consumers.

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# Environmental and Social Responsibilities

## I. ENVIRONMENT INFORMATION

### i. Green finance

#### 1. Green finance policy

The Bank conscientiously implemented relevant regulatory policies, practiced the green development philosophy in all respects, and continuously improved the green finance management mechanism. The Bank developed the medium-term action plan and internal management measures for green finance, and contributed to the attainment of the carbon peak and carbon neutrality goals by focusing on key areas of green finance such as clean energy, energy conservation, environmental protection, ecological environment and green infrastructure upgrading. The Bank explored innovative financial service models, launched the model of “Carbon Trading Scenario-based Finance”, promoted innovative credit products such as loans pledged by carbon emission right or mortgaged by forest ownership, and provided enterprises with a package of financial services catering to their diverse financing needs relating to low-carbon transformation.

#### 2. Green finance performance

The Bank stepped up support for green finance through credit resource allocation and performance evaluation, realized fast growth in business such as green credit and green bonds, and gradually enriched the green finance product system. As at the end of the reporting period, the balance of green loans amounted to RMB199,290 million, an increase of RMB74,698 million or 59.95% over the prior year-end. Specifically, loans to the clean energy sector stood at RMB31,158 million, an increase of RMB18,436 million or 144.92%, faster than the Bank’s average loan growth rate from the end of the previous year. The Bank actively underwrote green bonds to support the direct financing of eco-friendly and low-carbon enterprises, supported 12 market entities to issue 16 green bonds with a cumulative underwriting volume of RMB9,077 million, and helped enterprises in the industries of rail transit, new energy vehicles and clean energy power generation to obtain direct financing of RMB33,629 million.

### ii. Green operation

#### 1. Emission reduction

The Bank carried out in-depth greenhouse gas emission management by checking its carbon emissions and making statistical collection of carbon emission data from more than 1,000 organizational units of Bank to reasonably forecast future growth, conducted preliminary investigations for carbon footprint management, made clear green transformation goals, and explored new energy custody models. According to the requirements of local governments for attaining the carbon peak and carbon neutrality goals, the Bank conducted carbon emission inspection, energy-saving goal responsibility evaluation, energy use reporting and energy saving supervision among energy-consuming units, and fulfilled its carbon emission responsibilities. The Bank insisted in promoting “green office”, effectively controlled the use of official vehicles, and proactively saved electricity to reduce carbon emissions. During the reporting period, greenhouse gas emissions totaled 60,992.42 tons.

#### 2. Resource conservation

The Bank continuously promoted “green office” and “green life” by reducing the use of water, electricity, paper and one-off office supplies, arranged property management personnel to patrol the office buildings after working hours and during holidays, and ensured that lights are all turned off after work. The Bank strictly observed the *Implementation Measures for Practicing Rigid Economy and Combating Waste*, and specified requirements for budget management, domestic business trips, outbound business trips, business receptions, official vehicle management and conference organization in accordance with the principles of strictness and simplicity, compliance with laws, total amount control, staying practical and realistic, openness and transparency and reform deepening. The Bank promoted the use of energy-saving products with the focus on new energy and renewable energy, and obsoleted facilities and equipment with high energy consumption. The Bank proactively used water-saving appliances for energy-saving transformation, recycled non-confidential paper waste, waste electrical appliances and other electronic products in a centralized manner for cyclic utilization, and made full use of IT means to promote paperless office and reduce consumption of one-off office supplies. During the reporting period, energy consumption totaled 118,521.68MWh.

## Environmental and Social Responsibilities

### iii. Environmental and climate risk management

#### 1. Risk management policy

The Bank highly valued ESG risk management, formulated the *Environmental, Social and Governance Risk Management Policy*, incorporated ESG risk into the comprehensive risk management system, and adhered to basic principles of full coverage, category-specific management and whole-process management. The Bank proactively built a framework for ESG risk management, and defined organizational structure and responsibilities for risk management. The Bank established category-specific management standards, and strictly implemented the “one-vote veto system” for customers with major ESG risks. The Bank standardized management process, incorporated ESG risk management requirements into all links in credit business such as due diligence, review & approval and post-lending management, and strictly exerted whole-process control.

#### 2. Risk management measures

The Bank strengthened review of environmental and climate risks, and carefully managed credit access for green projects to prevent problems such as capital idling and “green washing”. The Bank strengthened the whole-process management of customers’ ESG risks, launched ESG risk modules in the management system, and added ESG risk identification, assessment and management to business links including pre-lending examination, review & approval, contract management, loan granting review and post-lending management. The Bank resolutely implemented the requirements for reducing overcapacity by enhancing management of industries with serious overcapacity, heavy energy consumption and emission, and persisted in total amount management and structural adjustment. The Bank actively supported the clearing of “zombie enterprises”, and adopted credit limit management and four-category existing customer management (supporting, maintenance, reduction and elimination) for industries with serious overcapacity.

The Bank actively put in place an environmental protection mechanism and pushed forward the implementation of environmental protection measures. The Bank was not on the list of key pollutant discharging units announced by the environmental protection authority, and was not imposed any administrative penalties due to environment-related issues.

## II. INFORMATION ON SOCIAL RESPONSIBILITY FULFILLMENT

### i. Purpose and philosophy

The Bank formulated the *Three-Year Development Plan for Corporate Social Responsibility (2020-2022)* as the action guideline for fulfilling its corporate social responsibilities (CSR), and made an overall plan for CSR fulfillment across the Bank in 2020-2022. With the vision of “building a first-class wealth management bank with leading CSR management and international influence”, the Bank set up a responsibility concept of “Value Creation, Sunshine Development”. Guided by the new development philosophy of “innovation, coordination, green, openness and sharing”, the Bank proposed 16 actions under seven modules of CSR management, CSR capacity building, CSR practice, CSR dissemination, CSR coordination, CSR market communication and CSR research, and guaranteed comprehensive CSR fulfillment through six measures in terms of organization, mechanism, plan, capacity, supervision and funding.

## ii. Consolidation of achievements in lifting people out of poverty

The Bank continued to consolidate achievements of the fight against poverty, improved organizational structure, devised work plans, and reviewed tasks and objectives on a quarterly basis, with all work carried out in an orderly fashion. The Bank continuously committed itself to assistance through donations. During the reporting period, the Bank focused on supporting counties designated to receive paired assistance and 14 branches such as Yinchuan Branch, Taiyuan Branch and Lanzhou Branch with a total donation amount of RMB9.24 million. The Bank proactively provided assistance by sending cadres to villages. As at the end of the reporting period, 28 branches were tasked with paired assistance as assigned by local governments and regulators or voluntarily, assigning a total of 176 cadres to 66 villages under paired assistance. There are still 79 cadres residing in villages to offer assistance. The Bank consistently pushed forward assistance through consumption. Through its “Wonderful E-shopping” platform, the Bank helped 238 rural enterprises in 198 counties (including those receiving paired assistance) of 29 provinces to sell 1,157 agricultural products online, and realized a total sale of 2,407,100 items or RMB157 million, including RMB23,318,900 during the reporting period. The Bank took solid steps to promote assistance through education. The Bank set up a “Beautiful Rural China” education and publicity group for financial consumer protection. Based on the overall plan for the featured education and publicity campaign titled “Sunshine Consumer Protection for 2022”, the Bank developed the *Plan for “Beautiful Rural China” Financial Consumer Protection Campaign*, putting forward six standardized actions to unify work requirements.

## iii. Support for rural revitalization

The Bank pressed ahead with rural revitalization in an all-round way, developed work plans and rectified tasks and objectives on a quarterly basis. The Bank devised the *Plan for Promoting Rural Revitalization in 2022*, the *Work Plan for Comprehensively Promoting Rural Revitalization*, the *Management Measures for Forest Ownership Mortgage Loans*, and the *Management Measures for Loans Mortgaged by Rural Contracted Land Management Right*, optimized work objectives, and clarified action plan. The Bank quickened its steps to pursue high-quality development of inclusive finance and financially support the implementation of rural revitalization strategy, and increased credit granting of agriculture-related loans. All agriculture-related credit indicators were fulfilled well. As at the end of the reporting period, the balance of agriculture-related loans stood at RMB414,677 million, an increase of RMB24,575 million over the beginning of the year. The balance of inclusive agriculture-related loans stood at RMB21,214 million, an increase of RMB5,955 million over the beginning of the year. The balance of loans to areas that have been lifted out of poverty stood at RMB38,760 million, an increase of RMB4,427 million over the beginning of the year. The balance of loans to key counties designated to receive national assistance for rural revitalization stood at RMB3,658 million, an increase of RMB118 million over the beginning of the year.

## iv. Support for people’s livelihood and public-interest activities

The Bank proactively supported the improvement of people’s well-being, and constantly developed scenario-based finance by integrating Cloud Fee Payment, Sunshine Logistics Express (Wu Liu Tong), Sunshine Flexible Employment Express (Ling Gong Tong), Sunshine Housing Express (An Ju Tong), Sunshine Receivables Express (Guang Xin Tong) and other products into areas such as convenient bill payment, transport & logistics, real estate trading, flexible employment, smart travel, smart campus, medical & healthcare and supply chain service, to effectively strengthen financial service accessibility. Relying on digital means, the Bank provided efficient and convenient services for customers in key areas that are important to people’s well-being such as bill payment, shopping, bill inquiry, social security and medical insurance. The Bank optimized CEB Mobile Banking and Cloud Fee Payment apps to better fit in with the reading and using habit of the elderly, stepped up efforts to popularize financial knowledge to the elderly, built “Model Outlets for the Elderly” to improve their experience, and launched the “Personal Pension” special zone on CEB Mobile Banking to offer them full-process personal pension account services.

## Environmental and Social Responsibilities

The Bank vigorously carried out public-interest activities covering education, environmental protection, targeted assistance, elderly care and charity, contributing to the building of a harmonious and beautiful society. CEB Hangzhou Branch conducted the “Cooling Summer” activities in communities for five consecutive years. CEB Nanjing Branch joined hands with local public welfare organizations to conduct the volunteer activity titled “Embracing Spring, Giving Hope”. CEB Xiamen Branch conducted the activity titled “Bank-Police Cooperation in Xiamen Communities for Civilization Construction”. CEB Guiyang Branch conducted financial security education for primary school students. CEB Urumqi Branch visited the rural areas designated to receive paired assistance to render help. CEB Seoul Branch donated supplies to the elderly in need in the Elderly Welfare Center in Jongno-gu, Seoul for three consecutive years. CEB Hong Kong Branch participated in the global energy saving activity titled “Earth Hour Day” for three consecutive years.

During the reporting period, the Bank made external donations of RMB15.7656 million.

### v. Protection of shareholders’ rights and interests

The Bank adhered to the principle of giving fair treatment for all investors, and established an independent and sound corporate governance mechanism with effective checks and balances. The shareholder’s general meetings, meetings of the Board of Directors and meetings of the Board of Supervisors were convened in a lawful and compliant manner. The Bank followed relevant procedures in making major decisions, Independent Non-executive Directors supervised the compliance of material matters and issued independent opinions, and the Board of Supervisors monitored the Board of Directors, Senior Management and its members, hence effectively safeguarding the legitimate rights and interests of all shareholders, especially those of minority shareholders. The Bank’s controlling shareholder and other substantial shareholders firmly complied with laws, regulations, regulatory requirements and the *Articles of Association*, properly exercised shareholders’ rights through corporate governance procedures, effectively fulfilled shareholders’ obligations, and maintained the Bank’s independent operation. The Bank had not discovered any abuse of substantial shareholder positions which undermines the legitimate rights and interests of the Bank and other shareholders.

The Bank disclosed periodic reports and other material information in a timely and fair manner, and ensured authentic, accurate, complete, concise, clear and understandable information disclosure, so as to protect all shareholder’s right to know about the material matters of the Bank. In addition, the Bank strengthened investor relations management, and further enhanced communication with investors by hosting meetings for results announcement and performance briefing, organizing “Investor Reception Day” events, timely responding to investor hotlines, emails and online consultations, and continuously updating its Chinese and English websites.

### vi. Protection of consumers’ rights & interests

The Bank’s Board of Directors, Board of Supervisors and Senior Management further strengthened supervision and guidance on consumer protection and advanced in-depth integration of consumer protection into corporate governance, corporate culture building and business development strategy. The Bank made unremitting efforts to perfect the full-process management and control mechanism for consumer protection, comprehensively reviewed control priorities in ex-ante review, interim control and ex-post supervision, and effectively safeguarded the legitimate rights and interests of consumers in all links of business. Upholding the tenet of science and technology as the primary productive force, the Bank moved ahead with the construction of “Smart Consumer Protection” and enhanced the capabilities for digitalized management and decision-making. The Bank launched an education and publicity campaign titled “Sunshine Consumer Protection for 2022” focusing on population ageing and rural revitalization, and created an education and publicity system targeting at the elderly, children, rural residents and new citizens. The Bank built a hundred “Model Outlets for the Elderly” and the first seven “Rural Financial Education Bases” to enhance consumers’ financial literacy and their ability to guard against risks. The Bank conducted a series of learning activities such as “Sunshine Consumer Protection Culture Season”, “Sunshine Ideological and Political Education on Consumer Protection” and “Chiefs’ Talks on Consumer Protection”, and fostered the Sunshine consumer protection culture. The Bank upgraded Sunshine service standards, and took the opportunity of the activity titled “Construction of Top 100 Bank Outlets” to improve the quality of services for customers, increase customer satisfaction and optimize service experience. The Bank maintained smooth and standardized channels for consumers to express appeals, coordinate interests and protect rights and interests, gave full consideration to the reasonable appeals of consumers and properly settled complaints from consumers. During the reporting period, the Bank handled 369,453 customer complaints. Geographically, complaints were concentrated in Beijing Municipality, Guangdong Province and Henan Province. By business segment, complaints mostly involved bank cards, debt collection and loan business.

## vii. Protection of employees' rights and interests

The Bank focused on improving employee remuneration and benefits, and gave full play to the incentive effect of remuneration and benefits, and encouraged them to become long-serving employees and share the fruits of development. The Bank adopted attendance and leave management while taking both humanity issues and fairness into consideration. The Bank ensured that employees enjoy statutory public holidays and paid leaves, and encouraged them to make reasonable work arrangements. The Bank actively implemented the national maternity policy, and ensured that employees are entitled to leave and enjoy welfare during the leave as provided by the policy. Furthermore, the Bank extended its multi-pillar endowment system by introducing a supplementary endowment insurance apart from participating in the basic pension system in accordance with law. The Bank established and continuously upgraded the supplementary medical insurance system to fully meet employees' individualized medical support needs. The Bank also cared for the career development of employees, expanded channels for talent cultivation, and boosted the training of inter-disciplinary talents.

Adhering to the employee-centered philosophy, the Bank strengthened care for employees, advanced the building of "Staff Home" and "Staff Family" to protect their physical and mental health and meet their diverse needs. The Bank pushed forward assistance efforts through "Extending Warmth During the 'Double Festivals'" and "Sunshine Care Fund" to visit and help employees in difficulty. The Bank provided health services through "Green Service Channel for Medical Treatment Appointment" and "Employee Mental Health Plan" to solve problems for employees and their family members such as difficult appointment for medical services, inadequate medical services, and psychological and emotional distress. The Bank organized staff walking, reading and audio-visual activities, and launched popular science lectures online, e-sports competitions and offline cultural and sports activities, with a view to creating a sound atmosphere featuring "happy work and healthy life". To strengthen care for female employees, the Bank launched the "International Women's Day" online walking campaign.

## III. GOVERNANCE INFORMATION

The Bank established a sound corporate governance structure with the shareholders' general meetings as the organ of power, the Board of Directors as the decision-making organ, the Board of Supervisors as the supervisory organ and the Senior Management as the executive organ, and an ESG structure consisting of three layers including decision-making, management and execution with the Board of Directors as the decision-making layer, the Head Office's Leading Group for CSR Work as the management layer and relevant units as the execution layer.

The Board of Directors actively performed its duties in the strategic deployment, decision-making and guidance of ESG work, and remained committed to the green development concepts such as energy saving, low carbon, environmental protection and sustainable development. The Bank reviewed and approved the *Management Measures for Green Finance (Trial)* and the *Interim Action Plan for Advancing Carbon Peak, Carbon Neutrality and Green Finance (2022-2025)*, defined the support orientation and key areas of green finance, and formulated differentiated credit and investment policies. The Bank also incorporated ESG risk requirements into credit and investment risk management process, worked out green finance objectives and action plans, and earnestly built a "Green Everbright". With continuous attention paid to ESG risk management, the Bank worked out ESG risk management measures and set risk appetite. The Board of Directors listened to the *2021 Risk Management Report* and the Risk Management Committee of the Board of Directors reviewed the *Implementation of Risk Appetite in 2021 and Suggestions on Setting Risk Appetite for 2022*, both of which were related to ESG risk management. Shouldering the Bank's responsibility as a central SOE, the Board of Directors reviewed and approved the *Proposal on Supporting Paired Assistance Through Donations* and helped consolidate the achievements of the fight against poverty.

## Environmental and Social Responsibilities

The Social Responsibility/Inclusive Finance Management Committee was set up at the operation management level to implement important decisions and plans made by the CPC Central Committee, the State Council and regulators with respect to social responsibility, inclusive finance and rural revitalization, coordinate the whole Bank to fulfill its corporate social responsibilities and ESG responsibilities, and advance the high-quality development of inclusive finance and the implementation of rural revitalization strategy through financial support. The Working Group for Carbon Peak and Carbon Neutrality was established under the Asset and Liability Management Committee to reinforce the Bank's mechanism to strengthen the coordination of green finance work, define the organizational structure and relevant regular mechanisms for green finance, carried out various green finance tasks in a coordinated and orderly manner, and facilitated the attainment of the national carbon peak and carbon neutrality goals.

See “Corporate Governance” for details about corporate governance.

### IV. OTHER INFORMATION

The Bank has disclosed the full text of its *2022 Corporate Social Responsibility Report (ESG Report)* on the websites of SSE, HKEXnews and the Bank. Please refer to the report for more details on environmental and social responsibilities.

# Significant Events

## I. FORMULATION AND IMPLEMENTATION OF PROFIT DISTRIBUTION POLICY

### i. Profit Distribution Policy

In accordance with the profit distribution principles, specific policies and consideration procedures stipulated in the *Articles of Association* of the Bank, the Bank shall prioritize cash dividends in profit distribution. Except in special circumstances, the profit to be distributed in cash each year shall be no less than 10% of the distributable profit for the year when the profit for the year and the accumulated undistributed profit are both positive.

### ii. Profit Distribution Plan for 2022

According to the audited 2022 financial statements, the net profit attributable to shareholders of the Bank in the consolidated statement registered RMB44,807 million. Deducting the total dividends of RMB2,971 million for preference shares (Everbright P1, Everbright P2 and Everbright P3) in 2022 and the interest of RMB1,840 million on perpetual bonds, the Bank registered RMB39,996 million of net profit attributable to ordinary shareholders in the consolidated statement, of which net profit available for distribution to ordinary shareholders was RMB37,821 million.

Taking into account the interests of all shareholders, the sustainable development of the Bank's business and the regulatory requirements on capital adequacy ratios, pursuant to the *Company Law of the People's Republic of China*, *Securities Law of the People's Republic of China* and relevant regulations stipulated in the *Articles of Association* of the Bank, the Bank hereby formulates its 2022 profit distribution plan as follows:

1. As at the end of the reporting period, the Bank had cumulatively appropriated statutory surplus reserves of RMB26,245 million, which had reached 50% of the Bank's registered capital. Therefore, according to the *Company Law of the People's Republic of China*, the Bank does not need to appropriate any statutory surplus reserve this time.
2. According to the Management Measures for Provision of Reserves by Financial Institutions promulgated by the MOF, the Bank appropriated RMB4,608 million of general reserves to bring the ratio of general reserves to outstanding balance of risk-taking assets up to 1.5%.
3. Cash dividends were distributed to all shareholders of ordinary shares at RMB1.90 (before tax) per 10 shares. Based on the Bank's share capital of 59,086 million as at the disclosure date of this report, the total cash dividends amounted to RMB11,226 million, accounting for 28.07% of net profit attributable to ordinary shareholders of the Bank on a consolidated basis. The cash dividends were denominated and declared in RMB, paid to shareholders of A shares in RMB and paid to shareholders of H shares in HKD. The actual amount paid in HKD shall be calculated based on the average benchmark exchange rate of RMB against HKD announced by PBOC one week prior to the shareholders' general meeting (inclusive of the date of the shareholders' general meeting).
4. For this year, the Bank did not implement capitalization of capital reserve funds.
5. The retained undistributed profits will be used to replenish capital in order to meet the regulatory requirements for capital adequacy ratios.

The above profit distribution plan is subject to consideration and approval at the 2022 Annual General Meeting.

## Significant Events

In the profit distribution plan for 2022, no adjustment or amendment is made to the existing cash dividend policy of the Bank. The profit distribution plan complies with the *Articles of Association* of the Bank, reflecting clear and definite standards and proportions for dividend distribution as well as complete decision-making procedures and mechanisms. The Board of Directors and the Board of Supervisors discussed and considered the profit distribution plan, and Independent Non-executive Directors expressed independent opinions and performed their duties to safeguard the legitimate rights and interests of minority shareholders. The above profit distribution plan will be submitted to the Annual General Meeting where all ordinary shareholders including minority shareholders have the right to participate and express their opinions and appeals. The Annual General Meeting of the Bank shall allow online voting, and the votes of minority shareholders in relation to the profit distribution plan shall be counted separately so as to fully protect the legitimate rights and interests of minority shareholders.

The tax deductions concerning profit distribution of the Bank for the year shall be carried out in accordance with relevant regulations, which will be specified in the announcement of dividend distribution.

### iii. Profit Distribution of Ordinary Shares and Cash Dividends for the Last Three Years

Item	Unit: RMB100 million, %		
	2022	2021	2020
Cash dividends	112.26	108.60	113.47
Proportion to net profit attributable to ordinary shareholders of the Bank	28.07	28.13	32.71

## II. IMPORTANT UNDERTAKINGS AND PERFORMANCE OF UNDERTAKINGS GIVEN BY THE BANK AND THE BANK'S DE FACTO CONTROLLER, SHAREHOLDERS AND OTHER RELATED PARTIES

### i. Pursuant to the relevant provisions of the CSRC, to ensure that the Bank effectively implements compensation measures for potential dilution in relation to the public issuance of convertible bonds and the non-public issuance of preference shares, all Directors and Senior Management of the Bank promised to faithfully and diligently perform their duties, safeguard the legitimate rights and interests of the Bank and all shareholders, and made the following commitments:

1. They shall neither transfer interests to other entities or individuals for free or in an unfair way, nor jeopardize the interests of the Bank by other means.
2. They shall be thrifty, their position-related consumption shall be under restriction in strict compliance with relevant requirements at the national, local and Bank level, and they shall refrain from over-consumption, extravagance and waste.
3. They shall never embezzle the Bank's assets for any investment or consumption activities irrelevant to the performance of their duties.
4. They shall try to propel the Board of Directors or the Remuneration Committee under the Board to formulate a remuneration policy which is linked to the implementation of the Bank's compensation measures for potential dilution.
5. If the Bank launches any equity incentive scheme in the future, the conditions for exercising its rights under the intended equity incentive scheme shall be linked to the implementation of the Bank's compensation measures for potential dilution.

As at the end of the reporting period, there occurred no violation of the above-mentioned commitments by the Directors and Senior Management of the Bank.



- ii. According to the Bank's plan on non-public issuance of H shares, China Everbright Group Limited (CEG) and Overseas Chinese Town Holdings Company (OCT Group) undertook not to transfer the H shares they subscribed from this non-public issuance within 60 months since the date of issuance, respectively.

On 22 December 2017, the Bank issued 4,200 million H shares to OCT Group and 1,610 million H shares to CEG. The above-mentioned undertakings expired on 22 December 2022. During the undertaking period, there was no breach of undertakings committed by neither of the aforesaid two companies.

As far as the Bank was aware, other than the above matters, there is no material undertaking given by the Bank, the Bank's other shareholders, Directors, Supervisors, Senior Management or other related parties.

### III. RESERVE

Please refer to "Consolidated Statement of Changes in Equity" for details about the reserve change of the Bank.

### IV. FIXED ASSETS

Please refer to "Notes to Consolidated Financial Statements" for details about the changes in fixed assets of the Bank as at the end of the reporting period.

### V. PURCHASE, SALE OR REPURCHASE OF THE BANK'S LISTED SECURITIES

During the reporting period, the Bank and its subsidiaries did not purchase, sell or repurchase any listed securities of the Bank.

### VI. PRE-EMPTIVE RIGHTS

The *Articles of Association* of the Bank does not make provisions on pre-emptive rights, and the shareholders of the Bank have not been granted any pre-emptive right.

### VII. RETIREMENT AND BENEFITS

Please refer to "Notes to Consolidated Financial Statements" for details about retirement and the benefits provided by the Bank for its employees.

### VIII. MAJOR CUSTOMERS

As at the end of the reporting period, the operating income contributed by the top 5 customers of the Bank did not exceed 30% of the Bank's operating income.

### IX. USE OF CAPITAL BY THE CONTROLLING SHAREHOLDER AND OTHER RELATED PARTIES FOR NON-OPERATING PURPOSES

There was no non-operational capital occupation by the controlling shareholder and other related parties of the Bank. EY Hua Ming has issued a special auditor's opinion on it. The special auditor's opinion was disclosed in public on the websites of SSE, HKEXnews and the Bank.

### X. CHANGES IN ACCOUNTING POLICIES

There was no change in accounting policies of the Bank during the reporting period.

## Significant Events

### XI. APPOINTMENT AND RESIGNATION OF ACCOUNTING FIRM

#### i. Appointment of accounting firms for auditing financial statements

On 19 May 2022, the Bank convened the 2021 Annual General Meeting, deciding to engage EY Hua Ming as the accounting firm in charge of the Bank's domestic audit for 2022 (Xu Xuming and Hong Xiaodong as certified public accountants for signature) and EY as the accounting firm in charge of the Bank's overseas audit for 2022 (Ng Chi Keung as certified public accountant for signature). The audit fees paid to the two firms amounted to RMB9.00 million (inclusive of reimbursement and value-added tax). Both of the two accounting firms have provided audit services for the Bank for seven consecutive years.

#### ii. Engagement of accounting firm for internal control audit

On 19 May 2022, the Bank convened the 2021 Annual General Meeting, deciding to engage EY Hua Ming as its internal control auditor for 2022, and the audit fees paid to this firm stood at RMB0.9 million (inclusive of reimbursement of out-of-pocket expenses and value-added taxes).

#### iii. The Audit Committee of the Board of Directors of the Bank has no different opinion on the engagement of the accounting firm.

### XII. MATTERS CONCERNING BANKRUPTCY OR REORGANIZATION

During the reporting period, no bankruptcy or reorganization took place at the Bank.

### XIII. MATERIAL LITIGATION AND ARBITRATION MATTERS

The Bank was involved in some litigation and arbitration cases during its ordinary and usual course of business, most of which were initiated by the Bank for the purpose of recovering NPLs. During the reporting period, the Bank was not involved in any major litigation and arbitration cases. As at the end of the reporting period, the Bank was involved in 549 sued litigation and arbitration cases pending final judgment, which involved about RMB1,688 million. The above litigation and arbitration cases would not have any significant adverse impact on the financial position or operating performance of the Bank.

### XIV. PENALTY IMPOSED ON THE BANK OR ITS CONTROLLING SHAREHOLDER, DE FACTO CONTROLLER, DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

- i. During the reporting period, the Bank was not investigated for suspected crimes according to law, and none of its controlling shareholder, de facto controller, Directors, Supervisors and Senior Management was suspected of committing crimes or subject to any compulsory measures taken according to law.
- ii. During the reporting period, the Bank, the Bank's controlling shareholder, de facto controller, Directors, Supervisors or Senior Management were not subject to any criminal punishment, investigation by CSRC for suspected violation of laws and regulations, administrative penalty by CSRC, or material administrative penalty by other competent authorities.
- iii. During the reporting period, none of the Bank's controlling shareholder, de facto controller, Directors, Supervisors or Senior Management was detained by the disciplinary inspection and supervision authorities for suspected serious disciplinary violations or duty-related crimes.
- iv. During the reporting period, none of the Bank's Directors, Supervisors or Senior Management was subject to any compulsory measures taken by other competent authorities for suspected violation of laws and regulations.
- v. During the reporting period, the Bank, the Bank's controlling shareholder, de facto controller, Directors, Supervisors or Senior Management were not subject to any administrative regulatory measures taken by CSRC, or disciplinary actions taken by any stock exchange.

## XV. CREDIBILITY OF THE BANK, ITS CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

During the reporting period, the Bank, the Bank's controlling shareholder and de facto controller had neither unfulfilled obligations specified in effective court judgments nor unpaid significant matured debts.

## XVI. MATTERS CONCERNING CONNECTED TRANSACTIONS OF THE BANK UNDER THE HONG KONG LISTING RULES

In accordance with the *Hong Kong Listing Rules*, the transactions between the Bank and its connected persons (as defined in the *Hong Kong Listing Rules*) constitute connected transactions of the Bank. The Bank has monitored and managed these connected transactions in accordance with the *Hong Kong Listing Rules*.

Details on connected parties and connected transactions of the Bank occurred in the year ended on 31 December 2022 were included in "Notes to the Consolidated Financial Statements".

Certain transactions among the above connected transactions also constitute connected transactions as prescribed in Chapter 14A of the *Hong Kong Listing Rules*, and shall be subject to declaration, annual review and announcement as required in Chapter 14A of the *Hong Kong Listing Rules*. The above connected transactions have observed relevant provisions in Chapter 14A of the *Hong Kong Listing Rules*, specifically:

The connected transactions disclosed below constitute connected transactions or continuing connected transactions as prescribed in Chapter 14A of the *Hong Kong Listing Rules* and meet relevant disclosure requirements. In respect of the following connected transactions, Directors confirmed that the Bank had complied with the disclosure requirements prescribed in Chapter 14A of the *Hong Kong Listing Rules*. For details, please refer to the Bank's announcements disclosed on the websites of the HKEXnews and the Bank.

### i. Non-exempt connected transactions

#### 1. Continuing connected transactions

##### *(1) Acceptance of technology service provided by connected legal person*

On 24 December 2020, the Bank entered into a framework agreement on technology service with Everbright Technology Co., Ltd. (Everbright Technology), which is valid from 1 January 2021 to 31 December 2023 (both dates inclusive), pursuant to which, Everbright Technology agreed to provide technology services for the Bank. Main terms and conditions of the agreement are as follows:

Everbright Technology provides the Bank with technology services in the mature technology field, the emerging technology field and the human resources outsourcing field. The agreement is valid from 1 January 2021 to 31 December 2023 (both dates inclusive), and the total transaction amount shall not exceed RMB400 million, RMB500 million and RMB600 million as at 31 December 2021, 31 December 2022 and 31 December 2023, respectively. The consideration will be paid with the Bank's self-owned funds in accordance with the specific agreement.

Everbright Technology is a wholly-owned subsidiary of CEG, the Bank's controlling shareholder, and thus constitutes a connected person of the Bank according to the *Hong Kong Listing Rules*.

During the reporting period, the annual cap of the continuing connected transactions for 2022 was RMB500 million, and the amount actually incurred was RMB250.68 million.

## Significant Events

### (2) *Mutual provision of services or products between connected legal persons*

On 15 December 2021, the Bank and CEG entered into a comprehensive service framework agreement, which is valid from 15 December 2021 to 31 December 2023 (both dates inclusive), pursuant to which, services or products can be provided for each other between the Bank and CEG or CEG's associates or both. Main terms and conditions of the agreement are as follows:

CEG or CEG's associates or both provide the Bank with product management services, comprehensive services, supplementary medical insurance, technology services, joint marketing services, cloud fee payment services, channel business services and securitization product investment services, and the Bank provides asset custody services, agency sales services, comprehensive services and securitization product investment services for CEG or CEG's associates or both.

CEG is the controlling shareholder of the Bank. Therefore, both CEG and CEG associates constitute connected persons of the Bank under the *Hong Kong Listing Rules*.

During the reporting period, the annual caps and actual amounts incurred of services or products provided for each other between the Bank and CEG or CEG's associates or both under the comprehensive service framework agreement are as follows:

Unit: RMB100 million

	Annual cap	Actual amount incurred
<b>Services provided by CEG and/or CEG's associates for the Bank</b>		
Product management services	5.73	0.4274
Comprehensive services	3.69	2.6714
Supplementary medical insurance	1.9845	1.7776
Technology services	5.6	2.6784
Joint marketing services	6.07	5.7857
Cloud fee payment services	1.3	1.0194
Channel business services	4.5	1.2545
Securitization product investment services	12.75	0.1719
<b>Services provided by the Bank for CEG and/or CEG's associates</b>		
Asset custody services	3.5	2.4796
Agency sales services	13.72	12.9977
Comprehensive services	1.15	0.9684
Securitization product investment services	0.61	0.1787

### 2. Confirmations by Independent Non-executive Directors

Independent Non-executive Directors of the Bank had reviewed the above continuing connected transactions, and confirmed that the transactions are:

- (1) conducted in the ordinary and usual course of business of the Bank;
- (2) conducted on normal commercial terms or better. If the transactions available for comparison are not sufficient to determine whether the terms of such transactions are normal commercial terms, the terms of such transactions are not less favorable than those an independent third party can obtain from the Bank or provide for the Bank; and
- (3) conducted in accordance with relevant transaction agreements with fair and reasonable terms, and in line with the overall interests of shareholders of the Bank.

### 3. Confirmations by auditors

The Bank had engaged an external auditor to report on the continuing connected transactions of the Bank in compliance with the *Hong Kong Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information* issued by the Hong Kong Institute of Certified Public Accountants, and with reference to the *Practice Note 740 Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*. The auditor had issued an unqualified opinion letter containing the assurance results of the above continuing connected transactions in accordance with Article 14A.56 of the *Hong Kong Listing Rules*. A copy of this letter had been submitted to the HKEX by the Bank.

Based on the work carried out, the auditor of the Bank had provided a letter to the Board of Directors of the Bank and confirmed that, with respect to the disclosed continuing connected transactions mentioned above:

- (1) nothing had come to their attention that might cause them to believe that the disclosed continuing connected transactions had not been approved by the Board of Directors of the Bank.
- (2) nothing had come to their attention that might cause them to believe that the continuing connected transactions conducted by the Bank, in all material respects, were not conducted in accordance with the pricing policies of the Bank.
- (3) nothing had come to their attention that might cause them to believe that the continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions.
- (4) as for the total amount of each continuing connected transaction disclosed above, nothing had come to their attention that might cause them to believe that the amount of such continuing connected transaction had exceeded the annual cap set by the Bank.

#### ii. Exemptible connected transactions

During the reporting period, a series of connected transactions were carried out between the Bank and its connected persons in the ordinary and usual course of business of the Bank. Pursuant to Chapter 14A of the *Hong Kong Listing Rules*, such connected transactions were exempted from reporting, annual review, announcement and independent shareholders’ approval requirements.

## XVII. MATERIAL CONTRACTS AND THEIR PERFORMANCE

### i. Significant events relating to material custody, contracting or leasing of other companies’ assets, or other companies’ material custody, contracting or leasing of the Bank’s assets

Apart from routine business, during the reporting period, there was no significant event relating to material custody, contracting or leasing of other companies’ assets or other companies’ material custody, contracting or leasing of the Bank’s assets.

### ii. Significant guarantee

The provision of guarantee is in the ordinary and usual course of business of the Bank. During the reporting period, the Bank did not enter into any significant guarantee required to be disclosed save for the financial guarantees within its business scope as approved by PBOC and the former China Banking Regulatory Commission or any guarantee contract in violation of laws, administrative regulations and the resolution procedures for external guarantee stipulated by CSRC.

## Significant Events

### iii. Explanatory notes and independent opinion of Independent Non-executive Directors concerning the provision of external guarantees by the Bank

In accordance with relevant regulations and requirements of the *Regulatory Guidelines for Listed Companies No. 8 – Regulatory Requirements for Capital Transactions and External Guarantees of Listed Companies* (CSRC announcement [2022] No.26), Independent Non-executive Directors of the Bank reviewed the external guarantees provided by the Bank on a just, fair and objective basis, and issued an opinion as follows:

It was verified that the provision of external guarantee is one of the routine operations of the Bank, which has been approved by PBOC and the former China Banking Regulatory Commission. As at the end of the reporting period, the Bank had a guarantee outstanding for the RMB180 million payable interests of financial bonds issued by CEG, which was backed by counter guarantee provided by CEG with the 67.5 million shares it held in a large securities firm. Save as disclosed, for the balance of the guarantee business of the Bank, please refer to the “Notes to the Consolidated Financial Statements”.

Attaching importance to risk management of guarantee business, the Bank formulated specific business management measures and operating procedures, and effectively monitored and forestalled risks in the guarantee business by on-site and off-site inspections. During the reporting period, this business was in the ordinary and usual course and no violation of the above-mentioned regulations took place at the Bank.

### iv. Significant authorization relating to wealth management

During the reporting period, there was no authorization relating to wealth management beyond the scope of routine operations.

### v. Other material contracts

During the reporting period, all contracts regarding routine operations were duly performed and there was no other material contract.

## XVIII. OTHER SIGNIFICANT EVENTS

### i. Issuance of tier-2 capital notes

In August 2022, the Bank completed the issuance of 2022 tier-2 capital notes (Series I) of RMB45 billion in the National Interbank Bond Market. The notes were issued in two tranches. Tranche I bonds are 10-year fixed-rate notes of RMB40 billion at a coupon rate of 3.10%, with the issuer having conditional redemption right at the end of the 5th year. Tranche II bonds are 15-year fixed-rate notes of RMB5 billion at a coupon rate of 3.35%, with the issuer having conditional redemption right at the end of the 10th year. The proceeds are used to replenish the Bank’s tier-2 capital, improve capital adequacy ratio and support the sustainable and healthy development.

### ii. Completion of election of the Board of Directors and the Board of Supervisors

In September 2022, during the 2022 First Extraordinary General Meeting, members of the Ninth Session of the Board of Directors were elected. The Board of Directors consisted of 14 members, including 6 Non-Executive Directors, 2 Executive Directors and 6 Independent Non-executive Directors. All the above-mentioned members of the Board of Directors were re-elected and re-appointed. According to regulatory requirements and the Articles of Association of the Bank, the re-elected and re-appointed directors shall begin to perform their duties after being re-elected as directors by the Annual General Meeting.

In September 2022, during the 2022 First Extraordinary General Meeting, Shareholder Supervisors and External Supervisors of the Ninth Session of the Board of Supervisors were elected, while Employee Supervisors of the Ninth Session of the Board of Supervisors were elected by the employee representative meeting of the Bank. The Board of Supervisors consisted of 9 members, including 3 Shareholder Supervisors, 3 External Supervisors and 3 Employee Supervisors.

### iii. Delisting of convertible bonds upon maturity

The RMB30 billion A-share convertible bonds issued by the Bank in March 2017 were delisted upon maturity on 17 March 2023. A cumulative amount of RMB22,731 million was converted to 6,596,456,061 shares, and RMB7,633 million was redeemed upon maturity. The proceeds from Everbright Convertible Bonds were used for the Bank's business development. This conversion upon maturity supplemented the Bank's common equity tier-1 capital, enhancing the capital strength of the Bank.

### iv. Establishment of CEB Macao Branch

In July 2022, the establishment of CEB Macao Branch was approved by the government of the Macao SAR. In March 2023, CEB Macao Branch was opened for business.

## XIX. SIGNIFICANT EVENTS OF SUBSIDIARIES

### i. Everbright Financial Leasing Co., Ltd.

In April 2022, the company distributed cash dividends of RMB200 million to all shareholders. During the reporting period, the company's shareholder Hubei Provincial Port Group Co., Ltd. was renamed Hubei Port Group Co., Ltd., which took the shares held by the former. The number of shares held and the percentage of shareholding did not change. The company was not involved in any material litigation or arbitration, acquisition and disposal of major assets, material related party transaction, material contract, judicial or administrative investigation or material penalty. It engaged EY Hua Ming to audit its annual financial report.

### ii. Everbright Wealth Management Co., Ltd.

In June 2022, the company distributed cash dividends of RMB634.58 million to all shareholders. During the reporting period, the company was not involved in any material litigation or arbitration, acquisition and disposal of major assets, material related party transaction, material contract, judicial or administrative investigation or material penalty. It engaged EY Hua Ming to audit its annual financial report.

### iii. Beijing Sunshine Consumer Finance Co., Ltd.

During the reporting period, the company did not make profit distribution and was not involved in any material litigation or arbitration, acquisition and disposal of major assets, material related party transaction, material contract, judicial or administrative investigation or material penalty. It engaged EY Hua Ming to audit its annual financial report.

### iv. CEB International Investment Corporation Limited

During the reporting period, the company did not make profit distribution and was not involved in any material litigation or arbitration, acquisition and disposal of major assets, material related party transaction, material contract, judicial or administrative investigation or material penalty. It engaged EY to audit its financial report.

### v. China Everbright Bank (Europe) S.A.

During the reporting period, the company did not make profit distribution and was not involved in any material litigation or arbitration, acquisition and disposal of major assets, material related party transaction, material contract, judicial or administrative investigation or material penalty. It engaged EY to audit its financial report.

### vi. Shaoshan Everbright Rural Bank Co., Ltd.

During the reporting period, the rural bank did not make profit distribution and was not involved in any material litigation or arbitration, acquisition and disposal of major assets, material related party transaction, material contract, judicial or administrative investigation or material penalty. It engaged Hunan Zhengde United Accounting Firm to audit its financial report.

## Significant Events

### vii. Jiangsu Huai'an Everbright Rural Bank Co., Ltd.

During the reporting period, the rural bank did not make profit distribution and was not involved in any material litigation or arbitration, acquisition and disposal of major assets, material related party transaction, material contract, judicial or administrative investigation or material penalty. It engaged Huai'an Xinrui Public Accounting Firm to audit its annual financial report.

### viii. Jiangxi Ruijin Everbright Rural Bank Co., Ltd.

During the reporting period, the rural bank did not make profit distribution and was not involved in any material litigation or arbitration, acquisition and disposal of major assets, material related party transaction, material contract, judicial or administrative investigation or material penalty. It engaged Ganzhou Zhonghao Accounting Firm to audit its annual financial report.

## XX. PROFESSIONAL LIABILITY INSURANCE FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the reporting period, the Bank established a professional liability insurance system for Directors, Supervisors and Senior Management in accordance with relevant laws, regulations and the *Articles of Association* of the Bank. The *Articles of Association* of the Bank and such professional liability insurance system set out relevant permitted indemnity provisions. Such insurance shall cover relevant liabilities of the insured parties and indemnify relevant fees resulted from possible litigation in accordance with the provisions.

## XXI.SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

In March 2023, China Huarong Asset Management Co., Ltd. (China Huarong) converted the 140,186,860 convertible bonds it held at the Bank into ordinary A shares of the Bank through conversion of convertible bonds. The number of shares converted was 4,184,682,388. Before this conversion, China Huarong did not hold any ordinary share of the Bank. After this conversion, China Huarong held 4,184,682,388 ordinary shares of the Bank, accounting for 7.08% of the total number of ordinary shares of the Bank. China Everbright Group Ltd. (CEG) converted the 29,091,530 convertible bonds it held at the Bank into ordinary A shares of the Bank through conversion of convertible bonds. The number of shares converted was 868,403,880. Before this conversion, CEG directly and indirectly held 27,015,296,587 ordinary shares of the Bank, accounting for 49.999% of the total number of ordinary shares of the Bank. After this conversion, CEG directly and indirectly held 27,883,700,467 ordinary shares of the Bank, accounting for 47.19% of the total number of ordinary shares of the Bank.

## XXII.REVIEW OF ANNUAL RESULTS

EY Hua Ming and EY had audited the Bank's financial statements, which were prepared in accordance with the PRC GAAP and IFRS respectively, and issued a standard unqualified auditor's report. The Board of Directors and its Audit Committee had reviewed the business performance and financial statements of the Bank for the year 2022.

## XXIII.PUBLICATION OF ANNUAL REPORT

The Annual Report, prepared by the Bank in Chinese and English in accordance with the IFRS and the *Hong Kong Listing Rules*, are available at the websites of the HKEXnews and the Bank.



# Changes in Ordinary Share Capital and Shareholders

## I. CHANGES IN SHARES

Unit: Share, %

	31 December 2021		Changes during the reporting period	31 December 2022	
	Number	Percentage	Conversion of convertible bonds	Number	Percentage
I. Shares subject to restrictions on sales <sup>Note</sup>	5,810,000,000	10.75	–	–	–
Shares held by state-owned legal persons	5,810,000,000	10.75	–	–	–
II. Shares not subject to restrictions on sales	48,221,918,195	89.25	61,896	54,031,980,091	100.00
1. RMB-denominated ordinary shares	41,353,182,695	76.54	61,896	41,353,244,591	76.53
2. Overseas listed foreign shares <sup>Note</sup>	6,868,735,500	12.71	–	12,678,735,500	23.47
III. Total shares	54,031,918,195	100.00	61,896	54,031,980,091	100.00

Note: On 22 December 2022, the sales restrictions on the 5,810 million shares were removed. Please refer to the following for details.

## II. SECURITIES ISSUANCE AND LISTING

### i. Securities issuance

During the reporting period, a total of RMB208,000 A-share convertible bonds were converted to A-share ordinary shares of the Bank, and the number of shares converted was 61,896. As at the end of the reporting period, the total number of shares of the Bank stood at 54,031,980,091 shares, including 41,353,244,591 A shares and 12,678,735,500 H shares.

ii. Save for the above, there was no change in the total number of shares, shareholding structure, or assets and liabilities structure of the Bank due to bonus issue, capitalization, rights issue, new share issue, share issue to specific objects, exercise of warrants, exercise of equity incentive scheme, mergers, capital reduction, listing of employee shares, bond issue or other reasons.

iii. The Bank had no employee shares.

## III. NUMBER OF SHAREHOLDERS

	A Shares	H Shares
Total number of shareholders as at the end of the reporting period	208,599	839
Total number of shareholders as at the end of the month prior to the disclosure date of this report	212,115	834

## Changes in Ordinary Share Capital and Shareholders

### IV. SHAREHOLDING OF TOP TEN SHAREHOLDERS

Unit: Share, %

Name of shareholder	Nature of shareholder	Change in the reporting period (+, -)	Class of shares	Number of shares held	Shareholding percentage	Number of shares pledged/ marked/frozen
China Everbright Group Ltd.	State-owned legal person	-	A shares	23,359,409,561	43.23	-
		-	H shares	1,782,965,000	3.30	-
Hong Kong Securities Clearing Company Nominees Limited	Overseas legal person	-376,544,010	H shares	5,239,381,370	9.70	Unknown
Overseas Chinese Town Holdings Company	State-owned legal person	-	H shares	4,200,000,000	7.77	-
China Everbright Limited	Overseas legal person	-	A shares	1,572,735,868	2.91	-
China Life Reinsurance Company Ltd.	State-owned legal person	-	H shares	1,530,397,000	2.83	-
China Securities Finance Corporation Limited	State-owned legal person	-	A shares	989,377,094	1.83	-
China Reinsurance (Group) Corporation	State-owned legal person	-	A shares	413,094,619	0.76	-
		-	H shares	376,393,000	0.70	-
Shenergy (Group) Co., Ltd.	State-owned legal person	-	A shares	766,002,403	1.42	-
COSCO Shipping (Shanghai) Investment Management Co., Ltd.	State-owned legal person	-	A shares	723,999,875	1.34	-
Hong Kong Securities Clearing Company Ltd.	Overseas legal person	87,047,149	A shares	709,396,977	1.31	-

## Notes:

- The sales restrictions on the 1,610 million H shares held by CEG and the 4,200 million H shares held by Overseas Chinese Town Holdings Company were removed on 22 December 2022. As at the end of the reporting period, all other ordinary shares of the Bank were not subject to restrictions on sales.
- As at the end of the reporting period, the total number of H shares of the Bank held by the Hong Kong Securities Clearing Company Nominees Limited acting as the nominee for all institutional and individual investors that maintain an account with it was 5,239,381,370 H shares. Among them, 1,605,286,000, 282,684,000 and 172,965,000 H shares of the Bank were held by Ocean Fortune Investment Limited, China Life Reinsurance Company Ltd. and CEG, respectively. The number of remaining H shares of the Bank held under it was 3,178,446,370 H shares.
- The Bank was aware that, as at the end of the reporting period, China Everbright Limited is a subsidiary indirectly controlled by CEG. China Life Reinsurance Company Ltd. is a wholly-owned subsidiary of China Reinsurance (Group) Corporation. COSCO Shipping (Shanghai) Investment Management Co., Ltd. and Ocean Fortune Investment Limited are both subsidiaries indirectly controlled by China COSCO Shipping Corporation Limited. Save for the above, the Bank was not aware of any related party relationship or concerted actions among the above shareholders.
- Hong Kong Securities Clearing Company Nominees Limited held the 709,396,977 A shares of the Bank designated by and on behalf of others as the nominee, including shares under the Shanghai Stock Connect held by Hong Kong and overseas investors.
- The Bank had no special repurchase account. There was no delegation, entrustment or abstention of voting rights. No strategic investors or general legal persons became the top ten shareholders due to rights issue. There was no difference in voting right arrangement.

## V. CONFIRMATION OF COMPLIANCE WITH THE REQUIREMENT OF SUFFICIENCY OF PUBLIC FLOAT UNDER THE *HONG KONG LISTING RULES*

Based on publicly available information and to the knowledge of the Directors, as at 31 December 2022, the Bank had maintained the minimum public float as required by the *Hong Kong Listing Rules* and the waiver granted by SEHK.

## VI. SUBSTANTIAL SHAREHOLDERS AS AT THE END OF THE REPORTING PERIOD

### i. Controlling shareholder

#### 1. Basic information

Company name:	China Everbright Group Ltd.
Legal representative:	Wang Jiang
Date of establishment:	12 November 1990
Scope of business:	investment in and management of financial enterprises engaged in banking, securities, insurance, fund, trust, futures, leasing, gold and silver trading; asset management; investment in and management of non-financial enterprises (According to applicable laws, market entities have discretion to choose specific operation items to carry out operation activities. Business activities which are subject to approvals by competent regulatory authorities in accordance with applicable laws shall be carried out following the contents of approvals. Business operations prohibited or restricted by the industry policies of the country and Beijing Municipality are not allowed.)

#### 2. Shareholding in other domestic and overseas listed companies

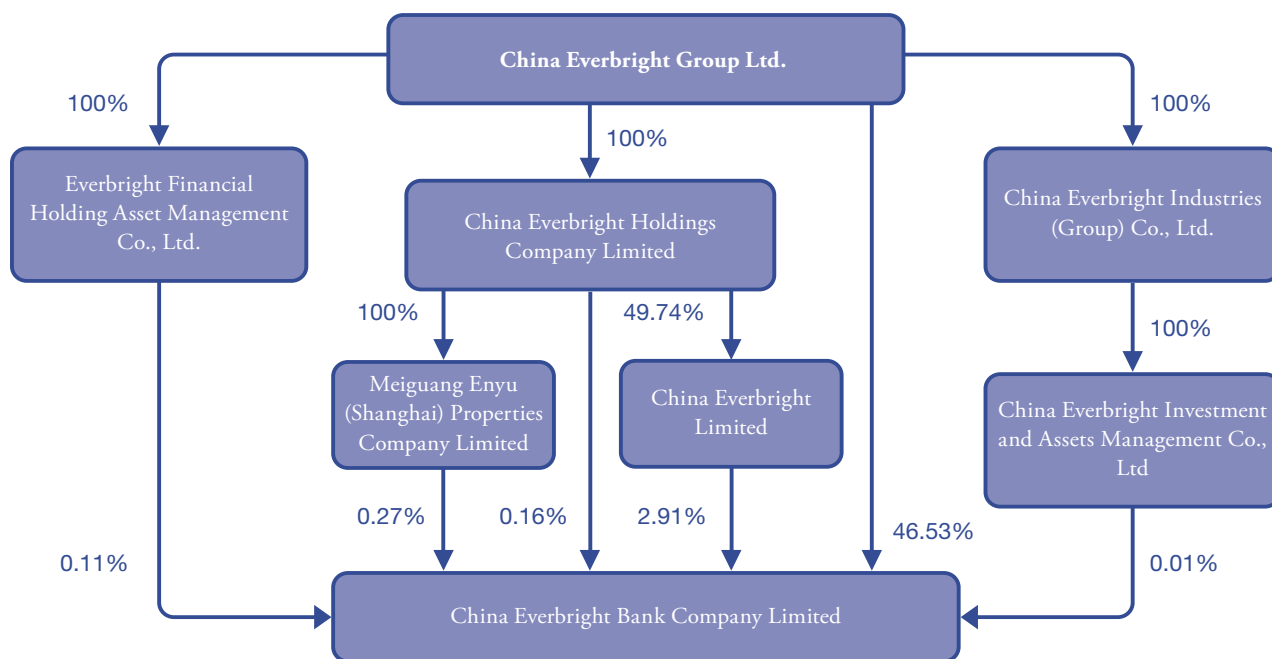
As at the end of the reporting period, the shareholding of CEG in other domestic and overseas listed companies were listed as follows:

Company name	Stock exchanges for listing	Shareholding Percentage (%)
Everbright Securities Co., Ltd.	SSE, SEHK	45.88
China Everbright Limited	SEHK	49.74
China Everbright Environment Group Limited	SEHK	43.08
China CYTS Tours Holding Co., Ltd.	SSE	22.99
Cachet Pharmaceutical Company Limited	SZSE	28.47
Everbright Grand China Assets Limited	SEHK	74.99
Shenwan Hongyuan Group Co., Ltd.	SZSE, SEHK	3.99

#### 3. The controlling shareholder of CEG is CHI with 63.16% shareholding.

## Changes in Ordinary Share Capital and Shareholders

### 4. Shareholding relationship between CEG and the Bank:



### 5. There was no pledged, marked or frozen equity of CEG.

#### ii. Substantial shareholders holding more than 5% shares of the Bank

Overseas Chinese Town Holdings Company (“OCT Group”) directly holds 7.77% shares of the Bank and dispatches directors to the Bank. As one of the Bank’s substantial shareholders, the company’s controlling shareholder is the State-owned Assets Supervision and Administration Commission of the State Council of China with 90% shareholding. The company was established in December 1987 with a registered capital of RMB12,000 million, and its legal representative is Mr. Zhang Zhen’gao. OCT Group mainly engages in investment in tourism and related cultural industries (including performing arts, entertainment and relevant services), industry, real estate, commerce and trade, packaging, decoration and printing industries; tourism, warehouse rental, arts and culture, bonded warehouse for donated cars, and convention and exhibition services. There was no pledged, marked or frozen equity of the company.

### iii. Other substantial shareholders under regulatory standards

In accordance with the *Measures for Equity Management of Commercial Banks* (Decree No.1 of CBRC in 2018), substantial shareholders of the Bank also include:

1. China COSCO Shipping Corporation Limited (“COSCO Shipping”) indirectly holds a total of 4.31% shares of the Bank through its subsidiaries COSCO Shipping (Shanghai) Investment Management Co., Ltd. and Ocean Fortune Investment Limited and dispatches directors to the Bank, thus imposing a substantial influence on the Bank. The controlling shareholder of COSCO Shipping is the State-owned Assets Supervision and Administration Commission of the State Council of China with 90% shareholding. The company was established in February 2016 with a registered capital of RMB11,000 million, and its legal representative is Mr. Wan Min. The company mainly engages in international shipping and auxiliary services of maritime transport; import and export of goods and technologies; international sea, land and air freight agency business; self-owned ship chartering; sales of ships, containers and steel; design of ocean engineering equipment; investment in docks and ports; sales of communication equipment, and provision of information and technical services; storage (except for hazardous chemicals); technological development, transfer, consultation and services in the fields of shipping and spare parts; and equity investment fund. There was no pledged, marked or frozen equity of the company.
2. China Reinsurance (Group) Corporation directly and indirectly holds a total of 4.29% shares of the Bank and dispatches directors to the Bank, thus imposing a substantial influence on the Bank. Its controlling shareholder is CHI with 71.56% shareholding. The company was established in August 1996 with a registered capital of RMB42,479.80 million, and its legal representative is Mr. He Chunlei. The company mainly engages in the establishment of insurance enterprises through investment, investment business permitted by national laws and regulations, and domestic and international reinsurance business permitted by national laws and regulations. There was no pledged, marked or frozen equity of the company.
3. Shenergy (Group) Co., Ltd. holds 1.42% shares of the Bank and dispatches supervisors to the Bank, thus imposing a substantial influence on the Bank. The company is under the actual control of Shanghai Municipal State-owned Assets Supervision and Administration Commission, with 100% shareholding. The company was established in November 1996 with a registered capital of RMB20 billion, and its legal representative is Mr. Huang Dinan. The company mainly engages in the investment, development and management of fundamental industries relating to electricity and other energies, investment in natural gas resources and urban gas pipe network, investment and management of real estate and high-tech industries, industrial investment, asset management and domestic trade (except as otherwise provided by special provisions). There was no pledged, marked or frozen equity of the company.

### iv. Related party transactions with substantial shareholders

The Bank had treated more than 2,300 enterprises as related parties, including the above-mentioned substantial shareholders and their controlling shareholders, de facto controllers, persons acting in concert and ultimate beneficiaries as well as legal persons or non-legal-person organizations controlled or materially influenced by the above-mentioned substantial shareholders. During the reporting period, the Bank and its controlled subsidiaries entered into 65 related party transactions with 54 related parties, with the approved amount totaling about RMB172,675 million. The above-mentioned related party transactions had been reported to the Board of Directors and its Related Party Transactions Control Committee for approval or filing in accordance with relevant procedures.

## VII. AS AT THE END OF THE REPORTING PERIOD, THE BANK HAD NO SHARE REPURCHASE PLAN.

## Changes in Ordinary Share Capital and Shareholders

### VIII. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE BANK UNDER HONG KONG LAWS AND REGULATIONS

As at the end of the reporting period, as far as Directors and Supervisors of the Bank were aware, the following persons or corporations (excluding Directors, Supervisors or Chief Executives of the Bank) had interests or short positions in the shares or underlying shares of the Bank as recorded in the register of interests in shares and short positions required to be kept under section 336 of the *Securities and Futures Ordinance of Hong Kong* (“HKSF”), or which were required to be notified to the Bank:

Name of substantial shareholder	Class of shares	Type of interest	Long/Short position	Number of shares	Percentage of shares comprised in the relevant shares of the Bank (%) <sup>4,5</sup>	Percentage of shares in total shares issued (%) <sup>4,5</sup>
China COSCO Shipping Corporation Limited <sup>1</sup>	H shares	Interest of controlled corporation	Long	1,605,286,000	12.66	2.97
China Shipping (Group) Company <sup>1</sup>	H shares	Interest of controlled corporation	Long	1,605,286,000	12.66	2.97
COSCO Shipping Financial Holdings Co., Limited <sup>1</sup>	H shares	Interest of controlled corporation	Long	1,605,286,000	12.66	2.97
Ocean Fortune Investment Limited <sup>1</sup>	H shares	Beneficial owner	Long	1,605,286,000	12.66	2.97
Central Huijin Investment Ltd. <sup>2</sup>	H shares	Interest of controlled corporation	Long	3,773,385,000	29.76	6.98
China Everbright Group Ltd. <sup>2</sup>	H shares	Beneficial owner/ Interest of controlled corporation	Long	1,866,595,000	14.72	3.45
China Reinsurance (Group) Corporation <sup>2</sup>	H shares	Beneficial owner/ Interest of controlled corporation	Long	1,906,790,000	15.04	3.53
China Life Reinsurance Company Ltd. <sup>2</sup>	H shares	Beneficial owner	Long	1,530,397,000	12.07	2.83
Overseas Chinese Town Holdings Company	H shares	Beneficial owner	Long	4,200,000,000	33.13	7.77
China Everbright Group Ltd. <sup>3</sup>	A shares	Beneficial owner/ Interest of controlled corporation	Long	25,922,412,492	62.69	47.98
Central Huijin Investment Ltd. <sup>3</sup>	A shares	Interest of controlled corporation	Long	26,951,836,111	65.17	49.88

#### Notes:

- Ocean Fortune Investment Limited directly holds a long position in 1,605,286,000 H shares of the Bank. As far as the Bank was aware, Ocean Fortune Investment Limited is wholly-owned by COSCO Shipping Financial Holdings Co., Limited, which is wholly-owned by China Shipping (Group) Company. And China Shipping (Group) Company is wholly-owned by China COSCO Shipping Corporation Limited. In accordance with the HKSF, China COSCO Shipping Corporation Limited, China Shipping (Group) Company and COSCO Shipping Financial Holdings Co., Limited are all deemed to have interests in the 1,605,286,000 H shares held by Ocean Fortune Investment Limited.
- China Life Reinsurance Company Ltd. directly holds a long position in 1,530,397,000 H shares of the Bank. China Reinsurance (Group) Corporation directly holds a long position in 376,393,000 H shares of the Bank. CEG directly holds a long position in 1,782,965,000 H shares of the Bank. China Everbright Holdings Company Limited directly holds a long position in 83,630,000 H shares of the Bank. As far as the Bank was aware, China Life Reinsurance Company Ltd. is wholly-owned by China Reinsurance (Group) Corporation, while 71.56% of the issued share capital of China Reinsurance (Group) Corporation is held by CHI. China Everbright Group Holdings Company Limited is wholly-owned by CEG, while 63.16% of the issued share capital of CEG is held by CHI. In accordance with the HKSF, China Reinsurance (Group) Corporation is deemed to have interests in the 1,530,397,000 H shares held by China Life Reinsurance Company Ltd., while China Everbright Group is deemed to have interests in the 83,630,000 H shares held by China Everbright Holdings Company Limited. Therefore, CHI is deemed to indirectly have interests in a total of 3,773,385,000 H shares of the Bank.

3. CEG directly holds a long position in 24,133,120,466 A shares of the Bank, and is deemed to indirectly hold a long position in a total of 1,789,292,026 A shares of the Bank through its subsidiaries as follows:
  - (1) China Everbright Limited directly holds a long position in 1,572,735,868 A shares of the Bank.
  - (2) Meiguang Enyu (Shanghai) Properties Company Limited directly holds a long position of 148,156,258 A shares of the Bank.
  - (3) China Everbright Investment and Assets Management Co., Ltd. directly holds a long position of 8,000,000 A shares of the Bank.
  - (4) Everbright Financial Holding Asset Management Co., Ltd. directly holds a long position of 60,399,900 A shares of the Bank.

Therefore, CEG directly and indirectly holds a long position of 25,922,412,492 A shares of the Bank in total.

China Reinsurance (Group) Corporation and Central Huijin Asset Management Ltd. directly hold a long position of 413,094,619 and 616,329,000 A shares of the Bank, respectively. As far as the Bank was aware, CHI held 100%, 71.56% and 63.16% of the issued share capital of Central Huijin Asset Management Ltd., China Reinsurance (Group) Corporation and CEG, respectively. In accordance with the HKSFPO, CHI is deemed to hold a long position in 616,329,000 A shares held by Central Huijin Asset Management Ltd., a long position in 413,094,619 A shares held by China Reinsurance (Group) Corporation, and a long position in 25,922,412,492 A shares held by CEG. Therefore, CHI indirectly holds a long position in a total of 26,951,836,111 A shares of the Bank.

4. As at 31 December 2022, the issued share capital of the Bank was 54,031,980,091 shares, including 41,353,244,591 A shares and 12,678,735,500 H shares.
5. The percentage of shareholdings is rounded to two decimal places.
6. The data disclosed above is based on the information provided on the website of HKEXnews and the information obtained by the Bank as at the end of the reporting period.

Save as disclosed above, as at the end of the reporting period, the Bank had not been notified by any person who had interests or short positions in the shares or underlying shares of the Bank which were required to be disclosed to the Bank under Divisions 2 and 3 of Part XV of the HKSFPO, or which were recorded in the register of interests in shares and short positions required to be kept by the Bank under section 336 of the HKSFPO.

## **IX. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE BANK UNDER HONG KONG LAWS AND REGULATIONS**

As at the end of the reporting period, as far as Directors and Supervisors of the Bank were aware, none of Directors, Supervisors and Chief Executives of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its relevant corporations (as defined in the HKSFPO) which were recorded in the register of interests in shares and short positions required to be kept by the Bank under section 352 of the HKSFPO, or which were required to be notified to the Bank and SEHK under Divisions 7 and 8 of Part XV of the HKSFPO, or which were required to be notified to the Bank and SEHK pursuant to the *Model Code*. None of Directors, Supervisors and Chief Executives of the Bank was granted a right to acquire a interest in the shares or debentures of the Bank or any of its relevant corporations.

# Changes in Preference Share Capital and Shareholders

## I. ISSUANCE AND LISTING OF PREFERENCE SHARES

Unit: RMB Yuan, %, 10,000 Shares

Code	Abbreviation	Date of issuance	Issuance price	Coupon rate	Issuance volume	Date of listing	Approved volume for listing and trading	Date of delisting
360013	Everbright P1	19 June 2015	100	4.45	20,000	21 July 2015	20,000	-
360022	Everbright P2	8 August 2016	100	4.01	10,000	26 August 2016	10,000	-
360034	Everbright P3	15 July 2019	100	4.80	35,000	5 August 2019	35,000	-

## II. USE OF PROCEEDS

In response to higher capital requirements raised by regulators, the Bank issued preference shares to ensure sustainable business development and improve its capital structure. All the proceeds were used to replenish the additional tier-1 capital.

## III. TOTAL NUMBER OF PREFERENCE SHAREHOLDERS AND SHAREHOLDINGS OF TOP TEN PREFERENCE SHAREHOLDERS AS AT THE END OF THE REPORTING PERIOD

### i. Everbright P1 (Code 360013)

Unit: Share, %, Shareholder

Name of shareholder	Nature of shareholder	Changes in shareholding during the reporting period	Number of shares held	Percentage of shareholding	Type of shares	Number of shares pledged/marked/frozen
Total number of shareholders as at the end of the reporting period						23
Total number of shareholders as at the end of the month prior to the disclosure date of this report						22
Hwabao Trust Co., Ltd.	Others	-	32,400,000	16.20	Domestic preference shares	-
Everbright Securities Asset Management Co., Ltd.	Others	-	26,700,000	13.35	Domestic preference shares	-
BOC International (China) Co., Ltd.	Others	-	15,500,000	7.75	Domestic preference shares	-
Bosera Asset Management Co., Limited	Others	-	15,500,000	7.75	Domestic preference shares	-
BOCOM Schroders Asset Management Co., Ltd.	Others	-	15,500,000	7.75	Domestic preference shares	-
Jiangsu International Trust Corporation Limited	Others	-	11,640,000	5.82	Domestic preference shares	-
TruValue Asset Management Co., Ltd.	Others	10,224,000	10,224,000	5.11	Domestic preference shares	-
Ping An Life Insurance Company of China, Ltd.	Others	-	10,000,000	5.00	Domestic preference shares	-
Ping An Property & Casualty Insurance Company of China, Ltd.	Others	-	10,000,000	5.00	Domestic preference shares	-
China Merchants Wealth Asset Management Co., Ltd.	Others	-	7,786,000	3.89	Domestic preference shares	-

Note: Everbright Securities Asset Management Co., Ltd. is a related party of CEG and China Everbright Limited. Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China, Ltd. are related parties. Save for the above, the Bank was not aware of any related party relationship or concerted actions among the above preference shareholders, as well as between the above preference shareholders and the top ten ordinary shareholders.



## ii. Everbright P2 (Code 360022)

Unit: Share, %, Shareholder

							23
							25
Name of shareholder	Nature of shareholder	Changes in shareholding			Percentage of shareholding	Type of shares	Number of shares pledged/marked/frozen
		during the reporting period	Number of shares held				
Ping An Wealth Management Co., Ltd.	Others	-300,000	11,890,000	11.89	Domestic preference shares	-	
CITIC Securities Co., Ltd.	Others	2,630,000	10,080,000	10.08	Domestic preference shares	-	
China Everbright Group Ltd.	State-owned legal person	-	10,000,000	10.00	Domestic preference shares	-	
China Life Insurance Company Limited	Others	-	8,180,000	8.18	Domestic preference shares	-	
Postal Savings Bank of China Co., Ltd.	Others	-	7,200,000	7.20	Domestic preference shares	-	
BOCOM Schroders Asset Management Co., Ltd.	Others	-	6,540,000	6.54	Domestic preference shares	-	
AVIC Trust Co., Ltd.	Others	6,370,000	6,370,000	6.37	Domestic preference shares	-	
Jiangsu International Trust Corporation Limited	Others	-	5,800,000	5.80	Domestic preference shares	-	
Bosera Asset Management Co., Limited	Others	-	5,210,000	5.21	Domestic preference shares	-	
BOC International (China) Co., Ltd.	Others	3,570,000	4,570,000	4.57	Domestic preference shares	-	

Note: China Everbright Group Ltd. is the controlling shareholder of the Bank. China Everbright Limited is a subsidiary indirectly controlled by China Everbright Group. Save for the above, the Bank was not aware of any related party relationship or concerted actions among the above preference shareholders, as well as between the above preference shareholders and the top ten ordinary shareholders.

## Changes in Preference Share Capital and Shareholders

### iii. Everbright P3 (Code 360034)

Unit: Share, %, Shareholder

Number of shareholders as at the end of the reporting period		26					
Number of shareholders as at the end of the month prior to the disclosure date of this report		24					
Name of shareholder	Nature of shareholder	Changes in shareholding during the reporting period	Number of shares held	Percentage of shareholding	Type of shares	Number of shares pledged/marked/frozen	
Ping An Life Insurance Company of China, Ltd.	Others	-	84,110,000	24.04	Domestic preference shares	-	
China Life Insurance Company Limited	Others	-	47,720,000	13.63	Domestic preference shares	-	
New China Life Insurance Company Ltd.	Others	-	27,270,000	7.79	Domestic preference shares	-	
BOCOM Schroders Asset Management Co., Ltd.	Others	-	27,270,000	7.79	Domestic preference shares	-	
CCB Trust Co., Ltd.	Others	-11,000,000	20,810,000	5.95	Domestic preference shares	-	
Ping An Property & Casualty Insurance Company of China, Ltd.	Others	-	18,180,000	5.19	Domestic preference shares	-	
CITIC-Prudential Life Insurance Company Limited	Others	-	15,000,000	4.28	Domestic preference shares	-	
Postal Savings Bank of China Co., Ltd.	Others	-	13,630,000	3.89	Domestic preference shares	-	
CITIC Securities Co., Ltd.	Others	2,710,000	13,130,000	3.75	Domestic preference shares	-	
BOC International (China) Co., Ltd.	Others	-	9,090,000	2.60	Domestic preference shares	-	

Note: Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China, Ltd. are related parties. CITIC-Prudential Life Insurance Company Limited and CITIC Securities Co., Ltd. are related parties. Save as disclosed above, the Bank was not aware of any related party relationship or concerted actions among the above preference shareholders, as well as between the above preference shareholders and the top ten ordinary shareholders.

## IV. PROFIT DISTRIBUTION FOR PREFERENCE SHARES

### 1. Profit distribution policy for preference shares

Everbright P1, Everbright P2 and Everbright P3 issued by the Bank are priced at coupon rates subject to adjustments at different intervals. The coupon rates shall remain unchanged for the first five years commencing from the issuance date. Subsequently, the coupon rates shall be adjusted once every five years, and remain unchanged during adjustment intervals. Through market consultation, the initial coupon rates for Everbright P1, Everbright P2 and Everbright P3 were 5.30%, 3.90% and 4.80%, respectively. Of these, the initial coupon rates for Everbright P1 and Everbright P2, which had been applied for five years, were adjusted to the second coupon rates of 4.45% and 4.01% on 25 June 2020 and 11 August 2021, respectively.

The dividends on the above three preference shares are non-cumulative, and the dividends shall be paid in cash. Under the circumstance that the Bank decides to cancel part or all of the dividend payments of the preference shares, the undistributed dividends shall not be carried forward to the following dividend period. After receiving dividends at the agreed rates, the preference shareholders are not entitled to the distribution of remaining profits with ordinary shareholders.

### 2. Profit distribution plan for preference shares

On 27 June 2022, the Bank distributed dividends on Everbright P1 at a coupon rate of 4.45% (before tax). On 11 August 2022, the Bank distributed dividends on Everbright P2 at a coupon rate of 4.01% (before tax). On 18 April 2022, the Bank distributed dividends on Everbright P3 at a coupon rate of 4.80% (before tax). All the above had been executed.

As agreed, the dividends on Everbright P1 and Everbright P2 shall be paid annually. The Bank shall convene a board meeting at least 10 working days prior to the dividend payment date of Everbright P1 (i.e. 26 June 2023) and Everbright P2 (i.e. 11 August 2023) to consider issues relating to the dividend payment. The dividends on Everbright P3 is distributed once per fiscal year. The Bank will implement the dividend distribution plan within 15 working days after the Board of Directors' review and approval.

### 3. Amount and proportion of the preference share dividends distributed in the last three years

Item	Unit: RMB million, %		
	2022	2021	2020
Amount of dividends	2,971	2,960	2,219
Proportion of distribution	100.00	100.00	100.00

Note: Proportion of distribution is calculated based on the amount of declared dividends and that of the agreed dividends payable for the year.

## Changes in Preference Share Capital and Shareholders

**V. DURING THE REPORTING PERIOD, THERE WAS NO REDEMPTION OF PREFERENCE SHARES OR CONVERSION OF PREFERENCE SHARES INTO ORDINARY SHARES BY THE BANK. FOR THE DETAILS OF THE PREFERENCE SHARE REPURCHASE AND THE TRIGGER CONDITIONS OF CONVERSION OF PREFERENCE SHARES INTO ORDINARY SHARES, PLEASE REFER TO THE PROSPECTUSES RELEASED AT PREFERENCE SHARE ISSUANCE OF THE BANK.**

**VI. DURING THE REPORTING PERIOD, THERE WAS NO VOTING RIGHT RESTORATION IN THE PREFERENCE SHARES OF THE BANK.**

### **VII. ACCOUNTING POLICIES FOR PREFERENCE SHARES OF THE BANK AND REASONS FOR ADOPTION**

According to the *Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments* and *Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments* promulgated by MOF, the preference shares issued by the Bank were accounted for as an equity instrument.

# Issuance of Convertible Corporate Bonds

## I. OVERVIEW

On 17 March 2017, the Bank completed the issuance of the A share convertible bonds. The proceeds amounted to RMB30 billion and the net funds stood at about RMB29,923 million after deducting issuance expenses. The proceeds were used for business development and the replenishment of core tier-1 capital after conversion. On 5 April 2017, the above-mentioned A share convertible bonds were listed on SSE under the short name of Everbright Convertible Bonds (“光大轉債”, Code: 113011).

## II. CONVERTIBLE BONDSHOLDERS AND GUARANTORS

	Unit: RMB, %, Shareholder	
Convertible bondholders as at the end of the reporting period	13,297	
Guarantors of convertible bonds of the Bank	Nil	
	Par value of bonds held at the end of the reporting period	Percentage of bonds held
<b>Top ten convertible bondholders</b>		
Specific account for collateralized bond repurchase in the securities depository and clearing system (Industrial and Commercial Bank of China)	3,050,629,000	12.61
China Everbright Group Ltd.	2,909,153,000	12.02
Specific account for collateralized bond repurchase in the securities depository and clearing system (China Construction Bank)	2,658,194,000	10.98
Specific account for collateralized bond repurchase in the securities depository and clearing system (Bank of China)	1,598,185,000	6.60
Specific account for collateralized bond repurchase in the securities depository and clearing system (China Merchants Bank)	1,569,141,000	6.48
Specific account for collateralized bond repurchase in the securities depository and clearing system (Shanghai Pudong Development Bank)	605,969,000	2.50
Specific account for collateralized bond repurchase in the securities depository and clearing system (Agricultural Bank of China)	538,003,000	2.22
Specific account for collateralized bond repurchase in the securities depository and clearing system (Bank of Communications)	459,985,000	1.90
Specific account for collateralized bond repurchase in the securities depository and clearing system (China Minsheng Bank)	411,659,000	1.70
Specific account for collateralized bond repurchase in the securities depository and clearing system (CITIC Securities Co., Ltd.)	379,624,000	1.57

## III. CHANGES IN CONVERTIBLE BONDS

For the A share convertible bonds issued by the Bank, the conversion period commenced from the 1st trading day after 6 months from the completion of the issuance (18 September 2017) and ended on the bond maturity date (16 March 2023). As at the end of the reporting period, a total of RMB5,801,332,000 “Everbright Convertible Bonds” were converted into A shares of the Bank, and the number of converted shares reached 1,542,885,091 cumulatively. In 2022, there was a total of 61,896 converted shares worth RMB208,000.

The Bank’s convertible bonds were delisted upon maturity on 17 March 2023. A total of 6,596,456,061 shares in an amount of RMB22,731 million were converted from these bonds, and the amount of convertible bonds redeemed upon maturity was RMB7,633 million.

## Issuance of Convertible Corporate Bonds

### IV. PREVIOUS ADJUSTMENTS OF CONVERSION PRICE

Unit: RMB per share

Date of adjustment	Conversion price after adjustment	Disclosure date	Media of disclosure	Reasons for adjustment
5 July 2017	4.26	27 June 2017	Website of HKEXnews, website of the Bank	Due to profit distribution on ordinary A shares for the year 2016
26 December 2017	4.31	22 December 2017	Ibid.	Due to non-public issuance of H shares
27 July 2018	4.13	20 July 2018	Ibid.	Due to profit distribution on ordinary A shares for the year 2017
26 June 2019	3.97	18 June 2019	Ibid.	Due to profit distribution on ordinary A shares for the year 2018
24 June 2020	3.76	15 June 2020	Ibid.	Due to profit distribution on ordinary A shares for the year 2019
21 July 2021	3.55	12 July 2021	Ibid.	Due to profit distribution on ordinary A shares for the year 2020
29 June 2022	3.35	20 June 2022	Ibid.	Due to profit distribution on ordinary A shares for the year 2021
Conversion price as at the disclosure date of the reporting period				3.35

### V. THE BANK'S OUTSTANDING DEBTS, CREDIT WORTHINESS AND AVAILABILITY OF CASH FOR REPAYMENT OF DEBTS IN FUTURE YEARS

In accordance with the applicable provisions in the *Administrative Measures for the Issuance of Securities by Listed Companies* and the *Rules Governing the Listing of Stocks on Shanghai Stock Exchange*, the Bank entrusted China Chengxin International Credit Rating Co., Ltd. ("CCXI") to perform follow-up ratings on the credit standing of its A share convertible bonds issued in March 2017. On 23 May 2022, CCXI issued the *Report on Follow-up Rating to A Share Convertible Corporate Bonds of China Everbright Bank Company Limited (2022)* based on comprehensive analysis and evaluation of the Bank's operating results and the industry situation, maintaining the issuer credit rating as AAA with a stable outlook and the credit rating of Everbright Convertible Bonds as AAA. The rating results were the same as the previous ones. The Bank maintained stable operation in all aspects, as exemplified by reasonable asset structure, steady balance sheet and good credit position. In future years, cash flows from operating and investing activities will constitute the cash sources of debt repayments.

# Directors, Supervisors, Senior Management, Staff and Business Outlets

## I. INCUMBENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Gender	Age	Term of office	Remuneration received from the Bank during the reporting period (in RMB10,000, pretax)	Whether received remuneration from a related party
Wang Jiang	Secretary of the CPC Committee, Chairman, Non-executive Director	Male	59	Mar. 2022 – Sep. 2025	–	Yes
Wu Lijun	Vice Chairman, Non-executive Director	Male	58	Mar. 2020 – Sep. 2025	–	Yes
Wang Zhiheng	Deputy Secretary of the CPC Committee, Executive Director, President	Male	49	Dec. 2022 – Sep. 2025	–	No
Yao Zhongyou	Non-executive Director	Male	59	Feb. 2021 – Sep. 2025	–	Yes
Qu Liang	Member of the CPC Committee, Executive Director, Executive Vice President	Male	56	Feb. 2021 – Sep. 2025	236.78	No
Yao Wei	Non-executive Director	Male	47	Feb. 2021 – Sep. 2025	–	Yes
Liu Chong	Non-executive Director	Male	53	Dec. 2019 – Sep. 2025	–	Yes
Li Wei	Non-executive Director	Male	52	Aug. 2021 – Sep. 2025	–	Yes
Wang Liguo	Independent Non-executive Director	Male	65	Jan. 2017 – Jan. 2023	42.00	No
Shao Ruiqing	Independent Non-executive Director	Male	65	Aug. 2019 – Aug. 2025	43.00	Yes
Hong Yongmiao	Independent Non-executive Director	Male	59	Sep. 2019 – Sep. 2025	43.00	Yes
Li Yinquan	Independent Non-executive Director	Male	67	Jun. 2020 – Sep. 2025	43.00	Yes
Han Fuling	Independent Non-executive Director	Male	58	May 2021 – Sep. 2025	42.00	Yes
Liu Shiping	Independent Non-executive Director	Male	60	Jan. 2022 – Sep. 2025	39.42	Yes
Lu Hong	Member of the CPC Committee, Chairman of the Board of Supervisors, Shareholder Supervisor, Chairman of Working Committee of Labor Union	Male	59	Mar. 2021 – Sep. 2025	243.20	No
Wu Junhao	Shareholder Supervisor	Male	57	Nov. 2009 – Sep. 2025	–	Yes
Li Yinzong	Shareholder Supervisor	Male	58	Dec. 2021 – Sep. 2025	–	Yes
Wang Zhe	External Supervisor	Male	62	Nov. 2016 – Nov. 2022	33.00	Yes
Qiao Zhimin	External Supervisor	Male	70	Sep. 2019 – Sep. 2025	34.00	Yes
Chen Qing	External Supervisor	Female	62	Sep. 2022 – Sep. 2025	–	No
Shang Wencheng	Employee Supervisor	Male	47	Jul. 2019 – Sep. 2025	208.35	No
Yang Wenhua	Employee Supervisor	Male	54	Sep. 2022 – Sep. 2025	75.80	No
Lu Jian	Employee Supervisor	Male	51	Sep. 2022 – Sep. 2025	63.80	No
Dong Tiefeng	Member of the CPC Committee, Secretary of Discipline Inspection Committee (Executive Vice President level)	Male	55	Dec. 2020 –	236.78	No
Qi Ye	Member of the CPC Committee, Executive Vice President	Female	53	Jul. 2020 –	231.87	No
Yang Bingbing	Member of the CPC Committee, Executive Vice President, Risk Director	Male	52	Jul. 2020 –	231.92	No
Zhang Xuyang	Secretary to the Board of Directors, Chief Business Supervisor	Male	50	Aug. 2022 –	70.88	No
Total remuneration received from the Bank					1,918.80	

## Directors, Supervisors, Senior Management, Staff and Business Outlets

### Notes:

1. The remuneration of Directors and Supervisors is subject to approval of the Annual General Meeting.
2. The remuneration of certain Directors and Supervisors of the Bank has not been finalized and an announcement will be made for further disclosure in due course.
3. The remuneration of Directors, Supervisors and Senior Management serving in the year 2022 was calculated based on their actual terms of office. The remuneration of Mr. Zhang Xuyang was calculated as at the date when he began to serve as Secretary to the Board of Directors.
4. The term of office of Mr. Wang Liguu as Independent Non-Executive Director expired in January 2023, but Mr. Wang Liguu will continue to perform his duties until the qualifications of the succeeding Independent Non-Executive Director are approved by CBIRC.
5. The term of office of Mr. Wang Zhe as External Supervisor expired in November 2022, but Mr. Wang Zhe will continue to perform his duties until the qualifications of the succeeding External Supervisor are approved by the Annual General Meeting.
6. During the reporting period, none of Directors, Supervisors and Senior Management held any shares of the Bank.
7. During the reporting period, the Bank did not implement any equity incentive scheme, and none of Directors, Supervisors and Senior Management held stock options on the Bank's shares or was granted any restricted shares.
8. None of the incumbent Directors, Supervisors and Senior Management of the Bank was subject to any penalty by securities regulatory authorities in the recent three years.

## II. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT WHO RESIGNED DURING THE REPORTING PERIOD

Name	Position	Gender	Age	Term of office	Remuneration received from the Bank during the reporting period (in RMB10,000, pretax)	Whether received remuneration from a related party
Li Xiaopeng	Secretary of the CPC Committee, Chairman, Non-executive Director	Male	63	Mar. 2018 – Mar. 2022	–	Yes
Fu Wanjun	Deputy Secretary of the CPC Committee, Executive Director, President	Male	55	Feb. 2021 – Dec. 2022	67.86	No
Xu Hongcai	Independent Non-executive Director	Male	58	Feb. 2015 – Jan. 2022	3.58	No
Wu Chongkuan	Member of the CPC Committee (Executive Vice President level), Chairman of Working Committee of Labor Union, Secretary of the CPC Committee Office of H.O., Chairman of Labor Union of H.O.	Male	60	Apr. 2014 – Apr. 2022	79.49	No
Zhao Ling	Member of the CPC Committee, Executive Vice President, Secretary to the Board of Directors	Male	50	Nov. 2021 – May 2022	76.26	No
Wu Gaolian	External Supervisor	Male	70	Jun. 2016 – Sep. 2022	–	No
Xu Keshun	Employee Supervisor	Male	56	Jul. 2019 – Sep. 2022	139.98	No
Sun Jianwei	Employee Supervisor	Male	56	Jul. 2019 – Sep. 2022	156.70	No
Total remuneration received from the Bank					523.87	

### Notes:

1. The remuneration of resigned Directors, Supervisors and Senior Management of the Bank for 2022 was calculated based on their actual terms of office.
2. In February 2021, the term of Mr. Xu Hongcai as Independent Non-executive Director expired, but Mr. Xu Hongcai continued to perform his duties until the qualifications of his successor Mr. Liu Shiping were approved by CBIRC. In January 2022, CBIRC approved the qualifications of Mr. Liu Shiping as Independent Non-executive Director, and Mr. Xu Hongcai ceased to perform his duties.
3. During the reporting period, none of the resigned Directors, Supervisors and Senior Management held shares of the Bank.
4. During the reporting period, the Bank did not implement any equity incentive scheme, and none of the resigned Directors, Supervisors and Senior Management held stock options on the Bank's shares or was granted any restricted shares.
5. None of the resigned Directors, Supervisors and Senior Management was subject to penalty from the securities regulatory authorities in the most recent three years.



### III. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

#### i. Changes in Directors

1. On 18 January 2022, CBIRC approved Mr. Liu Shiping's qualifications as Independent Non-executive Director of the Bank, and Mr. Xu Hongcai ceased to perform his duties.
2. On 24 March 2022, due to work adjustment, Mr. Li Xiaopeng resigned from the positions as Chairman, Non-executive Director, Chairman and Member of Strategy Committee, Member of Nomination Committee of the Board of Directors of the Bank.
3. On 2 August 2022, CBIRC approved Mr. Wang Jiang's qualifications as Director and Chairman of the Bank.
4. On 2 December 2022, due to work adjustment, Mr. Fu Wanjun resigned from the positions as Executive Director, Chairman and Member of the Risk Management Committee of the Board of Directors, Chairman and Member of the Inclusive Finance Development and Consumer Rights and Interests Protection Committee and Member of the Strategy Committee of the Board of Directors of the Bank.
5. On 13 March 2023, CBIRC approved Mr. Wang Zhiheng's qualifications as Executive Director of the Bank.

#### ii. Changes in Supervisors

1. On 19 September 2022, the Worker's Congress of the Bank elected Mr. Yang Wenhua and Mr. Lu Jian as Employee Supervisors of the Bank. Mr. Xu Keshun and Mr. Sun Jianwei resigned from their positions on 19 September 2022.
2. On 28 September 2022, the 2022 First Extraordinary General Meeting of the Bank elected Ms. Chen Qing as the Bank's External Supervisor, and Mr. Wu Gaolian resigned upon expiration of his term of office.

#### iii. Changes in Senior Management

1. On 10 March 2022, CBIRC approved the qualifications of Mr. Zhao Ling as Secretary to the Board of Directors of the Bank. On 27 May 2022, due to work arrangement, Mr. Zhao Ling resigned from the positions as Executive Vice President and Secretary to the Board of Directors of the Bank.
2. On 18 April 2022, due to age consideration, Mr. Wu Chongkuan ceased to serve as Member of the CPC Committee (Executive Vice President level), Chairman of Working Committee of Labor Union, Secretary of the CPC Committee of H.O. and Chairman of Labor Union of H.O. of the Bank.
3. On 1 August 2022, CBIRC approved Mr. Zhang Xuyang's qualifications as Secretary to the Board of Directors of the Bank.
4. On 2 December 2022, due to work arrangement, Mr. Fu Wanjun resigned from the position as President of the Bank.
5. On 13 March 2023, CBIRC approved the qualifications of Mr. Wang Zhiheng as President of the Bank.

## Directors, Supervisors, Senior Management, Staff and Business Outlets

### IV. CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

1. Mr. Yao Zhongyou, Non-executive Director of the Bank, ceased to serve as Director-General of Leasing Business Management Center of China Everbright Group Ltd.
2. Mr. Yao Wei, Non-executive Director of the Bank, ceased to serve as Chairman of Overseas Chinese Town (Yunnan) Investment Co., Ltd.
3. Mr. Liu Chong, Non-executive Director of the Bank, began to serve as Secretary of the CPC Committee and Chairman of COSCO Shipping Development Co., Ltd. and ceased to serve as its Managing Director, and began to serve as Director of China Merchants Securities Co. Ltd.
4. Mr. Li Wei, Non-executive Director of the Bank, ceased to serve as Non-executive Director of CSSC (Hong Kong) Shipping Company Limited.
5. Mr. Li Yinquan, Independent Non-executive Director of the Bank, ceased to serve as Independent Non-executive Director of Kimou Environmental Holding Limited.
6. Mr. Han Fuling, Independent Non-executive Director of the Bank, began to serve as Independent Non-executive Director of Beijing Highlander Digital Technology Co., Ltd., and ceased to serve as Independent Non-executive Director of Xinjiang Zhongtai Chemical Co., Ltd.
7. Mr. Liu Shiping, Independent Non-executive Director of the Bank, began to serve as External Supervisor of Fujian OneBank Co., Ltd., and ceased to serve as Independent Non-executive Director of Zhejiang Tailong Commercial Bank Co., Ltd.
8. Mr. Lu Hong, Chairman of the Board of Supervisors of the Bank, concurrently served as Chairman of Working Committee of Labor Union of the Bank.
9. Mr. Wang Zhe, External Supervisor of the Bank, ceased to serve as Independent Non-executive Director of Shanghai Pudong Development Bank Co., Ltd.

### V. REMUNERATION POLICIES OF THE BANK

During the reporting period, in accordance with regulatory requirements and the Bank's operation and management needs, the Bank continued to optimize the incentive and constraint mechanism, revised the *Management Measures for Remuneration of Heads of Domestic Branches* and the *Management Measures for Deferred Payment of Performance-based Remuneration*, and formulated the *Measures for Recovery of Performance-based Remuneration*. For Senior Management and employees whose positions exert a direct or material impact on risks, more than 40% of the performance-based remuneration shall be paid in a deferred manner, with a deferred period of at least three years. According to relevant measures, the Bank had recovered corresponding performance-based remuneration from employees found guilty of violation of laws, regulations and disciplines or exposed to excessive risks within the scope of their responsibilities.

## VI. PROCEDURES FOR DETERMINING THE REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT, BASIS FOR DETERMINING THE REMUNERATION AND THE ACTUAL REMUNERATION PAID

The remuneration of Directors and Senior Management of the Bank is verified and paid in accordance with the *Articles of Association* of the Bank. The remuneration plan for Directors and Senior Management is reviewed by the Remuneration Committee of the Board of Directors before submitted to the Board of Directors for approval. The remuneration plan for Directors is further subject to the Annual General Meeting for approval.

The remuneration of Supervisors of the Bank is verified and paid in accordance with the *Articles of Association* of the Bank. The remuneration plan is reviewed by the Nomination Committee of the Board of Supervisors and then considered by the Board of Supervisors before submitted to the Annual General Meeting for approval.

For details about the remuneration of Directors, Supervisors and Senior Management of the Bank in 2022, please refer to relevant aforesaid content in this section.

## VII. POSITIONS HELD IN SHAREHOLDING COMPANIES BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Shareholding company	Position	Term of office
Wang Jiang	China Everbright Group Ltd.	Secretary of the CPC Committee Chairman	Mar. 2022 to the present Aug. 2022 to the present
Wu Lijun	China Everbright Group Ltd.	Deputy Secretary of the CPC Committee	Sep. 2019 to the present
Wang Zhiheng	China Everbright Group Ltd.	Vice Chairman, General Manager Member of the CPC Committee Executive Director	Nov. 2019 to the present Dec. 2022 to the present Feb. 2023 to the present
Yao Wei	Overseas Chinese Town Holdings Company	Member of the Standing Committee of the CPC Committee, Chief Accountant	Jul. 2020 to the present
Liu Chong	COSCO Shipping Development Co., Ltd.	Secretary of the CPC Committee, Chairman	May 2022 to the present
Li Wei	China Re Asset Management Company Ltd.	Secretary of the CPC Committee	Mar. 2021 to the present
Wu Junhao	Shenergy (Group) Co., Ltd.	Vice Chairman, General Manager General Manager of Financial Management Department	Jun. 2021 to the present Apr. 2011 to the present

## Directors, Supervisors, Senior Management, Staff and Business Outlets

### VIII.RESUMES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

#### i. Directors

##### **Mr. Wang Jiang**

Mr. Wang Jiang has served as Chairman of the Bank since August 2022, and Secretary of the CPC Committee of the Bank since March 2022. He currently serves as Secretary of the CPC Committee and Chairman of China Everbright Group Ltd. He concurrently serves as President of Party School of China Everbright Group Ltd. and Chairman of China Everbright Limited. He successively served as Deputy Division Chief of Credit Risk Management Division of Shandong Provincial Branch, General Manager of Dezhou Sub-branch of Shandong Provincial Branch, Deputy Secretary of the CPC Committee and Deputy General Manager of Shandong Provincial Branch, Secretary of the CPC Committee and General Manager of Hubei Provincial Branch, Secretary of the CPC Committee and General Manager of Shanghai Branch of China Construction Bank; Member of the CPC Committee and Executive Vice President of Bank of Communications; Vice Governor of Jiangsu Province; Deputy Secretary of the CPC Committee, Vice Chairman and President of Bank of China; Deputy Secretary of the CPC Committee, Vice Chairman and President of China Construction Bank. He holds a doctoral degree in economics. He was elected Deputy to the 13th National People's Congress of the People's Republic of China and Member of the 14th National Committee of the Chinese People's Political Consultative Conference (CPPCC).

##### **Mr. Wu Lijun**

Mr. Wu Lijun has served as Vice Chairman of the Board of Directors of the Bank since March 2020. He currently serves as Deputy Secretary of the CPC Committee, Vice Chairman of the Board of Directors and General Manager of China Everbright Group Ltd. He successively served as Deputy Director (Deputy Bureau Director level) of State Regulation Center of Supplies Reserve of Ministry of Internal Trade; Head of IT Service Center, Deputy Director (Presiding) of Training Center, Director of Department of Personnel & Education and Director of Organization Department of the CPC Committee of China Securities Regulatory Commission (CSRC); Member of the CPC Committee and Assistant Chairman of CSRC; Chairman of the Board of Directors and Secretary of the CPC Committee (Deputy Minister level) of Shenzhen Stock Exchange. He holds a doctoral degree in economics and is qualified as a senior economist.

##### **Mr. Wang Zhiheng**

Mr. Wang Zhiheng has served as Executive Director and President of the Bank since March 2023, and Deputy Secretary of the CPC Committee of the Bank since December 2022. He currently serves as Member of the CPC Committee and Executive Director of China Everbright Group Ltd. He successively served as Deputy Division Chief of Corporate Planning Division of Corporate Banking Department of H.O., Chief Officer and Deputy General Manager of Human Resources Department of H.O., Member of the CPC Committee and General Manager of Guangdong Provincial Branch, Secretary of the CPC Committee and General Manager of Qinghai Provincial Branch, Head of Organization Department of the CPC Committee, General Manager of Human Resources Department of H.O., Secretary of the CPC Committee and General Manager of Beijing Branch, Member of the CPC Committee and Executive Vice President of H.O. of Bank of China. He holds a master's degree in economics and is qualified as an economist.

##### **Mr. Yao Zhongyou**

Mr. Yao Zhongyou has served as Non-executive Director of the Bank since June 2021. He currently serves as Secretary of the CPC Committee and Chairman of the Board of Directors of Everbright Financial Leasing Co., Ltd. He successively served as a cadre and Deputy Manager of International Banking Department of Hebei Provincial Branch of China Construction Bank (CCB), Secretary of the CPC Leadership Group and General Manager of CCB Chengde Sub-branch, Director of General Office, Member of the CPC Committee and Deputy General Manager of CCB Hebei Provincial Branch; Deputy General Manager of Equity Management Department of China Everbright (Group) Corporation; Member of the CPC Committee, Executive Director and Vice President of Everbright Financial Holding Asset Management Co., Ltd.; General Manager of Financial Management Department of China Everbright (Group) Corporation; Member of the CPC Committee, Executive Vice President and Executive Director of the Bank, and Director-General of Leasing Business Management Center of China Everbright Group Ltd. He holds a master's degree in economics and is qualified as a senior economist.

**Mr. Qu Liang**

Mr. Qu Liang has served as Executive Director of the Bank since February 2021, Executive Vice President of the Bank since March 2020, and Member of the CPC Committee of the Bank since September 2018. He is currently Senior Officer Outside Australia (SOOA) of Sydney Branch of the Bank. He successively served as Deputy General Manager of Corporate Banking Department of Henan Provincial Branch of ICBC; Director of General Office, General Manager of Corporate Banking Department II, General Manager of Corporate Banking Department I of Zhengzhou Branch of China Merchants Bank (CMB), Deputy General Manager of Corporate Banking Department of H.O. of CMB, Secretary of the CPC Committee and General Manager of CMB Hohhot Branch, Secretary of the CPC Committee and General Manager of CMB Chongqing Branch; Commissioner of Office of Leading Group for Deepening Overall Reform (Department Head of Group Headquarters level), and Director-General of Leasing Business Management Center of China Everbright Group Ltd.; Secretary of the CPC Committee and General Manager of Beijing Branch of the Bank; Chairman of CEB International Investment Corporation Limited (Acting). He holds a master's degree in law and is qualified as a senior economist. He is Director of China Society for Finance and Banking.

**Mr. Yao Wei**

Mr. Yao Wei has served as Non-executive Director of the Bank since February 2021. He is currently Member of Standing Committee of the CPC Committee and Chief Accountant of Overseas Chinese Town Holdings Company, and Director of Konka Group Co., Ltd. He successively served as Deputy Head, Head of Fixed Assets Team of Assets Division, and Head of Internal Control Team of Accounting Division of Finance Department in Daya Bay Nuclear Power Operations and Management Co., Ltd. (DNMC); staff, Budget Management Director, Tax Manager, Senior Manager, Division Chief of General Finance Division of Finance Department in China Guangdong Nuclear Power Group Corporation; Chief Accountant of CGN Wind Energy Co., Ltd.; Non-executive Director and Chief Accountant of CGN Meiya Power Holdings Co., Ltd. (later renamed CGN New Energy Holdings Co., Ltd.); Deputy General Manager (Presiding), General Manager of Finance Department, General Manager of Finance and Asset Management Department of China General Nuclear Power Group Corporation (CGN). He concurrently served as Chief Accountant of CGN Solar Energy Development Co., Ltd.; Chairman of CGNPC International Limited; Executive Director of Shenzhen Nengzhihui Investment Co., Ltd.; Chairman of Overseas Chinese Town (Yunnan) Investment Co., Ltd. He holds a bachelor's degree in economics and is qualified as a certified public accountant.

**Mr. Liu Chong**

Mr. Liu Chong has served as Non-executive Director of the Bank since December 2019. He currently serves as Secretary of the CPC Committee and Chairman of COSCO Shipping Development Co., Ltd. He concurrently serves as Non-executive Director of China Cinda Asset Management Co., Ltd. and Non-executive Director of China Merchants Securities Co. Ltd. He successively served as Deputy General Manager of China Shipping Investment Co., Ltd.; Deputy General Manager of China Shipping Logistics Co., Ltd.; Chief Accountant of China Shipping (Hainan) Haisheng Co., Ltd.; Director of Financial Capital Department of China Shipping (Group) Company; Chief Accountant of China Shipping Container Lines Company Limited; General Manager of China Shipping Investment Co., Ltd.; Vice Chairman of China International Marine Containers (Group) Ltd.; Chairman of DongFang International Container (Hong Kong) Limited; General Manager of COSCO Shipping Development Co., Ltd. He holds a bachelor's degree in economics and is qualified as a senior accountant.

**Mr. Li Wei**

Mr. Li Wei has served as Non-executive Director of the Bank since August 2021. He currently serves as Secretary of the CPC Committee, Vice Chairman and General Manager of China Re Asset Management Company Ltd., and Chairman of China Re Asset Management (Hong Kong) Company Limited. He successively served as Member of the CPC Committee of Huatai Property & Casualty Insurance Co., Ltd.; Business Director of Sun Life Everbright Life Insurance Co., Ltd.; Member of the CPC Committee and Deputy General Manager of Sun Life Everbright Asset Management Co., Ltd.; Member of the CPC Committee, Deputy General Manager of China Continent Property & Casualty Insurance Co., Ltd., and Secretary of the CPC Committee and General Manager of its Beijing Branch; General Manager of Strategic Customer Department of China Reinsurance (Group) Corporation; Member of the CPC Committee and Deputy General Manager of China Re Asset Management Company Ltd.; Non-executive Director of CSSC (Hong Kong) Shipping Company Limited. He holds an MBA (Master of Business Administration) degree.

## Directors, Supervisors, Senior Management, Staff and Business Outlets

### Mr. Wang Liguo

Mr. Wang Liguo has served as Independent Non-executive Director of the Bank since January 2017. He currently serves as Professor (National Level II) of Dongbei University of Finance and Economics, Doctoral Tutor, Chief Expert of Major Bidding Projects of the National Social Science Fund of China; Director of China Investment Association; Executive Director of Construction Economics Branch of China Construction Industry Association; Vice President of Dalian Engineering Consulting Association; Director of Dalian Yadong Investment Consulting Co., Ltd. He successively served as Lecturer and Associate Professor of Dongbei University of Finance and Economics; Dean of School of Investment Engineering Management of Dongbei University of Finance and Economics; Member of Higher Education Engineering Management Evaluation Committee of Ministry of Housing and Urban-Rural Development. He holds a bachelor's degree and a master's degree in economics, and a doctoral degree in industrial economics.

### Mr. Shao Ruiqing

Mr. Shao Ruiqing has served as Independent Non-executive Director of the Bank since August 2019. He currently serves as Professor (National Level II) and Doctoral Tutor of accounting at Shanghai Lixin University of Accounting and Finance. He concurrently serves as Vice President of China Communications Accounting Society, Standing Director of Accounting Society of China; Vice President and Chairman of Academic Committee of Shanghai Accounting Society; Standing Director of Shanghai Audit Society; Member of Accounting & Finance Expert Advisory Committee of Ministry of Transport; Independent Non-executive Director of Shanghai International Port (Group) Co., Ltd., COSCO Shipping Development Co., Ltd., China Enterprise Company Limited and Arcplus Group PLC. He successively served as Professor, Doctoral Tutor, Dean of Accounting Faculty, Dean of College of Economics and Management of Shanghai Maritime University; Professor, Vice Principal of Shanghai Lixin University of Commerce; Deputy to the 13th Shanghai Municipal People's Congress. He concurrently served as Independent Non-executive Director of China Eastern Airlines Co., Ltd., and External Supervisor of China Merchants Bank Co., Ltd. He holds a bachelor's degree in economics, and a master's degree and a doctoral degree in management. He was a gainer of the State Council Special Allowance and is also an Honorary Fellow Member of the Association of International Accountants.

### Mr. Hong Yongmiao

Mr. Hong Yongmiao has served as Independent Non-executive Director of the Bank since September 2019. He currently serves as Dean and Distinguished Professor of the School of Economics and Management of University of Chinese Academy of Sciences; Distinguished Researcher of the Academy of Mathematics and Systems Science of Chinese Academy of Sciences; Member of Academy of Sciences for the Developing World; Fellow of the Econometric Society; Vice Chairman of Economics Teaching Advisory Board of Colleges and Universities of Ministry of Education; Co-editor of *China Journal of Econometrics*; Independent Non-executive Director of BBMG Corporation. He successively served as President of the Chinese Economists Society; Independent Non-executive Director of Industrial and Commercial Bank of China Co., Ltd.; Independent Non-executive Director of Xiamen Bank Co., Ltd. He holds a bachelor's degree in science, a master's degree and a doctoral degree in economics.

### Mr. Li Yinquan

Mr. Li Yinquan has served as Independent Non-executive Director of the Bank since June 2020. He currently serves as Director of China Merchants Capital Investment Co., Ltd. He concurrently serves as Independent Non-executive Director of Genertec Universal Medical Group Co., Ltd., Million Cities Holdings Limited and Hong Kong Shanghai Alliance Holdings Limited. He successively served as Assistant General Manager of International Business Department, Head of Preparatory Group of New York Branch, Deputy General Manager of Personnel & Education Department, Deputy General Manager of Hong Kong Branch of Agricultural Bank of China; General Manager of Planning and Finance Department, Chief Financial Officer (Chief Accountant), Vice President of China Merchants Group Limited; General Manager, CEO and Chairman of China Merchants Capital Investment Co., Ltd. He concurrently served as Executive Director of China Merchants Holdings (International) Co., Ltd. (later renamed China Merchants Port Holdings Company Limited), Non-executive Director of China Merchants Bank Co., Ltd.; Executive Director of China Merchants China Direct Investments Limited; Independent Non-executive Director of LIZHI INC and Independent Non-executive Director of Kimou Environmental Holding Limited. He holds a master's degree in economics and a master's degree in finance development and is qualified as a senior economist.

**Mr. Han Fuling**

Mr. Han Fuling has served as Independent Non-executive Director of the Bank since May 2021. He currently serves as Professor and Doctoral Tutor of School of Finance, Director of Financial Securities Research Institute of Central University of Finance and Economics; Consultant of the Financial and Economic Affairs Committee of the National People's Congress, PBOC, China Securities Regulatory Commission, and Ministry of Human Resources and Social Security; Commentator of Xinhua News Agency and CCTV Financial. He concurrently serves as Independent Non-executive Director of Beijing Highlander Digital Technology Co., Ltd., China Resource and Environment Co., Ltd. and Yibin Tianyuan Group Co., Ltd. He successively served as Deputy Dean of Economics Department of University of Science and Technology Beijing; Macro Analyst and Researcher of Research and Development Department of China's Securities Market Research Design Center (Co-Office); Dean of Department of Finance of Central University of Finance and Economics; Independent Non-executive Director of Xinjiang Zhongtai Chemical Co., Ltd. He holds a bachelor's degree in engineering, an MBA degree and a doctoral degree in economics, and is a postdoctoral fellow in economics.

**Mr. Liu Shiping**

Mr. Liu Shiping has served as Independent Non-executive Director of the Bank since January 2022. Mr. Liu Shiping currently serves as Chairman of Global Business Intelligence Consulting Corp. (GBICC), Professor and Doctoral Tutor, Director of Research Center of Finance and Technology of University of Chinese Academy of Sciences; an adjunct professor of Tongji University; Chief Scientist of the Key Special Project of the National Key Research and Development Program "Internet of Things and Smart City Key Technologies and Demonstration"; Vice Chairman of XBRL China Executive Committee; Vice President of the Next Generation Internet Union (NGIU); Member of Information Technology Committee of China Association for Public Companies; Member of the Independent Non-executive Board Committee of China Association for Public Companies; Vice President of Guangdong Financial Innovation Research Association; Honorary Dean of the Guangdong Jinchuang Blockchain Research Institute; Invited Advisory Member of Decision-making Committee of Guangxi Zhuang Autonomous Region; Advisor of the Technology Advisory Group of Chengdu Municipal People's Government; Advisor of the Management Committee of Jinpu New Area, Dalian; Independent Non-executive Director of Aixin Life Insurance Co., Ltd.; External Supervisor of Fujian OneBank Co., Ltd. He successively served as Researcher of the Institute of Economics at Iowa State University in the United States; Senior Business Analyst at Provident Financial Corporation; Chief Advisor of the Business Intelligence of IBM's Global Services Department; Head of Global Team of Data Mining Application in the Financial Industry; Independent Non-executive Director of People.cn Co., Ltd.; Chair Professor of Fuzhou University; Independent Non-executive Director of Industrial Bank Co., Ltd.; Independent Non-executive Director of Zhejiang Tailong Commercial Bank Co., Ltd. He holds a master's degree and a doctoral degree in economics, and a master's degree in statistics.

**ii. Supervisors****Mr. Lu Hong**

Mr. Lu Hong has served as Chairman of the Board of Supervisors and Supervisor of the Bank since March 2021, and Member of the CPC Committee of the Bank since March 2009. He concurrently serves as Chairman of Working Committee of the Labor Union of the Bank. He joined the Bank in 1994 and successively served as Manager of Securities Affairs Department, Division Chief of Office of Board of Directors, Assistant General Manager of Planning and Treasury Department, General Manager of Planning and Finance Department of Beijing Branch, Deputy General Manager of Finance & Accounting Department of H.O., Deputy General Manager and General Manager of Planning and Finance Department of the Bank. From September 2009 to March 2021, he successively served as Secretary to the Board of Directors, Executive Vice President and Executive Director of the Bank. He successively served as an engineer of China Railway Economic and Planning Research Institute under the Ministry of Railways, and Manager of Investment Banking Department of Huaxia Securities Co., Ltd. He holds a master's degree in railway engineering and a doctoral degree in applied economics and is qualified as a senior accountant.

## Directors, Supervisors, Senior Management, Staff and Business Outlets

### Mr. Wu Junhao

Mr. Wu Junhao has served as Supervisor of the Bank since November 2009. He serves as General Manager of Financial Management Department of Shenergy (Group) Co., Ltd. He concurrently serves as Director of China Pacific Insurance (Group) Co., Ltd. and Supervisor of Orient Securities Co., Ltd. He successively served as Deputy Director of Shanghai Shenergy Asset Management Co., Ltd.; Deputy Director, Director and Senior Director of Asset Management Department and Deputy Director (Presiding) of Financial Management Department of Shenergy (Group) Co., Ltd. He concurrently served as Director of Orient Securities Co., Ltd. He holds a master's degree in enterprise management.

### Mr. Li Yinzhong

Mr. Li Yinzhong has served as Supervisor of the Bank since December 2021. He successively served as Manager of Finance Department of Shenzhen Office of China Everbright International Trust and Investment Company; Officer of Audit Office and Deputy Division Chief of financial audit division of Audit Department of China Everbright (Group) Corporation; Assistant General Manager of Finance Department, Deputy General Manager of Investment Management Department (Director Level, Deputy Bureau Level), Director of the Audit Department and Board member of China Everbright Holdings Company Limited; Director and Chairman of Shenzhen Everbright Real Estate Co., Ltd.; Non-executive Director of Everbright Grand China Assets Limited; Chief Representative of Macao Representative Office of China Everbright Group Ltd. He concurrently served as General Manager of China Everbright (Macau) Company Limited. He holds a bachelor's degree in economics and is qualified as a senior accountant and certified public accountant.

### Mr. Wang Zhe

Mr. Wang Zhe has served as External Supervisor of the Bank since November 2016. He currently serves as Secretary General of Association of Shanghai Internet Financial Industry, and concurrently serves as Vice President of Shanghai Financial Association, and Independent Non-executive Director of Boill Healthcare Holdings Limited. He successively served as staff of Monetary Division, Deputy Division Chief of General Office of PBOC; Manager of China Gold Coin Shenzhen Center; Deputy General Manager of Shenzhen Branch of China CITIC Bank; General Manager of China Gold Coin Shenzhen Commercial Center; Deputy General Manager of China Gold Coin Incorporation; General Manager, Chairman and Secretary of the CPC Committee of Shanghai Gold Exchange; Secretary of the CPC Committee of China Foreign Exchange Trade System. He holds a master's degree.

### Mr. Qiao Zhimin

Mr. Qiao Zhimin has served as External Supervisor of the Bank since September 2019. He concurrently serves as Independent Non-executive Director of Wuhan Rural Commercial Bank. He successively served as Deputy Division Chief of Finance and Accounting Department of H.O., Deputy General Manager of Luxembourg Branch, Deputy General Manager of General Planning Department of H.O. of Bank of China; Deputy Director-General of Accounting Department, Deputy Director-General of Banking Supervision Department I of PBOC; Chief of Regulatory Team (Bureau level) for ICBC, Director of Finance and Accounting Department of former CBRC; Vice Chairman of the 4th Session of Board of Supervisors and Chairman of the 5th Session of Board of Supervisors of China Minsheng Banking Corp., Ltd.; Independent Non-executive Director of the Bank. He holds a master's degree and is qualified as a senior accountant.

### Ms. Chen Qing

Ms. Chen Qing has served as External Supervisor of the Bank since September 2022. She successively served as Deputy Division Chief of Finance Department of National Audit Office; Deputy Division Chief, Division Chief and Full-time Supervisor (Division Chief level) of Bank of China; Full-time Supervisor (Division Chief level) of Agricultural Bank of China; Supervisor (Deputy Director General level), Head of Office of Board of Supervisors, Head of Audit Supervision Bureau of Bank of Communications. She concurrently served as Committee Member of Discipline Inspection Commission, Committee Member of Commission for Discipline Inspection, Head of Women Commission of the Labor Union, Employee Supervisor of Bank of Communications. She holds an MBA degree and is qualified as a senior auditor. She was a gainer of the State Council Special Allowance in 2018.



**Mr. Shang Wencheng**

Mr. Shang Wencheng has served as Employee Supervisor of the Bank since July 2019. He currently serves as General Manager of Audit Department of the Bank, and concurrently serves as Member of China Institute of Internal Audit. He joined the Bank in 2000, and successively served as Deputy Division Chief of Financial Management Division of Finance and Planning Department, Accredited Financial Director (Senior Manager level) to Credit Card Center from Finance and Planning Department, Accredited Financial Director (Senior Manager level) to Information Technology Department from Finance and Planning Department, Senior Manager of Financial Management Division, and Senior Manager of Management Accounting Division of Planning and Finance Department, Deputy Director of Audit Center (East) (Assistant General Manager level and Deputy General Manager level of an H.O. department) and Deputy General Manager of Audit Department of the Bank. He holds a doctoral degree in finance. He is qualified as a senior economist, senior accountant and certified public accountant.

**Mr. Yang Wenhua**

Mr. Yang Wenhua has served as Employee Supervisor of the Bank since September 2022. He currently serves as General Manager of Legal & Compliance Department of the Bank. He concurrently serves as Director of Office of Accountability Committee. He joined the Bank in 2006 and successively served as Assistant General Manager and Deputy General Manager of Credit Approval Department of the Bank, General Manager of Asset Preservation Department, and General Manager of Special Assets Management Department of the Bank. He successively served as Deputy General Manager of Beijing Zhichun Road Sub-branch, Secretary of Executive Vice President of H.O., Deputy General Manager of General Management Sub-department of Corporate Banking Business Department, and Deputy General Manager of Risk Policy Department of CITIC Industrial Bank. He holds a master's degree in economics and is qualified as an economist.

**Mr. Lu Jian**

Mr. Lu Jian has served as Employee Supervisor of the Bank since September 2022. He currently serves as Director of Office of Board of Supervisors of the Bank. He joined the Bank in 2000 and successively served as Deputy Director and Senior Manager of Financial Management Division of Planning and Finance Department of H.O., Deputy General Manager of Changzhou Sub-Branch of Nanjing Branch (General Manager level of a tier-1 branch department), and Accredited Financial Director (Senior Manager level), Senior Manager of Financial Management Division and Assistant General Manager to Electronic banking Department of H.O. from Planning and Finance Department, Assistant General Manager and Deputy General Manager of Finance and Accounting Department of the Bank. He holds a bachelor's degree in economics and is qualified as a senior accountant and a certified public accountant.

**iii. Senior Management****Mr. Wang Zhiheng**

Please refer to “i. Directors”.

## Directors, Supervisors, Senior Management, Staff and Business Outlets

### Mr. Dong Tiefeng

Mr. Dong Tiefeng has served as Member of the CPC Committee and Secretary of Disciplinary Inspection Committee (Executive Vice President level) since December 2020. He successively served as Deputy Division Chief of Chinese Bank Supervision Division, Deputy Division Chief of Foreign Bank Supervision Division II, Division Chief of Foreign Bank Supervision Division I of Supervision Department I of PBOC; Division Chief of Chinese Bank Supervision Division of Banking Supervision Department I, Deputy Director of Banking Supervision Department I, Deputy Director of Human Resources Department, Deputy General Manager of Organization Department of the CPC Committee, Inspection Commissioner of Human Resources Department (Organization Department of the CPC Committee) of the former CBRC; General Manager of Legal & Compliance Department of the Bank; Deputy Director-General of Organization Department of the CPC Committee, Deputy Director-General of Publicity Department of the CPC Committee, Deputy Director-General of Human Resources Department (department head level), Director-General of Organization Department of the CPC Committee, Director-General of Publicity Department of the CPC Committee, Director-General of Human Resources Department, Vice Principal of Party School of China Everbright (Group) Corporation; Director-General of Organization Department of the CPC Committee, Director-General of Publicity Department of the CPC Committee, Director-General of Human Resources Department, Vice Principal of Party School, Member of Discipline Inspection Committee, Member of the CPC Committee of H.O., General Manager of Human Resources Department, Director-General of United Front Work Department of China Everbright Group Ltd.; Vice Principal of Party School of China Everbright Group, and Vice Principal of Everbright College. He holds a doctoral degree in economics and is qualified as a senior economist.

### Mr. Qu Liang

Please refer to “i. Directors”.

### Ms. Qi Ye

Ms. Qi Ye has served as Executive Vice President of the Bank since July 2020, and Member of the CPC Committee of the Bank since May 2020. She concurrently serves as Director of China UnionPay Co., Ltd. She joined the Bank in 1992 and successively served as a staff of Credit Department of H.O., cadre of Hainan Representative Office, Assistant General Manager, Deputy General Manager of Haikou Sub-branch affiliated to Haikou Branch, Deputy General Manager of Individual Banking Department of H.O. (later renamed Retail Banking Department), Risk Director of Retail Banking Department (Deputy General Manager level of an H.O. department), Accredited Risk Director to Retail Banking Department (Deputy General Manager level of an H.O. department) and Accredited Risk Director to Micro-finance Department (General Manager level of an H.O. department) from Risk Management Department, Deputy General Manager (General Manager level of an H.O. department), General Manager of Retail Banking Department, and Chief Business Supervisor of the Bank. She holds a master's degree in business administration and is qualified as an economist.

### Mr. Yang Bingbing

Mr. Yang Bingbing has served as Executive Vice President of the Bank since July 2020, Member of the CPC Committee of the Bank since May 2020, and Risk Director of the Bank since October 2021. He joined the Bank in 2005 and successively served as Assistant General Manager, Deputy General Manager of Risk Management Department of H.O., Deputy General Manager (Presiding), General Manager of Information Technology Department, General Manager of Electronic Banking Department, General Manager of Digital Banking Department, and Chief Business Supervisor of the Bank. He successively served as Deputy Principal Staff Member, Principal Staff Member of Unified Credit Management Division of Risk Management Department of H.O. of Bank of China (during which he served as Deputy Director (Presiding) of Credit Management Division of Risk Management Department of Bank of China (Hong Kong) Limited), Senior Risk Manager (in charge of Risk Management Planning) of Risk Management Department of Bank of China. He holds an MBA degree and is qualified as a senior economist.

**Mr. Zhang Xuyang**

Mr. Zhang Xuyang has served as Secretary to the Board of Directors of the Bank since August 2022, and Joint Company Secretary of the Bank since May 2022. He currently serves as Chief Business Supervisor of the Bank. He served as a staff of Market Development Department and General Office, Deputy Division Chief of General Secretariat Division, Division Chief of Secretariat Division II of General Office, Senior Deputy Manager of Capital Department, Division Chief of Agency Banking Division, Division Chief of Foreign Exchange and Structured Products Division and Assistant General Manager of Investment Banking Department, Assistant General Manager of Individual Banking Department (concurrently served as Director of Wealth Management Center), Deputy General Manager of Retail Banking Department (concurrently serves as Director of Wealth Management Center), General Manager (concurrently serves as Director of Wealth Management Center), General Manager of Asset Management Department, Head of Preparatory Group, Secretary of the CPC Committee and Chairman of Board of Directors of Everbright Wealth Management Co., Ltd.; Vice President of Baidu, Inc., and Vice President of Duxiaoman Technology (Beijing) Co., Ltd. He successively served as Non-Executive Director of Yixin Group Limited; Independent Non-executive Director of Bank of Suzhou; Chairman of Supervisory Committee of NetsUnion Clearing Corporation. He holds a master's degree in economics and a master's degree in science. He was Deputy to the 17th National People's Congress of Qingdao and Member of Financial and Economic Committee of the National People's Congress.

**IX. INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS**

None of the Directors and Supervisors of the Bank had interests in any business that competes or is likely to compete, either directly or indirectly, with the business of the Bank.

**X. FINANCIAL, BUSINESS AND KIN RELATIONSHIPS AMONG MEMBERS OF THE BOARD OF DIRECTORS**

Saved as disclosed in this Report, there was no financial, business, kin relationships or other material relationships among the members of the Board of Directors.

**XI. DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS AND SERVICE CONTRACTS**

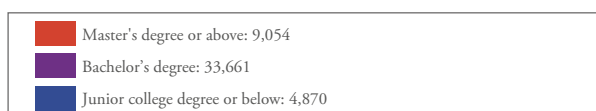
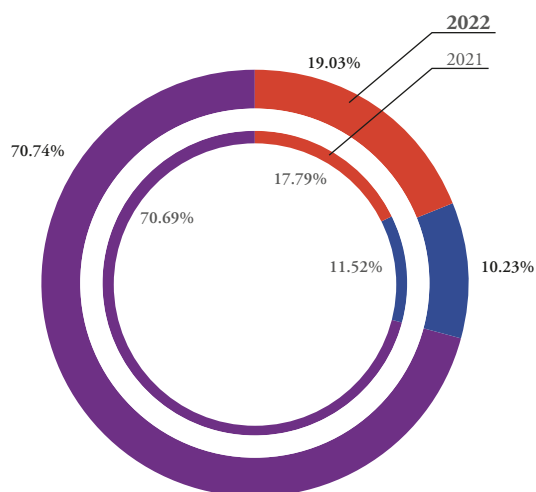
None of the Directors or Supervisors of the Bank or related parties had any material interests in any material transaction, arrangement or contract by the Bank or its subsidiaries during the reporting period. None of Directors or Supervisors of the Bank entered into any service contract, pursuant to which the Bank shall compensate Directors or Supervisors if the Bank terminates the contract within a certain year (excluding statutory compensation).

**XII. EMPLOYEES****i. Overview**

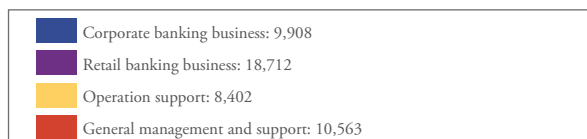
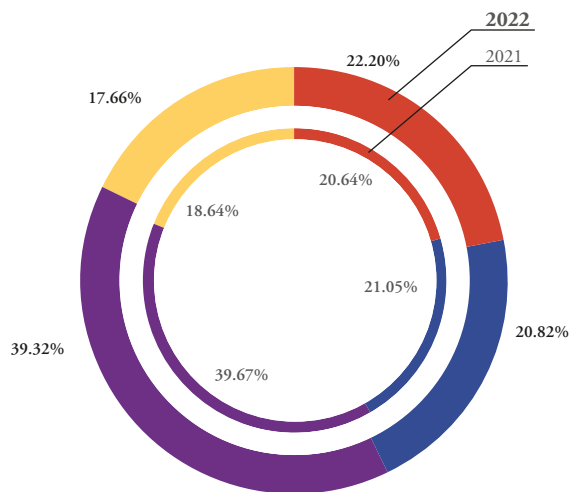
As at the end of the reporting period, the Bank had 47,585 employees (including 912 employees of subsidiaries) and 1,737 retired employees. Among all incumbent employees, in terms of educational background, 4,870 employees held a junior college degree or below, accounting for 10.23% of the total employees; 33,661 employees held a bachelor's degree, accounting for 70.74%; 9,054 employees held a postgraduate degree or above, accounting for 19.03%. In terms of business segment, 9,908 employees were in corporate banking business, accounting for 20.82%; 18,712 employees were in retail banking business (including credit card business and digital banking business), accounting for 39.32%; 8,402 operation support employees (including tellers), accounting for 17.66%; 10,563 general management and service support employees, accounting for 22.20%.

## Directors, Supervisors, Senior Management, Staff and Business Outlets

### The educational background structure of employees of the Bank



### The professional structure of employees of the Bank



### ii. Diversity of Employees

The Bank attaches great importance to diversity of employees, treats employees of different gender, party and nationality equally, fully guarantees employees' equal rights to recruitment, post transfer, training and promotion, and strives to create a professional, inclusive and diversified working environment. As at the end of the reporting period, the proportions of the Bank's male employees and female employees were 43.93% and 56.07%, respectively.

### iii. Remuneration Policies for Employees

Keeping closely in line with its development strategy and operation objectives, insisting on the combination of incentives and constraints, the Bank established a remuneration system that is performance-oriented, internally fair and market-comparable. Grassroots-level institutions and employees were given bigger weights in remuneration distribution. During the reporting period, by establishing an incentive and constraint mechanism for remuneration distribution, the Bank balanced the relationships between current term with long term, and between return and risk, and ensured that remuneration incentive corresponds with risk-adjusted performance. The Bank's remuneration management policies are formulated and adjusted in strict accordance with relevant laws, regulations, regulatory requirements and the Bank's corporate governance procedures.

The gross payroll of the Bank is determined based on the Bank's performance, and the annual payroll is determined by the Board of Directors. The Bank formulated the annual payroll plan in strict accordance with regulatory requirements and corporate governance requirements, and managed and distributed the gross payroll and employee remuneration of all institutions under its jurisdiction within the annual payroll plan.

The Bank's remuneration policies apply to all employees who have entered into labor contracts with the Bank, and there is no exception beyond original remuneration plan. Employee remuneration consists of basic remuneration, performance-based remuneration and welfare income. Among them, basic remuneration is determined according to the post value, years of service and duty performance ability of the employees, and performance-based remuneration is linked to the performance assessment results of the employees and their institutions. The remuneration of employees in the audit, compliance and risk management departments of the Bank is determined based on their value contribution, duty performance ability and work performance, so that they have no direct relation with the businesses they supervise and remain independent from other business sectors.

During the reporting period, there were 15,355 employees in positions that have direct or material impact on risks of the Bank, with a total remuneration of RMB8,583 million.

#### iv. Training Plans

The Bank continued to strengthen political competency training for cadres, while improving training systems and contents. It optimized the cultivation mode for new employees from on-campus recruitment and built a team of young internal trainers. It promoted the building of a Bank-wide professional talent pool, strengthened the selection and reserve of international banking and retail banking talents, and launched the construction of talent pools for risk compliance and technological innovation. Furthermore, the Bank formulated annual training plans for corporate banking, retail banking, risk compliance, financial technology, financial management, operation management and comprehensive management, and promoted professional training of all business segments in a coordinated manner. It also reinforced online training and created quality training projects. During the reporting period, CEB's "Sunshine College" cumulatively offered 193 online training sessions with more than 14,000 online courses, of which 2,660 were newly launched, with a daily average of 826 employees studying online. 3,541 training classes and 1,805 online examinations were organized, with employees' total learning time reaching 1,655,100 hours.

#### v. Employees of Subsidiaries at the End of the Reporting Period

1. Everbright Financial Leasing Co., Ltd. had 185 formal employees, including 7 management members, 93 business staff and 85 supporting staff, with 95.14% of them holding a bachelor's degree or above.
2. Everbright Wealth Management Co., Ltd. had 281 formal employees, including 8 management members, 250 business staff and 23 supporting staff, with 100% of them holding a bachelor's degree or above.
3. Beijing Sunshine Consumer Finance Co., Ltd. had 134 formal employees, including 5 management members, 101 business staff and 28 supporting staff, with 100% of them holding a bachelor's degree or above.
4. CEB International Investment Corporation Limited had 104 formal employees, including 6 management members, 49 business staff and 49 supporting staff, with 99.04% of them holding a bachelor's degree or above.
5. China Everbright Bank (Europe) S.A. had 17 formal employees, including 4 management members, 10 business staff and 3 supporting staff, with 100% of them holding a bachelor's degree or above.
6. Shaoshan Everbright Rural Bank Co., Ltd. had 33 formal employees, including 3 management members, 18 business staff and 12 supporting staff, with 62.50% of them holding a bachelor's degree or above.
7. Jiangsu Huai'an Everbright Rural Bank Co., Ltd. had 46 formal employees, including 4 management members, 20 business staff members and 22 supporting staff members, with 76.00% of them holding a bachelor's degree or above.
8. Jiangxi Ruijin Everbright Rural Bank Co., Ltd. had 30 formal employees, including 2 management members, 22 business staff and 6 supporting staff, with 82.14% of them holding a bachelor's degree or above.

## Directors, Supervisors, Senior Management, Staff and Business Outlets

### XIII.ORGANIZATIONAL SETUP

#### i. Departments

During the reporting period, the former Special Assets Operation and Management Department and Asset Management Department were merged as Special Assets Management Department/Asset Management Department, and the former Information Technology Department was renamed Financial Technology Department. Data Asset Management Department and Intelligent Operation Center were established, and the former tier-2 Software Development Center was upgraded to a tier-1 department and renamed Technology R&D Center. As at the end of the reporting period, the departments of the H.O. of Bank included: General Office, Office of Board of Directors, Office of Board of Supervisors, Strategic Management & Investor Relations Department, Finance & Accounting Department, Asset & Liability Management Department (ALM Department), Corporate Finance Department, Public Sector Marketing Department, Investment Banking Department, Transaction Banking Department, International Banking Department, Inclusive Finance Department/Rural Revitalization Finance Department, Retail Banking & Wealth Management Department, Private Banking Department, Retail Credit Department, Credit Card Center, Financial Market Department, Financial Institutions Department, Asset Custody Department, Digital Banking/E-cloud Banking Services Department, Financial Technology Department, Data Asset Management Department, Technology R&D Center, Intelligent Operation Center, Risk Management Department, Credit Approval Department, Risk Monitoring Department, Special Assets Management Department/Asset Management Department, Legal & Compliance Department/Office of Accountability Committee, Auditing Department, Auditing Center (Affiliated to H.O.), Auditing Center (East), Auditing Center (South), Auditing Center (Central), Auditing Center (West), Operation Management Department, Channel Management Department/Consumer Rights & Interests Protection Department, Human Resources Department, Party Affairs Department (Publicity Department of Party Committee), Office of Discipline Inspection Committee/Discipline Inspection Committee of H.O., Inspection Office, Party Committee Office of H.O., Office of Working Committee of Labor Union, and Tianjin Support Center.

#### ii. Branches and Outlets

During the reporting period, 3 new banking outlets were established, and 23 community banks were closed. In the domestic market, as at the end of the reporting period, the Bank had 1,307 branches and outlets, including 39 tier-1 branches, 115 tier-2 branches and 1,153 outlets (inclusive of sub-branches in different cities, county-level sub-branches, intra-city sub-branches and banking departments of branches), and 460 community banks. The outlets of the Bank extended business reach to 150 economic center cities, covering all provincial administrative regions. In the overseas market, the Bank had 6 overseas branch outlets, including Hong Kong Branch, Seoul Branch, Luxembourg Branch, Sydney Branch, Macao Branch and Tokyo Representative Office.

Details of the Bank's employees and branch outlets are as follows:

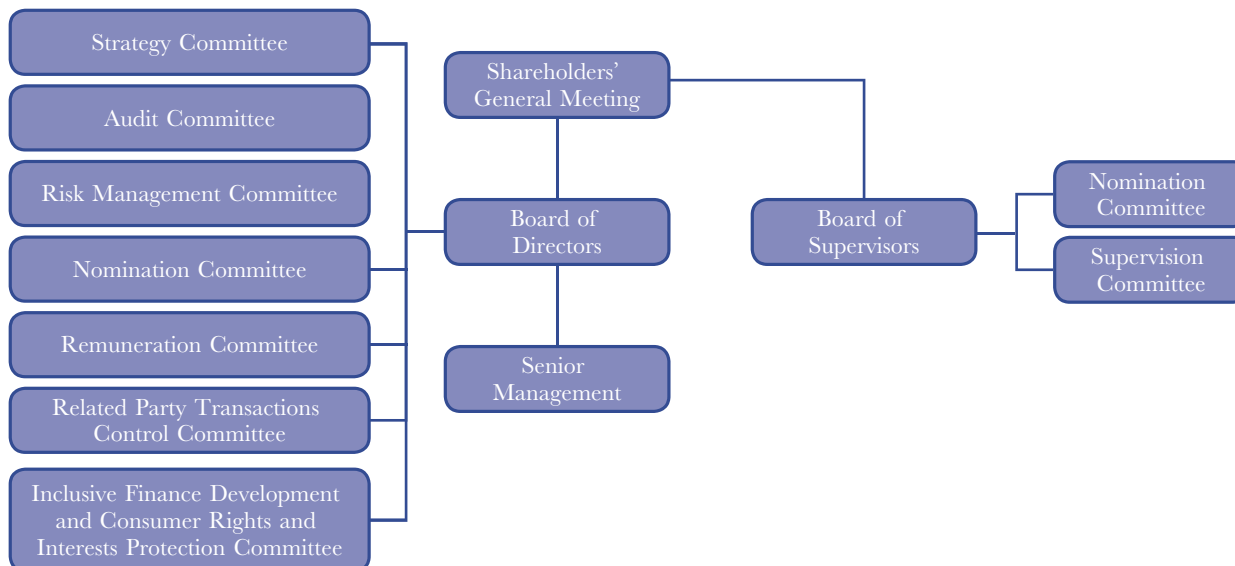
Name of Branch	Number of outlets	Number of employees	Total assets (RMB million)
Head Office	1	8,225	3,956,502
Beijing Branch	69	2,917	701,673
Shanghai Branch	57	1,812	409,913
Tianjin Branch	34	900	82,148
Chongqing Branch	26	941	113,124
Shijiazhuang Branch	55	1,356	114,848
Taiyuan Branch	39	1,064	128,879
Huhhot Branch	20	566	41,256
Dalian Branch	23	671	36,003
Shenyang Branch	39	1,175	53,150
Changchun Branch	36	940	44,962
Heilongjiang Branch	38	999	51,400
Nanjing Branch	66	1,743	307,578
Suzhou Branch	20	855	131,401
Wuxi Branch	10	400	99,128
Hangzhou Branch	44	1,337	226,035
Ningbo Branch	19	723	62,934
Hefei Branch	55	1,487	173,640
Fuzhou Branch	41	1,296	89,627
Xiamen Branch	17	508	42,691
Nanchang Branch	32	792	81,202
Jinan Branch	37	924	67,112
Qingdao Branch	35	984	76,408
Yantai Branch	15	508	55,794
Zhengzhou Branch	52	1,382	135,352
Wuhan Branch	40	1,082	116,075
Changsha Branch	63	1,514	125,153
Guangzhou Branch	91	2,457	312,154
Shenzhen Branch	49	1,169	295,024
Nanning Branch	30	858	62,458
Haikou Branch	23	734	42,432
Chengdu Branch	31	880	93,138
Kunming Branch	22	722	54,938
Xi'an Branch	39	1,128	79,061
Urumqi Branch	7	212	16,577
Guiyang Branch	13	390	35,428
Lanzhou Branch	11	331	22,955
Yinchuan Branch	5	142	6,899
Xining Branch	2	78	7,543
Lhasa Branch	2	79	6,433
Hong Kong Branch	1	224	176,386
Seoul Branch	1	43	35,625
Luxembourg Branch	1	44	27,101
Sydney Branch	1	53	30,832
Macao Branch	1	22	418
Tokyo Representative Office	1	6	—
Subsidiaries		912	
Consolidation adjustment			(2,660,324)
Total	1,314	47,585	6,169,066

Notes:

1. For the number of employees of the Head Office, 3,107 staff from Credit Card Center and 1,857 staff from Remote Banking Center were included.
2. The number of outlets of the subsidiaries was not included in the total.

# Corporate Governance

## I. CORPORATE GOVERNANCE STRUCTURE



## II. OVERVIEW

Aiming at the best practice of corporate governance in the capital market, the Bank has established a sound corporate governance framework and policy system meeting the requirements on modern corporate system, leading to steady improvement in corporate governance of the Bank. During the reporting period, the Bank strictly complied with the *Company Law*, the *Securities Law*, the *Law on Commercial Banks*, the *Code of the Corporate Governance for Listed Companies*, the *Code of Corporate Governance of Banking and Insurance Institutions*, the *Guidelines for the Board of Supervisors of Commercial Banks*, the *Hong Kong Listing Rules* and other requirements. The Bank's corporate governance had no major deviation from laws, administrative regulations and provisions issued by CSRC on corporate governance of listed companies.

The Board of Directors of the Bank performed the duties as set out in Rule A.2.1 of Appendix 14 to the *Hong Kong Listing Rules*, including reviewing the Bank's corporate governance policies and practices, the training and continuous professional development of Directors and Senior Management, the Bank's policies and practices in respect of observance of law and regulatory requirements, the Bank's compliance with the *Model Code* and the compliance manual for employees, the Bank's compliance with the provisions of Appendix 14 to the *Hong Kong Listing Rules* and the content disclosed in this section.

During the reporting period, the Board of Directors of the Bank continued to push forward digital transformation, optimized the IT governance system, and approved the adjustment of the fintech organizational structure. The Bank reviewed and approved the proposal of paired assistance through donations, steadily advanced work related to peak carbon emissions, carbon neutrality and green finance, and proactively fulfilled its social responsibilities. In line with the latest regulatory requirements, the Bank revised and improved relevant policies to keep abreast of the times, and continuously consolidated the institutional foundation for corporate governance. The Bank made continuous improvements to its related party transactions management mechanism, strictly reviewed major related party transactions, and further improved the management of related party transactions. In addition, the Bank prudently performed the selection and appointment procedures for Directors and Senior Management, completed the election of the Board of Directors as scheduled, and ensured seamless transition of work.



During the reporting period, the Bank safeguarded the minority shareholders' rights of knowing, participating and decision-making through proper policy and procedure arrangements. Shareholders' general meetings were convened via both on-site voting and online voting. When material matters concerning the interests of medium and small investors were involved, the votes made by medium and small investors were counted and disclosed separately.

The Board of Directors of the Bank had reviewed its work during the reporting period and solicited the opinions of Senior Management, who considered that the Board of Directors had effectively performed its duty and safeguarded the interests of the shareholders and the Bank.

The Bank carried out special self-inspection on corporate governance at the beginning of 2021 according to the *Announcement on Carrying out Special Campaigns on Corporate Governance of Listed Companies* (CSRC Announcement [2020] No. 69), and identified that the Bank's overall corporate governance met regulatory requirements, except that the duty performance of one Independent Non-executive Director failed to meet relevant requirements of CSRC and the cumulative voting system was not included in the *Articles of Association* of the Bank. As at the end of the reporting period, the above-mentioned two problems were rectified.

### III. INDEPENDENCE AND HORIZONTAL COMPETITION

The controlling shareholder and the de facto controller of the Bank took a series of measures in accordance with regulatory requirements to ensure that the Bank remains independent in terms of assets, personnel, finance, organization and business, and thus has the capability to operate independently. The controlling shareholder, the de facto controller and their related parties did not occupy or control the assets of the Bank; the Senior Management of the Bank did not hold any administrative positions in the controlling shareholder; the Bank has its independent and sound financial and accounting management policies, and the controlling shareholder, the de facto controller and their related parties did not interfere with the Bank's financial and accounting activities; the controlling shareholder, the de facto controller and their internal organizations had no superior-subordinate relationship with the Bank and its internal organizations; the controlling shareholder, the de facto controller and their related parties did not interfere with specific operations of the Bank and did not affect the independence of the Bank's operation management.

The Bank's controlling shareholder and other units under its control were not engaged in the same or similar businesses as the Bank. Therefore, there was no horizontal competition.

### IV. SHAREHOLDERS' GENERAL MEETINGS

#### i. Convening of shareholders' general meetings

During the reporting period, the Bank held one annual general meeting and two extraordinary general meetings, all in conformity with the procedures specified in the *Articles of Association* of the Bank.

On 19 May 2022, the Bank convened the 2021 Annual General Meeting in Beijing with a total of 110 shareholders or their proxies present, representing 37,232,832,798 voting shares, accounting for 68.909% of the Bank's total voting shares. The meeting considered 9 proposals including the annual work report of the Board of Directors, the annual work report of the Board of Supervisors, the fixed asset investment budget, the final account report, the profit distribution plan, the engagement of accounting firm, and the remuneration of Directors and Supervisors, and listened to 5 reports.

## Corporate Governance

On 28 September 2022, the Bank convened the 2022 First Extraordinary General Meeting with a total of 46 shareholders or their proxies present, representing 37,873,237,645 voting shares, accounting for 70.0942% of the Bank's total voting shares. The meeting considered and approved 5 proposals including the purchase of operation premises for branch, election of the Directors of the Ninth Session of the Board of Directors, election of the Supervisors of the Ninth Session of the Board of Supervisors, amendments to the Plan of Authorization by Shareholders' General Meetings to Board of Directors, material related party transactions, and listened to 1 report.

On 29 December 2022, the Bank convened the 2022 Second Extraordinary General Meeting with a total of 53 shareholders or their proxies present, representing 37,336,505,012 voting shares, accounting for 69.1008% of the Bank's total voting shares. The meeting considered and approved 6 proposals including the plan and authorization of the issuance of financial bonds, the amendments to the *Articles of Association*, the Rules of Procedure of the Shareholders' General Meetings, the Rules of Procedure of the Board of Directors and the Rules of Procedure of the Board of Supervisors, and the election of Directors.

The relevant announcements of the above-mentioned meetings were published on the websites of SSE, HKEXnews and the Bank.

### **ii. Implementation of the resolutions of the shareholders' general meetings by the Board of Directors**

During the reporting period, the Board of Directors of the Bank earnestly and fully implemented resolutions considered and approved at the shareholders' general meetings of the Bank.

The Board of Directors of the Bank earnestly implemented the profit distribution plan for 2021, distributed dividends to shareholders in a timely manner, and safeguarded shareholders' interests properly. The profit distribution plan was completed in July 2022.

In accordance with the proposal on the election of Directors of the Ninth Session of the Board of Directors at the shareholders' general meetings, the Bank timely submitted to CBIRC the report on the election of the Board of Directors.

Pursuant to the proposal on amendments to the *Articles of Association* considered and approved at the shareholders' general meetings, the Bank submitted in time to CBIRC the revised *Articles of Association*.

Please refer to the *Articles of Association* of the Bank for duties of the Shareholders' General Meetings.

## V. DIRECTORS AND BOARD OF DIRECTORS

### i. Board composition

As at the disclosure date of this report, the Board of Directors consisted of 14 directors, including 2 Executive Directors (Mr. Wang Zhiheng and Mr. Qu Liang), 6 Non-executive Directors (Mr. Wang Jiang, Mr. Wu Lijun, Mr. Yao Zhongyou, Mr. Yao Wei, Mr. Liu Chong and Mr. Li Wei), and 6 Independent Non-executive Directors (Mr. Wang Ligu, Mr. Shao Ruiqing, Mr. Hong Yongmiao, Mr. Li Yinquan, Mr. Han Fuling and Mr. Liu Shiping).

The Bank has paid special attention to the diversity of the members of the Board of Directors. In accordance with the *Policy on Membership Diversity of the Board of Directors* of the Bank, the Nomination Committee of the Board of Directors comprehensively evaluated director candidates' gender, age, cultural and educational background, professional experience, skill, knowledge, term of service, etc., when examining the appointment qualifications and conditions of director candidates and submitting recommendations to the Board of Directors. The Nomination Committee is also responsible for regularly evaluating the structure, number of members and composition of the Board of Directors. As at the disclosure date of this report, out of the 14 Directors of the Bank, there were 12 holding master's degrees or above, of which 7 holding doctoral degrees. The Non-executive Directors hold key positions in their respective institutions and possess extensive experience in management. The Independent Non-executive Directors are experts in economy, finance, accounting, auditing, fintech and other fields, possess extensive experience in different sectors, and provide the Bank with professional advice in different areas. At present, all the members of the Board of Directors are male, and the Bank will recruit female members.

For the details of the biographies of Directors, please refer to "Directors, Supervisors, Senior Management, Staff and Business Outlets".

### ii. Duties of the Board of Directors

As the decision-making body of the Bank, the Board of Directors is responsible for convening the shareholders' general meeting, reporting to the shareholders' general meeting and implementing resolutions passed at the shareholders' general meetings. The Board of Directors shall also set out strategies, operation plans and investment plans and formulate various proposals on financial budget, final accounts, risk capital allocation, profit distribution and appoint members of Senior Management.

The Bank has formulated the *Articles of Association* and other relevant rules to ensure that the Board of Directors can obtain independent views and opinions, including selection procedures and selection criteria for Directors, voting avoidance mechanism for Directors with major interests on relevant proposals of the Board of Directors, authority of Independent Non-Executive Directors for independently engaging external audit institutions, advisory agencies, independent financial advisors or other professional advisors. The Board of Directors believes that the above-mentioned mechanism can effectively ensure that the Board of Directors obtains independent views and opinions.

Please refer to the *Articles of Association* of the Bank for details about duties of the Board of Directors.

## Corporate Governance

### iii. Board meetings and resolutions

During the reporting period, the Board of Directors held 11 meetings, including 7 on-site meetings and 4 meetings via written resolutions. The Board of Directors considered a total of 95 proposals and listened to 45 reports, playing an effective role in scientific decision-making.

The Board of Directors of the Bank highly valued the work of strategy review and optimization, held discussions to streamline strategies, and evaluated the implementation of strategies in a regular manner. It improved the corporate governance mechanism, so as to operate in a more standardized manner. It consolidated the policies on remuneration management, and optimized the incentive and constraint mechanism. It improved its comprehensive risk management system to enhance risk management capability. It also conscientiously enhanced self-building and further strengthened its duty performance capability.

The announcements of resolutions of Board meetings of the Bank are published on the websites of SSE, HKEXnews and the Bank.

### iv. Attendance of Directors at Board meetings

Director	Shareholders' Meeting	Board of Directors	Special Committees of the Board of Directors						
			Strategy Committee	Audit Committee	Risk Management Committee	Nomination Committee	Remuneration Committee	Related Party Transactions Control Committee	Inclusive Finance Development and Consumer Rights and Interests Protection Committee
<b>Incumbent Directors</b>									
Wang Jiang	2/2	5/5	1/1	-	-	2/2	-	-	-
Wu Lijun	2/3	9/11	2/3	-	-	-	-	-	-
Wang Zhiheng	-	-	-	-	-	-	-	-	-
Yao Zhongyou	3/3	11/11	-	-	8/8	-	-	-	-
Qu Liang	3/3	10/11	-	-	-	-	-	-	6/7
Yao Wei	0/3	9/11	-	6/6	-	-	-	-	7/7
Liu Chong	2/3	11/11	-	-	8/8	-	-	-	7/7
Li Wei	1/3	11/11	-	-	7/8	-	-	6/7	-
Wang Liguo	0/3	11/11	-	6/6	8/8	-	3/3	7/7	-
Shao Ruiqing	2/3	11/11	-	6/6	8/8	-	3/3	7/7	-
Hong Yongmiao	1/3	10/11	3/3	-	-	5/5	3/3	6/7	-
Li Yinquan	2/3	11/11	-	6/6	-	5/5	3/3	7/7	-
Han Fuling	3/3	11/11	-	-	-	5/5	3/3	7/7	7/7
Liu Shiping	1/3	11/11	3/3	6/6	-	4/4	-	6/6	-
<b>Former Directors</b>									
Li Xiaopeng	-	1/1	-	-	-	1/1	-	-	-
Fu Wanjun	2/2	9/9	3/3	-	6/7	-	-	-	5/6
Xu Hongcai	-	-	-	-	-	-	-	-	-

#### Notes:

- Directors newly appointed in 2022 would start to perform their duties after their appointment qualifications were approved by CBIRC.
- For more details about the changes of Directors, please refer to "Directors, Supervisors, Senior Management, Staff and Business Outlets".
- "Number of attendance in person" includes on-site attendance and attendance via written resolutions.
- Directors who were unable to attend in person the meetings of the Board of Directors and Special Committees all entrusted other Directors to attend the meetings by proxy and exercise their voting rights.

#### v. Appointment, re-election and removal of Directors

In accordance with the *Articles of Association* of the Bank, Directors shall be elected and replaced at the shareholders' general meetings, and the term of office for Directors (including Non-executive Directors) is three years starting from the date when their appointment qualifications are approved by CBIRC. Directors can be re-elected and re-appointed when the term of office expires, and the term of office of the re-elected and re-appointed directors commences from the date when such re-election and re-appointment are considered and approved at the shareholders' general meetings.

The term of office of Independent Non-executive Directors is the same as that of other Directors of the Bank. The term of office of Independent Non-executive Directors in the Bank shall conform to applicable laws and provisions of regulatory authorities.

The *Articles of Association* of the Bank stipulates the procedures for appointing, re-electing and removing Directors. The Nomination Committee of the Board of Directors preliminarily reviews the appointment qualification and conditions of each director candidate and submits recommendations to the Board of Directors, which will consider and approve the proposal on the nomination of director candidates and further submit it for election at the shareholders' general meetings.

#### vi. Board statement on the financial statements

The Senior Management has provided sufficient explanation and information for the Board of Directors to make well-informed decisions in respect to the submitted financial statements and other data for approval. The Directors of the Bank acknowledge that they are responsible to prepare the financial statements of the Bank which truly represent the operating results of the Bank for the year of 2022. To the best knowledge of the Directors, there was no material uncertain event or condition that might have a material adverse effect on the continuing operation of the Bank.

### VI. BOARD COMMITTEES

The Board of Directors of the Bank has set up the Strategy Committee, the Audit Committee, the Risk Management Committee, the Nomination Committee, the Remuneration Committee, the Related Party Transactions Control Committee, and the Inclusive Finance Development and Consumer Rights and Interests Protection Committee. During the reporting period, the special committees held 39 meetings, including 3 meetings of the Strategy Committee, 6 meetings of the Audit Committee, 8 meetings of the Risk Management Committee, 5 meetings of the Nomination Committee, 3 meetings of the Remuneration Committee, 7 meetings of the Related Party Transactions Control Committee, and 7 meetings of the Inclusive Finance Development and Consumer Rights and Interests Protection Committee. During these meetings, the Board Committees reviewed 72 proposals and listened to 56 reports. The Board committees, based on the division of duties, carefully considered material issues in the Bank's operation and management and provided professional support for the Board of Directors to make scientific decisions.

## Corporate Governance

### i. Strategy Committee

Primary duties and responsibilities of the Strategy Committee include formulating business objectives and medium- and long-term development strategies, and advising the Board accordingly; reviewing plans on capital management and replenishment, and supervising and inspecting the implementation; developing business plan, reform plan for operation and management mechanisms, major external investment programs and capital operation schemes, supervising and inspecting the implementation, and advising the Board accordingly.

During the reporting period, the Strategy Committee convened 3 meetings, including 2 on-site meetings and 1 meeting via written resolutions, reviewed 5 proposals and listened to 2 reports. It approved the proposals on the Bank's business plan and financial budget plan for 2022, the 2022 annual fixed assets investment budget plan, the 2021 profit distribution plan, the *Management Measures for Green Finance Work (Trial)*, the *Medium-term Action Plan for Promoting Peak Carbon Emissions, Carbon Neutrality and Green Finance (2022-2025)*. The Committee also listened to the report on strategy implementation in 2021.

As at the disclosure date of this report, the Strategy Committee consisted of 5 Directors, including Non-executive Directors Mr. Wang Jiang (Chairman) and Mr. Wu Lijun, Executive Director Mr. Wang Zhiheng, and Independent Non-executive Directors Mr. Hong Yongmiao and Mr. Liu Shiping.

### ii. Audit Committee

Primary duties and responsibilities of the Audit Committee include supervising and evaluating the Bank's internal control; inspecting the Bank's risks, compliance status, accounting policies, financial reporting procedures and financial position; reviewing the Bank's financial information and its disclosure, and taking charge of the annual audit; supervising and guiding the internal audit, examining important policies and reports such as internal audit charter, and reviewing medium- and long-term audit plans and annual audit plan; supervising and evaluating external auditors; coordinating internal and external audits; reviewing and supervising the mechanisms for employees of the Bank to report misconducts related to financial report, internal control, etc.

During the reporting period, the Audit Committee convened 6 meetings including 3 on-site meetings and 3 meetings via written resolutions, reviewed 9 proposals and listened to 15 reports. It considered and approved the annual auditor's report on financial statements for A shares and H shares, the interim review report, the quarterly reports on the implementation of agreed-upon procedures and other periodic reports, the internal control assessment report and the audit report on internal control. The Committee also listened to the internal audit work summary, the *Proposal for Management of 2021* and the report on related rectifications, and the special report on rectification of wealth management business, observed and discussed the performance of the annual, interim and quarterly operation, and the peer comparison of major financial indicators.

In accordance with the requirements of the *Annual Report Procedures of the Audit Committee of the Board of Directors*, the Audit Committee of the Bank earnestly performed its duties for annual audit, reviewed the work plan for annual audit prepared by the auditor, and raised major issues meriting particular attention in the audit process. In March 2023, the Audit Committee convened a meeting to review the 2022 auditor's report on financial statements of the Bank submitted by EY Hua Ming and EY. The Committee held that the auditor's report reflected the operation of the Bank in a truthful, accurate and complete manner, and formed a resolution which was submitted to the Board of Directors for review.

As at the disclosure date of this report, the Audit Committee consisted of 5 Directors, of which the majority and the Chairman were Independent Non-executive Directors. The members included Independent Non-executive Director Mr. Shao Ruiqing (Chairman), Non-executive Director Mr. Yao Wei, and Independent Non-executive Directors Mr. Wang Ligu, Mr. Li Yinquan and Mr. Liu Shiping.

### iii. Risk Management Committee

Primary duties and responsibilities of the Risk Management Committee include determining the risk management policies of the Bank and the overall risk tolerance; supervising the duty performance of Senior Management of the Bank in credit, market, operational, liquidity, compliance and reputational risk control, etc.; evaluating the risk policy, management situation and risk tolerance of the Bank; regularly submitting risk management reports to the Board of Directors; drafting the Bank's management objective of capital adequacy ratio, and monitoring capital adequacy ratio; reviewing and approving matters related to the implementation of Basel III; supervising Senior Management's performance of anti-money laundering (AML) duties, and enhancing the effectiveness of data governance.

During the reporting period, the Risk Management Committee convened 8 meetings including 3 on-site meetings and 5 meetings via written resolutions, reviewed 20 proposals and listened to 14 reports. It considered and approved proposals including risk management reports, improvement of policies on the recovery and resolution plan, amendments to the money laundering risk management policy, capital adequacy ratio reports, internal capital adequacy assessment reports, risk appetite indicators, asset disposal, and write-off of bad debts, etc., and paid constant attention to the credit investment policies, internal control and compliance, fraud case prevention and management, special audits, AML management and other aspects of work.

As at the disclosure date of this report, the Risk Management Committee consisted of 6 Directors, including Executive Director Mr. Wang Zhiheng (Chairman), Non-executive Directors Mr. Yao Zhongyou, Mr. Liu Chong and Mr. Li Wei, and Independent Non-executive Directors Mr. Wang Ligu and Mr. Shao Ruiqing.

### iv. Nomination Committee

Primary duties and responsibilities of the Nomination Committee include selecting qualified candidates for Directors and Senior Management; drafting the procedures and the selection criteria for Directors and Senior Management, preliminarily reviewing the appointment qualifications and conditions of candidates, and advising the Board accordingly; regularly assessing the Board structure, the number of Board members and the Board composition, and offering recommendations on the proposed adjustment of the Board of Directors according to the Bank's strategy.

During the reporting period, the Nomination Committee convened 5 meetings, including 2 on-site meetings and 3 meetings via written resolutions, reviewed 9 proposals and listened to 1 report. It approved the proposals on candidates for Directors, appointment of the Senior Management, engagement of securities affairs representative, appointment of Joint Company Secretary, etc., and offered suggestions to the Board of Directors.

As at the disclosure date of this report, the Nomination Committee consisted of 5 Directors, of which the majority and the Chairman were Independent Non-executive Directors. The members included Non-executive Director Mr. Wang Jiang and Independent Non-executive Directors Mr. Liu Shiping (Chairman), Mr. Hong Yongmiao, Mr. Li Yinquan and Mr. Han Fuling.

## Corporate Governance

### v. Remuneration Committee

Primary duties and responsibilities of the Remuneration Committee include drafting the remuneration plan for Directors and Senior Management, making proposals to the Board and overseeing the implementation of the plan; reviewing the duty performance of Directors and Senior Management and making suggestions to the Board on the examination and evaluation of them; reviewing the remuneration management policies and rules of the Bank, advising the Board accordingly and supervising the implementation of these policies, etc.

During the reporting period, the Remuneration Committee convened 3 meetings, including 1 on-site meeting and 2 meetings via written resolutions, reviewed 6 proposals and listened to 2 reports. It approved the Board of Directors' report on the evaluation of general performance of duties by Directors for 2021, the 2021 remuneration of Directors, formulation of the *Management Measures for Recovery of Performance-based Remuneration (Trial)*, amendments to the *Management Measures for Deferred Payment of Performance-based Remuneration (Trial)*, etc., listened to the work reports made by Senior Management, and studied and proposed the assessment and evaluation results of Senior Management in 2021 and the remuneration suggestions for them.

As at the disclosure date of this report, the Remuneration Committee consisted of 5 Directors, who were all Independent Non-executive Directors. The members included Mr. Hong Yongmiao (Chairman), Mr. Wang Ligu, Mr. Shao Ruiqing, Mr. Li Yinquan and Mr. Han Fuling.

### vi. Related Party Transactions Control Committee

Primary duties and responsibilities of the Related Party Transactions Control Committee include filing the general related party transactions; reviewing major related party transactions and submitting the results to the Board of Directors for consideration; providing reports to the Board of Directors on the overall status, risk level and structural distribution of related party transactions conducted in the year; developing the related party transactions management measures and submitting the measures to the Board of Directors for approval before implementation; identifying the related parties of the Bank and reporting them to the Board of Directors and the Board of Supervisors, and timely announcing such related parties.

During the reporting period, the Related Party Transactions Control Committee convened 7 meetings including 2 on-site meetings and 5 meetings via written resolutions, reviewed 17 proposals and listened to 3 reports. It approved proposals on the 2021 Report on Related Party Transactions, amendments to the *Management Measures for Related Party Transactions* and 15 material related party transactions, and received the filing of 96 general related party transactions.

As at the disclosure date of this report, the Related Party Transactions Control Committee consisted of 7 Directors, of which the majority and the Chairman were Independent Non-executive Directors. The members included Independent Non-executive Director Mr. Li Yinquan (Chairman), Non-executive Director Mr. Li Wei, Independent Non-executive Directors Mr. Wang Ligu, Mr. Shao Ruiqing, Mr. Hong Yongmiao, Mr. Han Fuling and Mr. Liu Shiping.



## vii. Inclusive Finance Development and Consumer Rights and Interests Protection Committee

Primary duties and responsibilities of the Inclusive Finance Development and Consumer Rights and Interests Protection Committee include formulating development strategy plan for the Bank's inclusive finance business; reviewing the Bank's general policy, evaluation measures and annual business plan for inclusive finance; guiding and supervising Senior Management on the development of inclusive finance work; regularly reviewing the work reports of Senior Management on consumer rights and interests protection and submitting the reports to the Board of directors, discussing and deciding relevant matters according to the authorization of the Board of Directors, and studying major issues and policies on consumer rights and interests protection; guiding and urging the establishment and improvement of the Bank's management policies and mechanisms for the protection of consumer rights and interests; studying relevant audit reports, regulatory circulars and internal evaluation results related to the Bank's consumer rights and interests protection work, and urging timely rectification by Senior Management; supervising the comprehensiveness, timeliness and effectiveness of consumer rights and interests protection work of Senior Management.

During the reporting period, the Inclusive Finance Development and Consumer Rights and Interests Protection Committee convened 7 meetings, including 2 on-site meetings and 5 meetings via written resolutions, reviewed 6 proposals and listened to 19 reports. It reviewed and approved the report on and plan for consumer rights and interests protection work, the review of and amendment to policy manual on consumer rights and interests protection, the rectification of problems found in special audits, the assessment measures for branches' financial services for micro and small enterprises, etc. It also listened to and discussed the work report on and plan for inclusive finance, analysis of consumer complaints, inspection of PBOC and CBIRC on the Bank's consumer protection work and rectification of relevant problems found, etc.

As at the disclosure date of this report, as approved by the Sixth Meeting of the Ninth Session of the Board of Directors of the Bank, this committee was renamed the Social Responsibilities, Inclusive Finance Development and Consumer Rights and Interests Protection Committee, with newly-added duties relating to social responsibilities. The committee consisted of 5 Directors. The members included Executive Director Mr. Wang Zhiheng (Chairman) and Mr. Qu Liang, Non-executive Directors Mr. Yao Wei and Mr. Liu Chong, and Independent Non-executive Director Mr. Han Fuling.

## VII. THE CHAIRMAN AND THE PRESIDENT

The roles and work of Chairman of the Board of Directors and President of the Bank are performed by different individuals, and their respective responsibilities are clearly defined and divided, which is in compliance with the provisions of the *Hong Kong Listing Rules*. Chairman of the Board of Directors of the Bank is responsible for convening and presiding the meetings of the Board of Directors, ensuring that all Directors attending the Board meetings are properly informed of the issues to be reviewed and reported, managing the operation of the Board of Directors, making sure that all key and relevant issues were discussed by the Board of Directors in a constructive and timely manner. President of the Bank is responsible for the overall operation and management, the implementation of the resolutions of the Board of Directors, and the strategies and business plans of the Bank.

From January to March 2022, Mr. Li Xiaopeng acted as Chairman of the Board of Directors of the Bank. On 24 March 2022, Mr. Li Xiaopeng resigned from the position as Chairman of Board of Directors of the Bank due to work adjustment. From August 2022, Mr. Wang Jiang started serving as Chairman of the Board of Directors of the Bank. From January to December 2022, Mr. Fu Wanjun acted as President of the Bank. On 2 December 2022, Mr. Fu Wanjun resigned from the position as President of the Bank due to work adjustment. From March 2023, Mr. Wang Zhiheng started serving as President of the Bank.

## Corporate Governance

### VIII. INDEPENDENT NON-EXECUTIVE DIRECTORS

#### i. Independence of the Independent Non-executive Directors

The 6 Independent Non-executive Directors of the Bank are not involved in any factors influencing their independence mentioned in Rule 3.13 of the *Hong Kong Listing Rules*. The Bank has received the letter of annual confirmation about his or her independence issued from each Independent Non-executive Director according to Rule 3.13 of the *Hong Kong Listing Rules*. The Bank holds that all Independent Non-executive Directors have met the independence requirements of the *Hong Kong Listing Rules*.

#### ii. Attendance of Shareholders' General Meetings by Independent Non-executive Directors

Please refer to the above relevant content of this section for details.

#### iii. Attendance of Board meetings by Independent Non-executive Directors

Please refer to the above relevant content of this section for details.

#### iv. Independent Non-executive Directors' objections to any issues of the Bank

During the reporting period, none of the Independent Non-executive Directors of the Bank had raised any objection to the proposals of the Board of Directors or other issues.

#### v. Duty performance of Independent Non-executive Directors

As at the disclosure date of this report, the Bank had 6 Independent Non-executive Directors, exceeding one-third of the Board members. In accordance with the *Articles of Association* of the Bank, the Remuneration Committee, the Nomination Committee, the Related Party Transactions Control Committee and the Audit Committee of the Board of Directors were chaired by Independent Non-executive Directors. During the reporting period, they expressed their independent opinions on all issues involving the interests of minority shareholders, such as profit distribution plan, nomination of Directors, appointment of the Senior Management, remuneration of Directors and Senior Management, and material related party transactions in accordance with the *Articles of Association* of the Bank. In all Board committees, Independent Non-executive Directors, based on their expertise, provided professional and constructive opinions and recommendations on issues under discussion. When the Board of Directors was not in session, the Independent Non-executive Directors kept themselves updated of the Bank's internal documents and information on the *Bulletin of the Board*, and participated in the director communication meetings, strategic discussions, and seminars among Independent Non-executive Directors, so as to be well informed of strategic transformation, business development, internal control and audit, and risk prevention and control of the Bank. They communicated actively with other Directors, Supervisors, Senior Management and auditors, so as to obtain necessary information to perform their duties. Independent Non-executive Directors maintained close contacts with the Bank via emails and phone calls.

Pursuant to relevant regulations of SEHK, the Bank held a discussion between the Chairman and Independent Non-executive Directors where Independent Non-executive Directors expressed opinions and suggestions on corporate governance, ESG, strategy implementation, digital transformation and internal and external audits. The Independent Non-executive Directors' recommendations were highly valued, and some were adopted by Senior Management, playing a positive role in defining strategic direction, promoting business development and enhancing the corporate governance capability of the Bank.

## IX. SUPERVISORS AND THE BOARD OF SUPERVISORS

The Board of Supervisors earnestly implemented the regulatory requirements, upheld its responsibilities of “enhancing supervision, boosting compliance and consolidating lines of defense”, and collaborated with the Board of Directors and Senior Management, while performing various supervisory duties in accordance with the law. It prudently and objectively provided supervision and evaluation opinions on duty performance of the Board of Directors, Senior Management and its members, and actively conducted evaluation on its own duty performance, in order to facilitate the effective duty performance of all relevant parties. The Board of Supervisors focused on the Bank’s major financial decision-making and implementation and carefully reviewed the financial statements and the profit distribution plan, so as to achieve targeted financial supervision. It enhanced the supervision and inspection of the risk management, internal control, strategy management and remuneration management, guided internal audit, and promoted the compliant and sound operation of the Bank by reviewing proposals, listening to the reports, carrying out inspection and research, and conducting interviews with relevant departments. During the reporting period, the Board of Supervisors continued optimizing the research mode and actively organized special research on external regulatory penalties. It revised the rules of procedure of the Board of Supervisors and the terms of reference of special committees to further standardize the operation of the Board of Supervisors. It introduced new supervision carrier by supervising the implementation of opinions and suggestions in the form of the *Feedback on Supervisors’ Suggestions* to improve the quality and efficiency of supervision by the Board of Supervisors. In the meantime, the Board of Supervisors strengthened self-development, and earnestly carried out the special activity of “learning from cases, promoting reform through cases, clarifying responsibilities through cases and improving quality through cases”, and promoted more well-conceived, standardized and effective supervision to provide strong supervision support for the Bank’s sustainable and healthy development.

### i. Board of Supervisors

As at the disclosure date of this report, the Board of Supervisors of the Bank consisted of 9 members, including 3 Shareholder Supervisors (Mr. Lu Hong, Mr. Wu Junhao, Mr. Li Yinzong), 3 External Supervisors (Mr. Wang Zhe, Mr. Qiao Zhimin, Ms. Chen Qing) and 3 Employee Supervisors (Mr. Shang Wencheng, Mr. Yang Wenhua, Mr. Lu Jian). The members of the Board of Supervisors, with rich experience in finance, accounting and corporate governance, have demonstrated sufficient professionalism and independence, thus ensuring the effective functioning of the Board of Supervisors.

For details of the biographies of Supervisors, please refer to “Directors, Supervisors, Senior Management, Staff and Business Outlets”.

For details of duties of the Board of Supervisors, please refer to the *Articles of Association* of the Bank.

### ii. Duty performance of the Board of Supervisors

The primary supervisory duties of the Board of Supervisors include holding regular meetings, attending the shareholders’ general meetings, attending the meetings of the Board of Directors, Board committees and Senior Management as non-voting delegates, reviewing business management reports, considering the reports of all business lines and branches, conducting interviews with Heads of various branches and departments, and conducting surveys on the Bank’s branches and outlets. Through the aforementioned duties, the Board of Supervisors supervised the Board of Directors, Senior Management and its members in terms of their duty performance, and the Bank’s financial management, risk management, internal control management, strategy management and remuneration management.

### iii. Meetings of the Board of Supervisors

During the reporting period, the Board of Supervisors, in accordance with relevant provisions in the *Articles of Association* of the Bank and the rules of procedures, convened 8 meetings, including 5 on-site meetings and 3 meetings via written resolutions, at which it reviewed 38 proposals and listened to 56 reports, including regular reports of the Bank, reports on the evaluation of duty performance of the Board of Directors, Senior Management and its members, the internal control assessment report, the profit distribution plan, the annual business plan and financial budget plan, the remuneration of the Supervisors and the work plan for consumer rights and interests protection, and expressed clear opinions on relevant proposals.

## Corporate Governance

During the reporting period, pursuant to laws and regulations, the Supervisors attended all the on-site shareholders' general meetings, participated in all the meetings of the Board of Directors as non-voting delegates and supervised the compliance and legality, the voting procedures and the attendance, speeches and voting of the Directors of the aforementioned meetings.

### iv. Attendance of Supervisors at meetings of the Board of Supervisors

Supervisors	Special Committees of the Board of Supervisors		
	Board of Supervisors	Nomination Committee	Supervision Committee
	Number of attendance in person/Number of meetings during the term of office		
<b>Incumbent Supervisors</b>			
Lu Hong	8/8	5/5	–
Wu Junhao	7/8	–	5/6
Li Yinzhong	8/8	5/5	–
Wang Zhe	8/8	5/5	6/6
Qiao Zhimin	7/8	4/5	5/6
Chen Qing	3/3	2/2	1/1
Shang Wencheng	8/8	–	6/6
Yang Wenhua	3/3	–	1/1
Lu Jian	3/3	2/2	–
<b>Former Supervisors</b>			
Wu Gaolian	5/5	3/3	5/5
Xu Keshun	5/5	3/3	–
Sun Jianwei	5/5	–	5/5

Notes:

1. External Supervisors newly elected in 2022 started performing their duties immediately after being elected at shareholders' general meeting, and newly elected Employee Supervisors started performing their duties immediately after being elected at the Bank's staff representative conference.
2. For details of change in supervisors, please refer to "Directors, Supervisors, Senior Management, Staff and Business Outlets".
3. "Number of attendance in person" includes on-site attendance and attendance via written resolutions.
4. Supervisors who were unable to attend in person the meetings of the Board of Supervisors and special committees had all entrusted other Supervisors to attend the meetings by proxy and exercise their voting rights.

### v. Special committees of the Board of Supervisors

The two committees under the Board of Supervisors are the Nomination Committee and the Supervision Committee. During the reporting period, the two committees convened 11 meetings, including 5 meetings of the Nomination Committee and 6 meetings of the Supervision Committee, at which 23 proposals were reviewed. According to the division of responsibilities, the special committees under the Board of Supervisors discussed and studied significant supervision matters, providing strong support for the effective duty performance of the Board of Supervisors.

## 1. Nomination Committee

Primary duties and responsibilities of the Nomination Committee include providing suggestions for the Board of Supervisors regarding the size and composition of the Board of Supervisors; drafting the procedures and criteria for Supervisors elected by the shareholders' general meeting and advising the Board of Supervisors accordingly; conducting preliminary review on the qualifications and conditions of supervisor candidates and advising the Board of Supervisors accordingly; supervising the procedures of the selection and appointment of Directors; drafting the plan for supervising the duty performance of Directors, Supervisors and Senior Management, making comprehensive evaluation in this regard and reporting to the Board of Supervisors; supervising the implementation of the remuneration management policies of the Bank and the rationality of the remuneration plan for Senior Management; specifying the remuneration or allowance standards for Supervisors, and advising the Board of Supervisors accordingly.

During the reporting period, the Nomination Committee convened 5 meetings, including 3 on-site meetings and 2 meetings via written resolutions, at which it reviewed 16 proposals and listened to 2 reports. It reviewed and approved the proposals on the implementation plan for the supervision and evaluation of the Board of Supervisors' duty performance in 2021, the Board of Supervisors' supervision and evaluation report on their duty performance in 2021, the 2021 remuneration for Supervisors and the Chairman of the Board of Supervisors, reviewed the qualifications of candidates for Supervisors of the Ninth Session of the Board of Supervisors and amendments to the terms of reference of the Nomination Committee, and listened to the duty performance in 2021 and the 2022 work report of the Nomination Committee, and the special audit report on 2021 performance assessment and remuneration management.

As at the disclosure date of this report, the Nomination Committee consisted of 6 Supervisors, including External Supervisor Mr. Qiao Zhimin (Chairman), Shareholder Supervisors Mr. Lu Hong and Mr. Li Yinzhong, External Supervisors Mr. Wang Zhe and Ms. Chen Qing, and Employee Supervisor Mr. Lu Jian.

## 2. Supervision Committee

Primary duties of the Supervision Committee include developing the plan for supervising the Bank's operation and decision-making, financial activities, risk management and internal control, and implementing this plan after approval by the Board of Supervisors; supervising the Board of Directors in building up the concept of prudent business operation and value principles for the Bank and in formulating the development strategy that works best for the Bank; keeping itself informed of the preparation of the regular reports by the Board of Directors and relevant material adjustments and reporting to the Board of Supervisors accordingly; maintaining good communication with relevant special committees of the Board of Directors, relevant departments of the Bank and external agencies, and providing supervision suggestions on the Bank's engagement of its external auditors when it is deemed necessary.

During the reporting period, the Supervision Committee of the Board of Supervisors convened 6 meetings, including 2 on-site meetings and 4 meetings via written resolutions, at which it reviewed 7 proposals and listened to 2 reports. It reviewed and approved the Bank's regular reports, internal control assessment reports, internal control audit reports, and amendments to the terms of reference of the Supervision Committee of the Bank, and listened to the report on the implementation of strategies in 2021, the duty performance of the Supervision Committee in 2021, and the 2022 work plan, etc.

As at the disclosure date of this report, the Supervision Committee consisted of 6 Supervisors, including External Supervisor Ms. Chen Qing (Chairwoman), Shareholder Supervisor Mr. Wu Junhao, External Supervisors Mr. Wang Zhe and Mr. Qiao Zhimin, and Employee Supervisors Mr. Shang Wencheng and Mr. Yang Wenhua.

### vi. Supervision by the Board of Supervisors

The Board of Supervisors had no objection to the supervision matters during the reporting period.

## Corporate Governance

### vii. Duty performance of External Supervisors

As at the end of the reporting period, the Bank had 3 External Supervisors, no less than one third of the members of the Board of Supervisors. According to the *Articles of Association* of the Bank, Chairman of both the Nomination Committee and the Supervision Committee of the Board of Supervisors shall be acted by External Supervisors. During the reporting period, all the 3 External Supervisors performed their duties in good faith and with due diligence and independently exercised their supervisory rights in strict accordance with regulatory requirements and the *Articles of Association* of the Bank. The time they spent on the supervision work of the Bank was no less than 15 working days. During the performance of duties, the External Supervisors, through attending the meetings of the Board of Supervisors, convening the meetings of special committees of the Board of Supervisors, attending the shareholders' general meetings and the meetings of the Board of Directors and its special committees as non-voting attendees, proactively learned about the Bank's operational management situation and strategy implementation, and expressed independent, professional and objective opinions on major issues of concern such as material related party transactions, profit distribution, information disclosure, authenticity of financial statements, nomination and appointment of Directors, Supervisors and Senior Management and their remuneration. When the Board of Supervisors was not in session, the External Supervisors carefully studied internal documents sent by the Bank, the information on the *Bulletin of the Board of Supervisors* and other materials to fully obtain information on supervision, and maintained close contact with the Bank through email and phone calls. They paid attention to protecting the legitimate rights and interests of minority shareholders and other stakeholders, and played an active role in the Board of Supervisors' duty performance.

### viii. Review of the 2021 Annual Report by the Board of Supervisors

The Board of Supervisors reviewed the annual report and issued a written review opinion. The Board of Supervisors held that the preparation and review procedures of the 2022 Annual Report complied with relevant laws, regulations, regulatory requirements, the *Articles of Association* of the Bank and internal management policies. The content and format of the Report were in compliance with laws, regulations and regulatory requirements, and the information contained in the Report truly reflected the Bank's operation, management and financial position in 2022. No personnel involved in the preparation and review of the annual report was found to have violated confidentiality provisions.

### ix. Review opinions of the Board of Supervisors on information disclosure management rules and the implementation

The Bank strictly performed its information disclosure obligations in accordance with regulatory requirements, conscientiously implemented the information disclosure management rules, and disclosed information timely and fairly. During the reporting period, the information disclosed was authentic, accurate and complete.

## X. SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES

The Bank has adopted the standards set out in the *Model Code* as the code of conduct to govern the securities transactions by Directors and Supervisors of the Bank. Upon enquiry, all Directors and Supervisors confirmed that they had always complied with the *Model Code* for the year ended 31 December 2022. The Bank has also formulated guidelines regarding the dealing of the Bank's securities by relevant employees and the guidelines are no less exacting than the *Model Code*. It had not come to the attention of the Bank that any employee was in violation of the guidelines during the reporting period.

## **XI. SENIOR MANAGEMENT**

As at the disclosure date of this report, Senior Management of the Bank consisted of 6 members, who are responsible for the operation and management of the Bank, including implementing the resolutions of the Board of Directors, the strategic plans, the business plans and investment plans approved by the Board of Directors, developing plans for setting up internal management structure and the basic management rules, and formulating specific administrative measures.

During the reporting period, Senior Management, in accordance with the development strategy of the Bank, earnestly implemented the business plan and the financial budget approved by the Board of Directors, focused on key businesses, accelerated the pace to “build a first-class wealth management bank”, and improved its capability for high-quality development. Through these efforts, it made new progress in operational management and realized continuous improvement in operating results.

## **XII. ESTABLISHMENT AND IMPLEMENTATION OF ASSESSMENT AND INCENTIVE MECHANISM FOR SENIOR MANAGEMENT**

The Remuneration Committee of the Board of Directors is responsible for drafting the remuneration plan for Senior Management, reviewing the duty performance of Senior Management, proposing suggestions on the remuneration plans for Senior Management and submitting the proposals to the Board of Directors for approval. During the reporting period, the Remuneration Committee listened to the work reports of Senior Management, studied the 2021 performance evaluation result of Senior Management and proposed the remuneration plan, which was considered and approved by the Board of Directors before implementation.

## **XIII. IMPLEMENTATION OF STOCK INCENTIVE PLAN AND EMPLOYEE STOCK OWNERSHIP PLAN**

As at the end of the reporting period, the Bank did not implement any stock incentive plan or employee stock ownership plan.

## **XIV. TRAINING OF DIRECTORS AND SUPERVISORS**

During the reporting period, some Directors and Supervisors participated in the initial training for directors and supervisors of listed companies organized by SSE, and the special training for directors and supervisors of listed companies under the jurisdiction of Beijing organized by the Listed Companies Association of Beijing. Some Independent Non-executive Directors participated in the follow-up training for independent non-executive directors held by SSE, and the domestic and international legal advisors of the Board of Directors of the Bank provided special training on related party transactions and information disclosure for Directors and Supervisors. The training that the Bank’s Directors and Supervisors participated in regarding corporate governance, policies, laws and regulations, and business operation and management complied with Rule C.1.4 of Appendix 14 to the *Hong Kong Listing Rules*.

## **XV. AUDITOR’S REMUNERATION**

For details about auditor’s remuneration, please refer to “Significant Events”.

## Corporate Governance

### XVI. INFORMATION DISCLOSURE

As a company listed both in Shanghai (A shares) and Hong Kong (H shares), the Bank implemented the *Securities Law* and relevant regulatory requirements, and abided by domestic and overseas laws and regulations. It optimized information disclosure procedures, improved the information disclosure quality, strengthened the management of insider information and insiders according to the *Policies on the Management of Inside Information and Insiders*, and disclosed information in a timely and fair manner, thus ensuring the authenticity, accuracy and completeness of the disclosed information and protecting the legitimate rights and interests of investors. During the reporting period, the Bank completed the preparation and disclosure of the 2021 Annual Report, the 2022 Interim Report and quarterly reports as scheduled. The Bank enriched the contents of regular reports and highlighted business features and achievements to fully showcase its development strategy and operational management to domestic and overseas investors. In accordance with domestic and overseas regulatory requirements, the Bank fully disclosed announcements in a timely manner, and published 101 A-share announcements and 138 H-share announcements.

### XVII. INVESTOR RELATIONS MANAGEMENT

The Bank attached great importance to the opinions and suggestions of shareholders, formulated the shareholder communication policy and reviewed it annually to ensure its effectiveness. During the reporting period, the Bank conducted various activities to manage investor relations and enhance communication with investors in strict accordance with domestic and overseas laws, regulations and regulatory requirements. After the disclosure of the 2021 Annual Report and the 2022 Interim Report, the Bank consecutively held 2 results announcements via online and offline ways, and held a results presentation after the disclosure of the operating results for the third quarter of 2022. It directly visited more than 30 investment institutions through road show by the management members. It also exchanged views with more than 300 investors through activities such as themed corporate day, investor reception day, meetings with institutional investors, and strategy seminars with domestic and overseas securities companies. Additionally, the Bank answered over 400 phone calls from domestic and overseas investors and handled over 200 emails for inquiry. It interacted with investors via platforms including “SSE e-interaction”, and continuously updated the contents of the Bank’s website in both Chinese and English versions to keep investors informed of the Bank’s information. Also, it communicated with shareholders, especially minority shareholders in particular via the shareholders’ general meetings and answered their questions of concern. Through the above-mentioned measures, the Bank deems that the existing shareholder communication policies are sufficient and effective.

### XVIII. COMPANY SECRETARY UNDER THE *HONG KONG LISTING RULES*

Mr. Zhang Xuyang and Ms. Lee Mei Yi (Tricor Services Limited) act as Joint Company Secretaries under the *Hong Kong Listing Rules*. Mr. Zhang Xuyang is the main contact person of the Bank. During the reporting period, Mr. Zhang Xuyang and Ms. Lee Mei Yi had participated in relevant vocational training for no less than 15 hours in compliance with Rule 3.29 of the *Hong Kong Listing Rules*.

### XIX. SHAREHOLDERS’ RIGHTS

- i. **Shareholders who individually or jointly hold more than 10 percent of the voting shares of the Bank shall have the right to request the Board of Directors to convene an extraordinary general meeting. Such request shall be made in writing to the Board of Directors.**



- ii. Shareholders who individually or jointly hold more than 3 percent of voting shares of the Bank may provide an interim proposal and submit it in writing to the Board of Directors 12 transaction days before the shareholders' general meeting is convened. The Board of Directors shall issue a supplementary notice for the shareholders' general meeting within 2 days upon receipt of the proposal and submit such proposal to the shareholders' general meeting for approval.
- iii. An extraordinary Board meeting shall be convened and presided over by the Chairman within 10 days since it is proposed by the shareholders who individually or jointly hold more than 10 percent of the voting shares of the Bank.
- iv. Unless there are specified provisions regarding the rights of the holders of preference shares in laws, regulations, rules, regulatory documents and the *Articles of Association* of the Bank, all the shareholders of the Bank shall have the following rights:
  1. Collecting dividends and other forms of benefits distributed on the basis of the number of shares held by them;
  2. Attending or entrusting proxy to attend meetings of shareholders and exercise the voting rights;
  3. Supervising business operation of the Bank and putting forward recommendations or inquiries accordingly;
  4. Transferring shares in accordance with laws, regulations, rules, regulatory documents, relevant regulations of the securities regulatory authority of the jurisdiction where shares of the Bank are listed and the *Articles of Association* of the Bank;
  5. Obtaining relevant information according to the *Articles of Association* of the Bank, including the Bank's financial and accounting statements; status of share capital of the Bank; minutes of the shareholders' general meetings, resolutions of meetings of Board of Directors and resolutions of meetings of the Board of Supervisors, etc.;
  6. Participating in the distribution of the Bank's residual assets in proportion to the number of shares held by the shareholders when the Bank is terminated or liquidated.
- v. **Holders of preference shares of the Bank shall be entitled to the following special rights:**
  1. Rights to dividends in priority to holders of ordinary shares;
  2. Rights to distribution of residual assets of the Bank upon liquidation in priority to holders of ordinary shares;
  3. Rights to attend and vote at shareholders' general meetings upon occurrence of prescribed events;
  4. Upon occurrence of prescribed events, to have its voting rights restored.
- vi. **Please refer to the *Articles of Association* of the Bank for more contents about shareholders' rights. As to the contact details for shareholders to communicate with and enquire of the Board, please refer to "Profile of the Bank" of this report.**

## **XX. STATEMENT OF COMPLIANCE WITH THE *BANKING (DISCLOSURE) RULES***

The Bank has prepared the 2022 H-share financial statements in accordance with the *Banking (Disclosure) Rules* by the Hong Kong Monetary Authority.

## Corporate Governance

### **XXI. STATEMENT ON COMPLIANCE WITH THE *CORPORATE GOVERNANCE CODE OF THE HONG KONG LISTING RULES***

Since its listing on HKEX, the Bank has adopted the principles as stipulated in the *Corporate Governance Code* (“CG Code”) contained in Appendix 14 to the *Hong Kong Listing Rules*. The Bank has fully complied with all the code provisions in the CG Code during the reporting period.

### **XXII. INTERNAL CONTROL**

#### **i. Internal control building and implementation**

Adhering to the principle of prioritizing policy and system, the Bank has established the internal control and compliance management system with tiered management as the core. The first tier is the basic system based on the *Articles of Association* of the Bank and with the compliance management policies and internal control management rules as the core. The second tier consists of policies such as internal control manual, legal compliance risk early-warning and reporting management measures, management measures for compliance managers, basic measures for rules and regulations management and measures for compliance management of overseas institutions. The third tier consists of a compilation of business management rules and regulations of various business lines and functioning departments, featuring “specific rule for specific business and specific manual for specific business line”. Aiming at the target of being “legal and compliant, simple but workable, easy to be implemented”, the Bank reviews the rules and regulations annually to continuously improve the effectiveness, applicability and enforceability.

In accordance with regulatory requirements, the Bank strictly implemented the Accounting Standards for Business Enterprises, strengthened the implementation of the unified national accounting policies, and carefully rectified accounting information quality problems identified in various regulatory inspections. Adhering to the principle of “full coverage of rectification and zero tolerance of problems”, the Bank fully disclosed the rectification effect at the current stage in this report.

Such system is designed to manage rather than eliminate the risk of failing to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or losses.

For information about the Bank’s risk management system and risk management work during the reporting period, please refer to “Management Discussion and Analysis”.

The Board of Directors of the Bank regularly reviews and evaluates corporate governance, risk management and internal control of the Bank. The Board of Directors considered that the Bank’s corporate governance, risk management and internal control mechanism were practical and effective during the reporting period.

#### **ii. Internal control of subsidiaries**

The Bank continued to propel its subsidiaries to improve internal control and compliance management, and supported its subsidiaries to adjust the organizational structure and improve the management mechanism based on the business needs, apply external regulations to internal business operation and implement regulatory policies. It made coordinated efforts in reviewing rules and regulations, consolidating the foundation of internal control management, and thus ensuring the consistency, completeness, effectiveness and timeliness of the internal control mechanism of subsidiaries. The Bank also conducted comprehensive rectification to the problems identified in internal and external inspections, and consolidated the achievements in internal control management of subsidiaries.

### iii. Internal control assessment report

Based on the outcome of the review of material defects in the internal control over financial reporting of the Bank, the Bank, as at the reference date (i.e. 31 December 2022) for the internal control assessment report, had not discovered any material defects in the internal control over financial reporting, and had maintained an effective internal control over financial reporting in all material aspects in accordance with the standards for enterprise internal control and relevant regulations.

Based on the outcome of the review of internal control unrelated to financial reporting of the Bank, the Bank, as at the reference date for the internal control assessment report, had not discovered any material defects in internal control unrelated to financial reporting.

From the reference date of internal control assessment report to the date of release of the internal control assessment report, there was no factor which may affect the assessment conclusion of the effectiveness of internal control.

The full text of the *2022 Internal Control Assessment Report* of the Bank has been published on the websites of SSE, HKEXnews and the Bank.

### iv. Audit report on internal control

EY Hua Ming audited the internal control of the Bank and issued an audit opinion: As of 31 December 2022, the Bank maintained an effective internal control over financial reporting in all material aspects in accordance with the *Basic Standards for Enterprise Internal Control* and relevant regulations. The full text of the audit opinion has been published on the websites of SSE, HKEXnews and the Bank.

## XXIII. MAJOR CHANGES IN THE *ARTICLES OF ASSOCIATION* OF THE BANK DURING THE REPORTING PERIOD

During the reporting period, in accordance with requirements of CBIRC, CSRC, SSE and other regulators, the Bank revised the *Articles of Association*, which was reviewed and approved at the Bank's 2022 Second Extraordinary General Meeting held on 29 December 2022, and would come into effect after the approval by CBIRC.

Information on the amendments to the *Articles of Association* of the Bank had been published on the websites of SSE, HKEXnews and the Bank.

# Address Book of Head Office and Branches

Name	Address	P.C.	Tel	Fax
Head Office	China Everbright Center, No. 25 Taipingqiao Street, Xicheng District, Beijing	100033	010-63636363	010-63639066
Beijing Branch	No. 1 Xuanwumen Inner Street, Xicheng District, Beijing	100031	010-66567699	010-66567411
Shanghai Branch	No. 1118 Century Avenue, Pudong New Area, Shanghai	200120	021-63606360	021-23050088
Tianjin Branch	Annex Building of Zhonglian Building, No. 83 Qufu Avenue, Heping District, Tianjin	300041	022-23300167	022-23300229
Chongqing Branch	No. 168 Minzu Road, Yuzhong District, Chongqing	400010	023-63792773	023-63792764
Shijiazhuang Branch	No. 56 Yuhua East Road, Qiaodong District, Shijiazhuang	050000	0311-88628882	0311-88628883
Taiyuan Branch	No. 295 Yingze Street, Yingze District, Taiyuan	030001	0351-3839008	0351-3839108
Huhhot Branch	Tower D, Dongfangjunzuo, Chilechuan Street, Saihan District, Huhhot	010096	0471-4955882	0471-4955800
Dalian Branch	No. 4 Wuwu Road, Zhongshan District, Dalian	116001	0411-39037007	0411-39037015
Shenyang Branch	No. 156 Heping North Street, Heping District, Shenyang	110003	024-83255555	024-23283218
Changchun Branch	No. 2677 Jiefang Road, Chaoyang District, Changchun	130061	0431-88400080	0431-88400121
Heilongjiang Branch	No. 278 Dongdazhi Street, Nangang District, Harbin	150001	0451-53618775	0451-53618775
Nanjing Branch	No. 120 Hanzhong Road, Gulou District, Nanjing	210029	025-84787610	025-84712699
Suzhou Branch	No. 188 Xinghai Street, Industrial Park District, Suzhou	215021	0512-68662988	0512-68668766
Wuxi Branch	No. 1 Renmin Middle Road, Chong'an District, Wuxi	214023	0510-81802528	0510-81802535
Hangzhou Branch	Zheshang Times Building, No. 1 Miduqiao Road, Gongshu District, Hangzhou	310006	0571-87895358	0571-87895367
Ningbo Branch	Building 1, Hengfu Plaza, No. 828 Fuming Road, Jiangdong District, Ningbo	315040	0574-87300888	0574-87317230
Hefei Branch	No. 200 Changjiang West Road, Shushan District, Hefei	230001	0551-65101888	0551-65101726
Fuzhou Branch	Building 1, Zhengxiang Center, No. 153 Wuyi North Road, Gulou District, Fuzhou	350001	0591-87760707	0591-87835838
Xiamen Branch	No. 160 Hubin Middle Road, Siming District, Xiamen	361004	0592-2221666	0592-2237788
Nanchang Branch	No. 1333 Fenghezong Avenue, Honggutan New Area, Nanchang	330000	0791-86662030	0791-86665448
Jinan Branch	No. 85 Jingqi Road, Shizhong District, Jinan	250001	0531-86155965	0531-86155800
Qingdao Branch	No. 69 Hongkong West Road, Shinan District, Qingdao	266071	0532-83893801	0532-83893800
Yantai Branch	No. 111 Nandajie Street, Zhifu District, Yantai	264000	0535-6658506	0535-6261796
Zhengzhou Branch	No. 22 Middle Ring Road, Financial Island, Zhengzhou Area (Zhengdong) of Henan Pilot Free Trade Zone, Zhengzhou	450000	0371-65766001	0371-65766000
Wuhan Branch	No. 143-144 Yanjiang Avenue, Jiang'an District, Wuhan	430014	027-82796303	027-82801976

Name	Address	P.C.	Tel	Fax
Changsha Branch	No. 142 Section 3 of Furong Middle Road, Tianxin District, Changsha	410015	0731-85363527	0731-85523677
Guangzhou Branch	No. 685 Tianhe North Road, Tianhe District, Guangzhou	510635	020-38730066	020-38730049
Shenzhen Branch	No. 18 Zizhuqi Avenue, Zhuzilinsi Road, Futian District, Shenzhen	518040	0755-83053388	0755-83242955
Nanning Branch	Taiping Financial Mansion, No. 16 Songxiang Road, Liangqing District, Nanning	530021	0771-5502961	0771-5568100
Haikou Branch	Jinlong City Plaza Building, South of Jinlong Road, Longhua District, Haikou	570125	0898-68539999	0898-68520711
Chengdu Branch	No. 79 Dacisi Road, Jinjiang District, Chengdu	610017	028-86665566	028-86720299
Kunming Branch	No. 28 Renmin Middle Road, Wuhua District, Kunming	650021	0871-63111068	0871-63111078
Xi'an Branch	No. 33 Hongguang Street, Lianhu District, Xi'an	710002	029-87236013	023-87236010
Urumqi Branch	No. 165 Nanhu East Road, Shuimogou District, Urumqi	830063	0991-6765678	0991-6765678
Guiyang Branch	West Tower III, Financial Center, Zone B, Convention and Exhibition City, Changling North Road, Guanshanhu District, Guiyang	550081	0851-82590249	0851-82590335
Lanzhou Branch	No. 555 Donggang West Road, Chengguan District, Lanzhou	730000	0931-8688600	0931-8688701
Yinchuan Branch	No. 219 Jiefang West Road, Xingqing District, Yinchuan	750001	0951-8773000	0951-8773080
Xining Branch	No. 57-7 Wusi West Road, Chengxi District, Xining	810008	0971-6363263	0971-6236234
Lhasa Branch	Taihe International Culture Square, No. 7 Jinzhu Middle Road, Chengguan District, Lhasa	850000	0891-6597000	0891-6597000
Hong Kong Branch	23/F, Everbright Center, 108 Gloucester Road, Wan Chai, Hong Kong SAR	–	00852-31239888	00852-21432188
Seoul Branch	23/F, Youngpoong Building, 41 Cheonggyecheon-ro, Jongro-ku, Seoul, Republic of Korea	03188	00822-37883700	00822-37883701
Luxembourg Branch	10 Avenue Emile Reuter, Luxembourg City, Grand Duchy of Luxembourg	L-2420	00352-2666888	00352-266688124
Sydney Branch	28/F, International Tower 1, 100 Barangaroo Avenue, Sydney, Commonwealth of Australia	NSW2000	0061-2-79238888	0061-2-79238800
Macao Branch	23F, Finance and IT Center of Macao, 320 Avenida Doutor Mario Soares, Macao SAR	–	00853-82966100	00853-82966150
Tokyo Representative Office	1 Chome-4-1 Marunouchi, Chiyoda City, Tokyo, Japan	100-0005	0081-3-62591786	–

# 阳光理财

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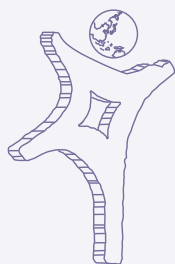
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# Independent Auditor's Report

**To the shareholders of China Everbright Bank Company Limited**  
(Established in the People's Republic of China with limited liability)

## OPINION

We have audited the consolidated financial statements of China Everbright Bank Company Limited (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in *the Auditor's Responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



## KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<i>Expected credit losses for loans and advances to customers</i>	
<p>The Group uses a number of models and assumptions in the measurement of expected credit losses, for example:</p> <ul style="list-style-type: none"> <li>• Significant increase in credit risk – The selection of criteria for identifying significant increase in credit risk is highly dependent on judgement and may have a significant impact on the expected credit losses for loans and advances with longer remaining periods to maturity;</li> <li>• Models and parameters – Inherently complex models are used to measure expected credit losses. Modelled parameters have numerous inputs and the parameter estimation involves many judgements and assumptions;</li> <li>• Forward-looking information – Expert judgement is used to create macroeconomic forecasts and to consider the impact on expected credit losses under multiple economic scenarios given different weights;</li> <li>• Whether financial assets are credit-impaired – The determination of whether a credit impairment has occurred requires consideration of a number of factors and the measurement of its expected credit loss is dependent on estimates of expected future cash flows.</li> </ul>	<p>We evaluated and tested the effectiveness of the design and implementation of key controls related to the credit approval process, post approval credit management, loan rating system, collateral monitoring and loan impairment assessment, including relevant data quality and information systems.</p> <p>We adopted a risk-based sampling approach in our loan review procedures. We assessed the debtors' repayment capacity and evaluated the Group's loan grading, taking into consideration post-lending investigation reports, debtors' financial information, collateral valuation reports and other available information.</p> <p>With the support of our internal credit risk modelling experts, we evaluated and tested the important parameters of the expected credit loss model, management's major judgements and related assumptions, mainly focusing on the following aspects:</p> <ol style="list-style-type: none"> <li>1. Expected credit loss model: <ul style="list-style-type: none"> <li>• In response to the macroeconomic changes, we assessed the reasonableness of the expected credit loss model methodology and related parameters, including probability of default, loss given default, risk exposure, and whether there was a significant increase in credit risk.</li> </ul> </li> </ol>
<p>Since expected credit losses measurement involves many judgements and assumptions, and in view of the significance of the amount (as at 31 December 2022, gross loans and advances to customers amounted to RMB3,582.531 billion, representing 56.86% of total assets, and impairment allowance for loans and advances to customers amounted to RMB83.956 billion), impairment of loans and advances is considered a key audit matter.</p>	<ul style="list-style-type: none"> <li>• We assessed the forward-looking information management used to determine expected credit losses, including the forecasts of macroeconomic variables and the assumptions and the weight of multiple macroeconomic scenarios; and</li> <li>• We assessed the reasonableness of management's determination of credit impairment. For credit-impaired loans and advances, we analysed the amount, timing and probability of management's estimated future cash flows, especially the recoverable cash flows from collateral.</li> </ul>
<p>Relevant disclosures are included in Note III 1, Note V 16 and Note V 50(a) to the consolidated financial statements.</p>	

## Independent Auditor's Report

## KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<i>Expected credit losses for loans and advances to customers (continued)</i>	<p data-bbox="775 426 1396 454">2. Design and operating effectiveness of key controls:</p> <ul data-bbox="836 491 1396 871" style="list-style-type: none"> <li data-bbox="836 491 1396 676">• We evaluated and tested the data and processes used to determine expected credit losses, including loan business data, internal credit rating data, impairment system computational logic, as well as inputs, outputs and interfaces among relevant systems; and</li> <li data-bbox="836 713 1396 871">• We evaluated and tested key controls over the expected credit loss models, including approval of model changes, ongoing monitoring model performance, model validation and parameter calibration.</li> </ul> <p data-bbox="775 907 1396 1000">We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of credit risk and the impairment allowance.</p>

## KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<i>Valuation of financial instruments</i>	
<p>The Group has applied valuation techniques to determine the fair value of financial instruments that are not quoted in active markets. These valuation techniques usually involve subjective judgement and assumptions. With different valuation techniques and assumptions applied, the valuation results can vary significantly.</p>	<p>We assessed and tested the design and operating effectiveness of key controls related to the valuation of financial instruments.</p>
<p>As at 31 December 2022, the book value of financial assets and financial liabilities measured at fair value amounted to RMB1,084.322 billion and RMB14.288 billion respectively, representing 17.21% and 0.25% of total assets and total liabilities, respectively. Financial instruments which required either direct (i.e. prices) or indirect (i.e. derived from prices) inputs, hence categorised within Level 2 of the fair value hierarchy, represented 73.82% of total financial assets measured at fair value; and financial instruments which required significant unobservable inputs, hence categorised within Level 3 of the fair value hierarchy, represented 0.84% of total financial assets measured at fair value. Due to the significance of financial instruments measured at fair value, and the uncertainty in valuation, this is considered a key audit matter.</p>	<p>We evaluated the valuation techniques, inputs and assumptions used by the Group through comparison with the valuation techniques commonly used in the markets, validation of observable inputs using external market data, and comparison with valuation outcomes obtained from various pricing sources.</p>
<p>Relevant disclosures are included in Note III 2 and Note V 51(c) to the consolidated financial statements.</p>	<p>We assessed and tested the design and operating effectiveness of the Group's controls related to disclosures of fair value.</p>

## Independent Auditor's Report

### KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<i>Consolidation assessment of, and disclosures about structured entities</i>	
<p>In the process of conducting business of financial investment, asset management and credit asset transfer, the Group issued financial products and held the rights and interests of different structured entities, including wealth management products, funds and trust plans. The Group determines whether these structured entities are to be consolidated based on the assessment of whether the Group has control over them through taking into consideration the power arising from rights, variable returns, and the link between power and returns.</p>	<p>We assessed and tested the design and operating effectiveness of the key controls relating to the Group's assessment of whether it controls a structured entity.</p>
<p>The assessment of the Group's control over structured entities involves significant judgement and estimation such as the purpose and design of structured entities, its ability to direct relevant activities, interests it holds directly or indirectly, the performance fee obtained, profit and the exposure to loss from providing credit enhancement or liquidity support, etc. The comprehensive analysis of these factors and the conclusion of whether the Group has control rights involve significant management judgement and estimation. Due to the significance of the unconsolidated structured entities and the complexity of judgement exercised by management, this is considered a key audit matter.</p>	<p>We assessed the Group's analysis and conclusions on whether or not it controls structured entities by reviewing relevant term sheets to analyse whether the Group has the obligation to absorb any loss of structured entities, as well as the Group's analysis on its power over structured entities, the magnitude and variability of variable returns from its involvement with structured entities. We also assessed whether the Group had provided liquidity support or credit enhancement to structured entities, as well as fairness of transactions between the Group and structured entities.</p>
<p>Relevant disclosures are included in Note III 6 and Note V 43 to the consolidated financial statements.</p>	<p>We assessed and tested the design and operating effectiveness of the Group's controls over its unconsolidated structured entities.</p>

### OTHER INFORMATION INCLUDED IN THE BANK'S 2022 ANNUAL REPORT

The directors of the Bank are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Bank are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Bank either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Bank are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

## Independent Auditor's Report

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Chi Keung.

*Certified Public Accountants*  
Hong Kong  
24 March 2023

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

	Note V	2022	2021
Interest income		241,309	229,334
Interest expense		(127,654)	(117,179)
<b>Net interest income</b>	1	113,655	112,155
Fee and commission income		30,077	30,131
Fee and commission expense		(3,333)	(2,817)
<b>Net fee and commission income</b>	2	26,744	27,314
Net trading gains	3	2,470	2,193
Dividend income		49	24
Net gains arising from investment securities	4	6,416	10,092
Net gains on derecognition of financial assets measured at amortised cost		858	115
Net foreign exchange gains		484	3
Other net operating income		1,189	1,470
<b>Operating income</b>		151,865	153,366
Operating expenses	5	(45,227)	(45,540)
Credit impairment losses	8	(50,600)	(54,772)
Other impairment losses		(9)	(23)
<b>Operating profit</b>		56,029	53,031
Losses on investment of joint ventures		(63)	(90)
<b>Profit before tax</b>		55,966	52,941
Income tax	9	(10,926)	(9,302)
<b>Net profit</b>		45,040	43,639
<b>Net profit attributable to:</b>			
Equity shareholders of the Bank		44,807	43,407
Non-controlling interests		233	232
		45,040	43,639
<b>Earnings per share</b>			
Basic earnings per share (in RMB/share)	10	0.74	0.71
Diluted earnings per share (in RMB/share)	10	0.67	0.65

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

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

	Note V	2022	2021
<b>Net profit</b>		45,040	43,639
<b>Other comprehensive income, net of tax:</b>			
Items that will not be reclassified to profit or loss:			
– Remeasurement of supplementary retirement benefits		(135)	(287)
Subtotal		(135)	(287)
Items that will be reclassified to profit or loss:			
– Debt instruments at fair value through other comprehensive income			
– Net change in fair value		(5,046)	2,828
– Changes in allowance for expected credit losses		834	112
– Reclassified to the profit or loss upon disposal		(774)	(126)
– Related income tax effect	23(b)	1,201	(685)
– Exchange differences on translation of financial statements		180	(83)
Subtotal		(3,605)	2,046
<b>Other comprehensive income, net of tax</b>		(3,740)	1,759
<b>Total comprehensive income</b>		41,300	45,398
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Bank		41,065	45,166
Non-controlling interests		235	232
		41,300	45,398

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



# Consolidated Statement of Financial Position

As at 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

	Note V	31 December 2022	31 December 2021
<b>Assets</b>			
Cash and deposits with the central bank	11	356,426	378,263
Deposits with banks and other financial institutions	12	32,073	51,189
Precious metals		7,187	6,426
Placements with banks and other financial institutions	13	129,979	138,349
Derivative financial assets	14	15,730	13,705
Financial assets held under resale agreements	15	28	31,164
Loans and advances to customers	16	3,499,351	3,239,396
Finance lease receivables	17	108,012	109,053
Financial investments	18	2,046,612	1,836,016
– Financial assets at fair value through profit or loss		403,617	383,666
– Debt instruments at fair value through other comprehensive income		449,596	325,695
– Equity instruments at fair value through other comprehensive income		1,126	1,125
– Financial investments measured at amortised cost		1,192,273	1,125,530
Investment in joint ventures	19	165	256
Property and equipment	20	26,174	25,155
Right-of-use assets	21	10,281	10,953
Goodwill	22	1,281	1,281
Deferred tax assets	23	32,703	19,895
Other assets	24	34,508	40,968
<b>Total assets</b>		<b>6,300,510</b>	<b>5,902,069</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Due to the central bank	26	63,386	101,180
Deposits from banks and other financial institutions	27	540,668	526,259
Placements from banks and other financial institutions	28	188,601	179,626
Financial liabilities at fair value through profit or loss	29	27	67
Derivative financial liabilities	14	14,261	13,337
Financial assets sold under repurchase agreements	30	92,980	80,600
Deposits from customers	31	3,917,168	3,675,743
Accrued staff costs	32	19,006	16,777
Taxes payable	33	11,141	6,535
Lease liabilities	34	10,151	10,736
Debt securities issued	35	875,971	763,532
Other liabilities	36	57,137	43,311
<b>Total liabilities</b>		<b>5,790,497</b>	<b>5,417,703</b>

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

## Consolidated Statement of Financial Position

As at 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

	Note V	31 December 2022	31 December 2021
<b>Equity</b>			
Share capital	37	54,032	54,032
Other equity instruments	38	109,062	109,062
of which: Preference shares		64,906	64,906
Perpetual bonds		39,993	39,993
Capital reserve	39	58,434	58,434
Other comprehensive income	40	(590)	3,152
Surplus reserve	41	26,245	26,245
General reserve	41	81,401	75,596
Retained earnings		179,299	155,968
Total equity attributable to equity shareholders of the Bank		507,883	482,489
Non-controlling interests		2,130	1,877
<b>Total equity</b>		<b>510,013</b>	<b>484,366</b>
<b>Total liabilities and equity</b>		<b>6,300,510</b>	<b>5,902,069</b>

Approved and authorised for issue by the board of directors on 24 March 2023.

**Wang Jiang**  
*Chairman,*  
*Non-executive Director*

**Wang Zhiheng**  
*President,*  
*Executive Director*

**Sun Xinhong**  
*General Manager of*  
*Financial Accounting Department*

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

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

2022	Note V	Attributable to equity shareholders of the Bank											Non- controlling interests	Total
		Other equity instruments				Capital reserve	Other			General reserve	Retained earnings	Subtotal		
		Share capital	Preference shares	Perpetual bonds	Others		comprehensive income	Surplus reserve						
Balance at 1 January 2022		54,032	64,906	39,993	4,163	58,434	3,152	26,245	75,596	155,968	482,489	1,877	484,366	
Changes in equity for the year:														
Net profit		-	-	-	-	-	-	-	-	44,807	44,807	233	45,040	
Other comprehensive income	40	-	-	-	-	-	(3,742)	-	-	-	(3,742)	2	(3,740)	
Capital injection by non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	38	38	
Appropriation of profit:	42													
- Appropriation to general reserve		-	-	-	-	-	-	-	5,805	(5,805)	-	-	-	
- Dividends to ordinary shareholders		-	-	-	-	-	-	-	-	(10,860)	(10,860)	(20)	(10,880)	
- Dividends to other equity instrument holders		-	-	-	-	-	-	-	-	(4,811)	(4,811)	-	(4,811)	
Balance at 31 December 2022		54,032	64,906	39,993	4,163	58,434	(590)	26,245	81,401	179,299	507,883	2,130	510,013	
2021	Note V	Attributable to equity shareholders of the Bank											Non- controlling interests	Total
		Other equity instruments				Capital reserve	Other			General reserve	Retained earnings	Subtotal		
		Share capital	Preference shares	Perpetual bonds	Others		comprehensive income	Surplus reserve						
Balance at 31 December 2020		54,032	64,906	39,993	4,163	58,434	1,393	26,245	67,702	136,581	453,449	1,549	454,998	
Business combinations under common control		-	-	-	-	-	-	-	-	21	21	21	42	
Balance at 1 January 2021		54,032	64,906	39,993	4,163	58,434	1,393	26,245	67,702	136,602	453,470	1,570	455,040	
Changes in equity for the year:														
Net profit		-	-	-	-	-	-	-	-	43,407	43,407	232	43,639	
Other comprehensive income	40	-	-	-	-	-	1,759	-	-	-	1,759	-	1,759	
Capital injection by non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	95	95	
Appropriation of profit:	42													
- Appropriation to general reserve		-	-	-	-	-	-	-	7,894	(7,894)	-	-	-	
- Dividends to ordinary shareholders		-	-	-	-	-	-	-	-	(11,347)	(11,347)	(20)	(11,367)	
- Dividends to other equity instrument holders		-	-	-	-	-	-	-	-	(4,800)	(4,800)	-	(4,800)	
Balance at 31 December 2021		54,032	64,906	39,993	4,163	58,434	3,152	26,245	75,596	155,968	482,489	1,877	484,366	

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

# Consolidated Cash Flow Statement

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

	2022	2021
<b>Cash flows from operating activities</b>		
Profit before tax	55,966	52,941
<i>Adjustments for:</i>		
Credit impairment losses	50,600	54,772
Other impairment losses	9	23
Depreciation and amortisation	6,358	5,765
Unwinding of discount	(758)	(907)
Dividend income	(49)	(24)
Unrealised foreign exchange (gains)/losses	(644)	156
Interest income from investment securities and net gains on disposal	(61,804)	(61,503)
Net gains on derecognition of financial assets measured at amortised cost	(858)	(115)
Losses on investments of joint ventures	63	90
Net gains on disposal of trading securities	(1,979)	(1,506)
Revaluation losses/(gains) on financial instruments at fair value through profit	1,656	(1,532)
Interest expense on debt securities issued	23,120	17,522
Interest expense on lease liabilities	428	462
Net losses/(gains) on disposal of property and equipment	32	(94)
	72,140	66,050
<i>Changes in operating assets</i>		
Net (increase)/decrease in deposits with the central bank, banks and other financial Institutions	(980)	19,987
Net increase in placements with banks and other financial institutions	(35,276)	(34,721)
Net increase in financial assets held for trading	(56,455)	(15,537)
Net increase in loans and advances to customers	(313,242)	(352,244)
Net decrease in financial assets held under resale agreements	31,138	12,432
Net decrease in other operating assets	20,108	1,815
	(354,707)	(368,268)
<i>Changes in operating liabilities</i>		
Net increase in deposits from banks and other financial institutions	15,266	56,953
Net increase in placements from banks and other financial institutions	8,796	17,509
Net increase in financial assets sold under repurchase agreements	12,275	66,409
Net decrease in amounts due to the central bank	(37,001)	(138,608)
Net increase in deposits from customers	227,572	183,125
Income tax paid	(18,110)	(12,823)
Net increase in other operating liabilities	17,371	17,411
	226,169	189,976
<b>Net cash used in operating activities</b>	<b>(56,398)</b>	<b>(112,242)</b>

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

	Note V	2022	2021
<b>Cash flows from investing activities</b>			
Proceeds from disposal and redemption of investments		733,672	690,317
Investment income received		60,941	60,635
Proceeds from disposal of property and equipment and other long-term assets		16	171
Payments on acquisition of investments		(893,056)	(839,181)
Payments on acquisition of property and equipment, intangible assets and other long-term assets		(4,667)	(5,352)
<b>Net cash used in investing activities</b>		<b>(103,094)</b>	<b>(93,410)</b>
<b>Cash flows from financing activities</b>			
Capital injected into subsidiaries by non-controlling shareholders		38	95
Proceeds from insurance of debts		930,514	638,113
Repayments of debts issued		(818,471)	(316,574)
Interest paid on debt securities issued		(22,724)	(16,399)
Dividends paid		(15,690)	(16,166)
Other net cash flows from financing activities		(3,101)	(3,030)
<b>Net cash from financing activities</b>		<b>70,566</b>	<b>286,039</b>
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>3,007</b>	<b>(2,880)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	46(a)	<b>(85,919)</b>	<b>77,507</b>
<b>Cash and cash equivalents as at 1 January</b>		<b>222,583</b>	<b>145,076</b>
<b>Cash and cash equivalents as at 31 December</b>	46(b)	<b>136,664</b>	<b>222,583</b>
Interest received		186,631	176,851
Interest paid (excluding interest expense on debt securities issued)		(92,068)	(88,916)

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

## I BACKGROUND INFORMATION

China Everbright Bank Company Limited (the “Bank”) commenced its operations in Beijing, the People’s Republic of China (the “PRC”) on 18 August 1992. The A-Shares and H-Shares of the Bank were listed on the Shanghai Stock Exchange in August 2010 and the Stock Exchange of Hong Kong Limited in December 2013, respectively.

The Bank is licensed as a financial institution by the China Banking and Insurance Regulatory Commission (the “CBIRC”), formerly the China Banking Regulatory Commission, No. B0007H111000001 and is issued the business licence of legal enterprise No. 91110000100011743X by the State Administration of Industry and Commerce of the PRC. The registered address is No.25, Taipingqiao Ave, Everbright Center, Xicheng District, Beijing, People’s Republic of China.

The principal activities of the Bank and its subsidiaries (Note V 19) (collectively the “Group”) are the provision of corporate and retail deposits, loans and advances, settlement, treasury business and other financial services as approved by the CBIRC. The Group mainly operates in Mainland China and also has a number of overseas branches and subsidiaries. For the purpose of these financial statements, Mainland China refers to the PRC, excluding the Hong Kong Special Administrative Region of the PRC (“Hong Kong”), the Macau Special Administrative Region of the PRC (“Macau”) and Taiwan. Overseas refers to countries and regions other than Mainland China.

These financial statements have been approved by the Board of Directors on 24 March 2023.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

### 1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (IASB). In addition, the consolidated financial statements comply with the disclosure requirements of the Hong Kong Companies Ordinance.

Financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments), as well as financial assets at fair value through other comprehensive income are measured at their fair values in the consolidated financial statements. Other accounting items are measured at their historical costs. Impairment is recognised if there is objective evidence of impairment of assets.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note III.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 1 Basis of preparation (continued)

As a financial institution incorporated in the PRC and listed on the Shanghai Stock Exchange, the Group also prepared its consolidated financial statements for the reporting period in accordance with the “Accounting Standards for Business Enterprises-Basic Standard” issued by the Ministry of Finance of the People’s Republic of China (the “MOF”), as well as additional specific accounting standards, the Application Guide and Interpretations of Accounting Standards and other relevant regulations (collectively known as the “PRC GAAP”). There is no difference in the net profit for the year or total equity as at the end of the year between the Group’s consolidated financial statements prepared under IFRSs and those prepared under PRC GAAP.

#### 1.1 Standards, amendments and interpretations effective in 2022

On 1 January 2022, the Group applied the following new standards and amendments for the first time in 2022.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Costs of Fulfilling a Contract</i>
Annual Improvements to IFRSs 2018-2020	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41</i>

IFRS 3 Amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

IAS 16 Amendments prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

IAS 37 Amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 1 Basis of preparation (continued)

#### 1.1 Standards, amendments and interpretations effective in 2022 (continued)

Annual Improvements to IFRSs 2018-2020 were issued in May 2020, including an amendment to IFRS 9 Financial Instruments, which clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability by conducting the “10 per cent” test for derecognition of financial liabilities. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. The improvements also include an amendment to lease incentives, which removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16 Leases, so as to remove potential confusion regarding the treatment of lease incentives when applying IFRS 16.

The adoption of the above amendments does not have any significant impact on the operating results, financial position and comprehensive income of the Group.

#### 1.2 Standards and amendments that are not yet effective and have not been early adopted by the Group in 2022

		Effective for annual periods beginning on or after
IFRS 17 and Amendments	<i>Insurance Contracts</i>	1 January 2023
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting policies</i>	1 January 2023
Amendments to IAS 12	<i>Deferred tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Effective date has been deferred indefinitely

As a consequence of the amendments to IFRS 17 issued in June 2020, the effective date of IFRS 17 was deferred to 1 January 2023, and IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023.

The amendments to IAS 8 introduce a new definition of ‘accounting estimates’. The amendments are designed to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.



## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 1 Basis of preparation (continued)

#### 1.2 Standards and amendments that are not yet effective and have not been early adopted by the Group in 2022 (continued)

The amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. This amendments replace the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and add guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

IAS 1 Amendments specify the requirements for classifying liabilities as current or non-current. The amendments clarify what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right, and that only if an embedded derivative in a convertible liability itself is an equity instrument, would the terms of a liability not impact its classification.

The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture.

The adoption of the above amendments will have no material impact on the financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 2 Consolidation

#### 2.1 Subsidiaries

Subsidiaries are all entities (including corporates, divided parts of associates, and structured entities controlled by corporates) over which the Group has control. That is the Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible and rights arising from other contractual arrangements are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. If changes in facts and circumstances result in changes in elements involved in the definition of control, the Group will re-evaluate whether it still has control over subsidiaries.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss.

If the Group acquires a subsidiary through a merger of companies under common control, the difference between the book value of the net assets acquired by the merging parties and the book value of the merger consideration paid (or the total par value of shares issued) is adjusted to capital surplus; if capital surplus is not sufficient to offset the difference, retained earnings are adjusted.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In the Bank's statement of financial position, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments, but does not include acquisition-related costs, which are expensed as incurred. The dividends or profits declared to distribute by the invested entity shall be recognised by the Bank as the current investment income of subsidiaries.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 2 Consolidation (continued)

#### 2.2 Joint Ventures

Joint ventures exist where the Group has a contractual arrangement with one or more parties to undertake economic activities which are subject to joint control.

Investments in joint ventures are initially recognised at cost and are accounted for using the equity method of accounting. The Group's "Investments in associates and joint ventures" includes goodwill.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group assesses at each financial reporting date whether there is objective evidence that investments in joint ventures are impaired. Impairment losses are recognised for the amounts by which the investments in joint ventures' carrying amounts exceed their recoverable amounts. The recoverable amounts are the higher of investments in associates and joint ventures' fair value less costs to sell and value in use.

### 3 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with central banks, short-term deposits and placements with banks and other financial institutions, and highly liquid short-term investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

### 4 Foreign currency translation

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates or the rates that approximate the spot exchange rates at the dates of transactions.

Monetary assets and liabilities denominated in foreign currencies at the financial reporting date are translated at the foreign exchange rates ruling at that date. Changes in the fair value of monetary securities denominated in foreign currency classified as financial assets at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the statement of profit or loss, and other changes in the carrying amount are recognised in "Other comprehensive income". Translation differences on all other monetary assets and liabilities are recognised in the statement of profit or loss.

Non-monetary assets and liabilities that are measured at historical cost in foreign currencies are translated using the foreign exchange rates at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in foreign currencies are translated using the foreign exchange rates at the date the fair value is determined. Translation differences on non-monetary financial assets classified as financial assets at fair value through other comprehensive income are recognised in "Other comprehensive income". Translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss are recognised as "Net trading gains" in the statement of profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 4 Foreign currency translation (continued)

Assets and liabilities of foreign operations are translated to Renminbi at the spot exchange rates at the end of the year. Equity items, excluding “Retained Earnings”, are translated to Renminbi at the spot exchange rates at the transaction dates. Income and expenses of foreign operation are translated to Renminbi at the rates that approximate the spot exchange rates at the transaction dates. The resulting translation differences are recognised in other comprehensive income. The translation differences accumulated in shareholders’ equity with respect to a foreign operation are transferred to profit or loss in the year when the foreign operation is disposed.

### 5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

#### 5.1 Recognition and de-recognition of financial instruments

The Group shall recognise a financial asset or a financial liability in its statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets (or a part of a financial asset or group of financial assets) are derecognised when the financial assets meet one of the following conditions:

- (1) the contractual rights to the cash flows from the financial asset expire; or
- (2) the contractual rights to the cash flows from the financial asset are transferred, or the Group undertake the obligation to pay the cash flows collected to a third party in full and on time under the “pass-through agreement” and the Group (a) transfers substantially all the risks and rewards of ownership of the financial assets or (b) where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

The Group recognises and de-recognises financial assets on the trading day when trading financial assets in a conventional way. Trading financial assets in a conventional way refers to collecting or delivering financial assets within the time limit prescribed by laws or common practices in accordance with contract provisions. The trading day refers to the date on which the Group undertakes to buy or sell financial assets.

Financial liabilities are de-recognised when they are extinguished that is, when the obligation is discharged or cancelled, or expires. The difference between the carrying amount of the de-recognised financial liability and the consideration paid is recognised in the statement of profit or loss.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 5 Financial instruments (continued)

#### 5.2 Classification and measurement of financial assets

The Group classifies financial assets as at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Only if when the Group changes the business model for managing financial assets, the Group shall reclassify the affected financial assets.

For financial assets at fair value through profit or loss, transaction costs are directly recognised in profit or loss. For other financial assets, transaction costs are recognised in the initial measurement.

##### *Business models*

The Group's business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. If financial assets are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the business model of the financial assets is "other". The Group's assessment of the business model is performed on a financial asset portfolio basis, and determined on a reasonable expected scenario, taking into account: how cash flows were generated in the past, how the performance of the business model and the financial assets held within that business model is evaluated and reported to the Group's key management personnel; how risks are evaluated and managed; and how managers of the business are compensated.

##### *The contractual cash flow characteristics*

The assessment of contractual cash flow characteristics is to determine whether the cash flows are solely payments of principal and interest on the principal amount outstanding. Principal is the fair value of the financial asset at initial recognition. However, that principal amount may change over the life of the financial asset (for example, if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

The subsequent measurement of financial assets depends on the classification:

##### *Financial assets at amortised cost*

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income is recognised using the effective interest method for such financial assets. The gains or losses from derecognition, amendments or impairment on such financial assets are recognised in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 5 Financial instruments (continued)

#### 5.2 Classification and measurement of financial assets (continued)

##### *Debt instruments at fair value through other comprehensive income*

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset measured at the fair value through other comprehensive income should be recognised in “other comprehensive income”, except for interests calculated using effective interest method and foreign exchange gains and losses. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to profit or loss.

##### *Equity instruments at fair value through other comprehensive income*

The Group has irrevocably designated equity instruments that are not held for trading as financial assets at fair value through other comprehensive income. Only relevant dividend income (excluding dividend income explicitly recovered as part of investment cost) is recognised in profit or loss, and subsequent changes in fair value are recognised in other comprehensive income without provision for impairment. When financial assets are de-recognised, the accumulated gains or losses previously recognised in other comprehensive income shall be reclassified to retained earnings under equity.

##### *Financial assets at fair value through profit or loss*

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. Such financial assets that the Group holds are subsequently measured at fair value. Gains or losses on such financial assets are recognised in profit or loss unless it is part of a hedging relationship.

Only when an accounting mismatch can be eliminated or significantly reduced, financial assets can be designated at fair value through profits or losses at initial recognition.

When an entity classified a financial asset as a financial asset designated at fair value through profit or loss, it cannot be reclassified as other financial asset; nor can other financial assets be reclassified as financial assets designated at fair value through profit or loss after initial recognition.

In accordance with the above conditions, the financial assets designated at fair value through profit or loss held by the Group mainly include fixed interest rate personal mortgage loans for which the Group used interest rate swaps to manage the associated interest rate risk.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 5 Financial instruments (continued)

#### 5.3 Classification and measurement of financial liabilities

In addition to the issuance of financial guarantee contracts and financial liabilities arising from non-compliance with the conditions for termination of recognition of the transfer of financial assets or continued involvement in the transferred financial assets, the Group classifies financial liabilities as at fair value through profit or loss and financial liabilities measured at amortised cost. For financial liabilities at fair value through profit or loss, transaction costs are directly recognised in profit or loss. For financial liabilities measured at amortised cost, transaction costs are recognised in the initial measurement.

The subsequent measurement of financial liabilities depends on the classification:

##### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading (including derivative financial instruments) and financial liabilities designated at fair value through profit or loss at initial recognition. Financial liabilities held for trading (including derivative financial instruments) are subsequently measured at the fair value. A gain or loss on such financial liability is recognised in profit or loss, unless it is part of hedging relationship. Financial liabilities designated at fair value through profit or loss are subsequently measured at the fair value. A gain or loss on such financial liability is recognised in profit or loss, except that the changes in the fair value of the financial liability arising from changes in the Group's own credit risk should be recognised in other comprehensive income. If the recognition of the impact arising from changes in the financial liabilities' own credit risk in other comprehensive income will create or enlarge the accounting mismatch in profit or loss, the Group shall recognise the entire gain or loss of the financial liabilities (including the impact of changes in its own credit risk) in profit or loss.

##### *Financial liabilities measured at amortised cost*

Financial liabilities measured at amortised cost are measured using the effective interest method.

#### 5.4 Impairment of financial instruments

The Group evaluates and confirms relevant impairment allowance for financial assets measured at amortised cost, debt instrument investments at fair value through other comprehensive income, loan commitments and financial guarantee contracts based on ECL (Note V 50(a)).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 5 Financial instruments (continued)

#### 5.5 Financial guarantee contracts and loan commitments

Financial guarantee contracts are those contracts that require a payment to be made by the issuer to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are measured at fair value at initial recognition. For financial guarantee contracts which are not designated as at fair value through profit or loss subsequently measured at the higher of the expenditure determined by the ECL model that is required to settle any financial obligation arising at the financial reporting date, and the value initially recognised less the accumulated amortisation recognised in accordance with the guidance for revenue recognition.

Loan commitments are commitments provided by the Group to the customers to grant loans under the established contract terms during a certain period. The impairment losses of loan commitments are measured using the ECL model.

#### 5.6 Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, for example, to hedge exchange-rate risks and interest rate risks through foreign exchange forward contracts and interest rate swaps, which are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Changes in the fair value of these derivatives are recognised in profit or loss unless it is related to hedge accounting.

In terms of the hedge accounting method, the Group's hedge is classified as:

- (1) Fair value hedge, refers to a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment (except the exchange rate risk);
- (2) Cash flow hedge, refers to a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or the exchange rate risk contained in an unrecognised definitive commitment.

At the beginning of the hedging relationship, the Group has formally designated the hedging relationship and prepared a formal written document on the hedging relationship, risk management objectives and risk management strategy. The file specifies the hedging instrument, the hedged project, the nature of the hedged risk, and the Group's method for evaluating the effectiveness of the hedging. Hedging effectiveness refers to the degree to which the fair value or cash flow change of the hedging instrument can offset the fair value or cash flow of the hedged item caused by the hedged risk. Such hedging should be continuously evaluated for compliance with hedging effectiveness requirements on the initial designated date and subsequent periods.

The Group discontinues hedge accounting prospectively when the hedging instrument expires or is sold, terminated or exercised (the replacement or rollover of a hedging instrument into another hedging instrument does not constitute an expiration or termination), or the hedging relationship ceases to meet the updated risk management objective, or to meet other qualifying criteria for hedging accounting.



## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 5 Financial instruments (continued)

#### 5.6 Derivative financial instruments and hedge accounting (continued)

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

If the condition of the hedge accounting method is satisfied, it should be treated as follows:

##### *Fair value hedge*

Gains or losses arising from hedging instruments are recognised in profit or loss. The gains or losses of the hedged item due to the hedging risk exposure shall be recognised in profit or loss, and the book value of the hedged item not be measured at fair value shall be adjusted at the same time.

For the fair value hedges related to the debt instrument measured at amortised cost, the adjustment of the book value of the hedged item should be amortised by the effective interest rate method during the remaining period of the hedge and recognised in profit or loss. The amortization in accordance with the effective interest rate method may commence immediately after the adjustment of book value and shall not be later than the termination of the adjustment of the hedged item based on the change in fair value caused by the hedging risk. If the hedged item is a debt instrument at fair value through other comprehensive income, the accumulated recognised hedge gains or losses are amortised in the same way and recognised in profit or loss, but the book value of financial assets is not adjusted. If the hedged item is terminated, the unamortised fair value is recognised in profit or loss.

If the hedged item is an unrecognised firm commitment, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

##### *Cash flow hedge*

The gain or loss of the hedging instrument that belongs to the effective part should be directly recognised in other comprehensive income, and the ineffective part shall be recognised in profit or loss.

If the hedged forecast transaction subsequently confirmed as a non-financial asset or non-financial liability, or the forecast transaction of a non-financial asset or non-financial liability form a firm commitment for the applicable fair value hedge, cash flow hedge reserve original recognised in other comprehensive income shall be reclassified to the initially amount of the assets and liabilities. The remaining cash flow hedge reserve recognised in other comprehensive income shall be reclassified to profit or loss in the same periods when the hedged future cash flows affect profit or loss, such as the expected sales occur.

When the Group discontinues hedge accounting for a cash flow hedge, if the hedged future cash flows are still expected to occur, that amount accumulated in the cash flow hedge reserve shall remain in equity until the expected transaction actually occurs or the commitment is confirmed to be fulfilled. If the hedged future cash flows are no longer expected to occur, that amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 5 Financial instruments (continued)

#### 5.7 Convertible corporate bonds

Convertible bonds comprise the liability and equity components. The liability component, representing the obligation to make fixed payments of principal and interest, is classified as a liability and initially recognised at the fair value, calculated using the market interest rate of a similar liability that does not have an equity conversion option, and subsequently measured at amortised cost using the effective interest method. The equity component, representing an embedded option to convert the liability into ordinary shares, is initially recognised in “Equity” as the difference between the proceeds received from the convertible bonds as a whole and the amount of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to the allocation of proceeds.

On conversion of the bonds into shares, the amount transferred to share capital is calculated as the par value of the shares multiplied by the number of shares converted. The difference between the carrying value of the related component of the converted bonds and the amount transferred to share capital is recognised in share premium under “Capital reserve”.

#### 5.8 Transfer of financial assets

If the Group has transferred substantially all the risks and rewards of ownership of financial assets to the transferee, it shall de-recognise the financial assets; if it retains substantially all the risks and rewards of ownership of financial assets, it shall not de-recognise the financial assets.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of financial assets, it shall deal with the following situations separately: if it abandons its control over the financial assets, it should de-recognise the financial assets and recognise the assets and liabilities that arose; if it does not abandon its control over the financial assets, it shall recognise the relevant financial assets in accordance with the extent to which it continues to be involved in the transferred financial assets, and relevant liabilities are recognised accordingly.

If the Group continues to be involved in the transferred financial assets by providing a financial guarantee, the assets that arose from the continued involvement shall be determined at the lower of the book value of the financial assets and the amount of the financial guarantee. The amount of the financial guarantee refers to the maximum amount that will be required to be repaid among the consideration received.

#### 5.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a current legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 6 Precious metals

Precious metals that are not related to the Group's trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value less costs to sell, and subsequent changes in fair value less costs to sell are recognised in profit or loss in the year of the change.

### 7 Financial assets held under resale and repurchase agreements

Financial assets purchased under agreements to resell are not reported as purchases of the assets but as receivables and are carried in the statement of financial position at amortised cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statement of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortised cost.

The difference between purchase and sale price is recognised as "Interest expense" or "Interest income" in the statement of profit or loss over the life of the agreements using the effective interest method.

### 8 Property and equipment

Property and equipment are assets held by the Group for operation and administration purposes with useful lives over one year.

The Group's property and equipment mainly comprise premises, electronic equipment, aircraft and construction in progress.

The assets purchased or constructed are initially measured at acquisition cost or deemed cost, as appropriate. Such initial cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in an asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each financial reporting date.

Gains and losses on disposals are determined by the difference between proceeds and carrying amount, after deduction of relevant taxes and expenses. These are included in the statement of profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 8 Property and equipment (continued)

#### 8.1 Premises, electronic equipment and others

Property and equipment are depreciated using the straight-line method over their estimated useful lives, after taking into account their estimated residual values. The estimated useful lives, residual values and depreciation rates of each class of property and equipment are as follows:

Asset category	Estimated useful life (years)	Estimated rate of residual value (%)	Depreciation rate (%)
Premises	30-35	3	2.8-3.2
Electronic equipment	3-5	3-5	19.0-32.3
Others	5-10	3-5	9.5-19.4

#### 8.2 Aircraft

Aircraft are used in the Group's aircraft operating leasing business.

Aircraft are depreciated using the straight-line method over the expected useful life of 25 years, less the years in service at the time of purchase at an estimated residual value rate of 15%.

#### 8.3 Construction in progress

Construction in progress consists of assets under construction or being installed and is stated at cost. Cost includes equipment cost, cost of construction, installation and other direct costs. Items classified as construction in progress are transferred to property and equipment when such assets are ready for their intended use and the depreciation charge commences after such assets are transferred to property and equipment.

### 9 Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### 9.1 As lessee

In addition to short-term leases and leases of low-value assets, the Group recognizes the right-of-use assets and lease liabilities for the lease, and the accounting is shown in Note V 21 and Note V 34.

##### *The incremental borrowing rate of lessee*

The Group uses the incremental borrowing rate as the discount rate to calculate the present value of lease payment. When determining the incremental borrowing rate, each institution of the Group uses its economic environment and the observable interest rate as the foundation. On this basis, the applicable incremental borrowing rate is calculated through the adjustment of the reference interest rate, which is determined according to the situation of the institution and the underlying asset, the lease term, the amount of the lease liability and other specific conditions of the lease.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 9 Leases (continued)

#### 9.1 As lessee (continued)

##### *Short-term leases and leases of low-value assets*

The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contain any purchase option as a short-term lease; and a lease for which the value of the individual underlying asset is relatively low when it is new as a lease of a low-value asset. The Group chooses not to recognise the right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, and the rent is amortised on a straight-line basis in each period of the lease term and included in the statement of profit or loss.

#### 9.2 As lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date.

When the Group is a lessor under finance leases, at the commencement date of the lease, the Group recognises finance lease receivable and derecognises finance lease assets. In the initial measurement of the finance lease receivable, the Group recognises the net investment of the lease as the book value. The net investment in a lease is the sum of the unguaranteed residual value and the present value of the unreceived minimum lease payment receivable at the commencement date, which is discounted by the interest rate implicit in the lease. The Group calculates and recognises the interest income in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss. Variable lease payments that are not measured as part of the net investment in the lease are recognised in profit or loss as incurred.

When the Group is a lessor under operating leases, the Group still reflects the underlying assets as the Group's assets. The rent income is amortised on a straight-line basis in each period of the lease term and recognised in the statement of profit or loss, or profit or loss as incurred.

#### 9.3 Right-of-use assets

At the commencement date of the lease, the Group recognises a right-of-use asset, which is measured according to the cost. The cost of the right-of-use asset comprises: (1) the amount of the initial measurement of the lease liability; (2) any lease payments made at or before the commencement date of the lease less any lease incentives received; (3) any initial direct cost incurred when the Group is a lessee; and (4) an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. If the Group remeasures the lease liability due to changes in the lease payment amount, the carrying amount of the right-of-use assets shall be adjusted accordingly.

The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset and the end of the lease term, whichever is shorter.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 9 Leases (continued)

#### 9.4 Lease liability

At the commencement date of the lease, the Group measures the lease liability at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets. Lease payments include fixed payments and substantial fixed payments after deduction of lease incentives, variable lease payments depending on indexes or ratios, payments expected to be made based on security balances, and also include the exercise price of the purchase option or payments to exercise the option to terminate the lease, provided that the Group is reasonably certain that the option will be exercised or that the lease period reflects that the Group will exercise the option to terminate the lease.

In calculating the present value of the lease payments, the Group uses the incremental borrowing rate of lessee as the discount rate. The Group calculates the interest expenses of the lease liability in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss. Variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss as incurred.

After the commencement date, the Group increases the carrying amount of the lease liability when recognizing interest and decreases the carrying amount of the lease liability when paying the lease payment. The Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate if either: (i) the actual fixed payment has been changed; (ii) there is a change in the amounts expected to be payable under a residual value guarantee; (iii) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments; or (iv) there is a change in the assessment of an option to purchase, extend or terminate the underlying asset, assessed in the context of a purchase option.

### 10 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance, including computer software and other intangible assets.

Computer software and other intangible assets are stated at acquisition cost less accumulated amortisation and impairment. These costs are amortised on a straight-line basis over their estimated useful lives with the amortisation recognised in the statement of profit or loss.

The respective amortisation periods for intangible assets are as follows:

Asset category	Estimated useful lives (years)
Computer software	5
Others	5-10

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 11 Goodwill

Goodwill represents the excess of cost of acquisition over the Group's interest in the fair value of the identifiable net assets of the acquiree under the business combination involving entities not under common control. Goodwill is not amortised and is stated at cost less accumulated impairment loss (Note II 13). On disposal of the related cash-generating unit ("CGU") or group of CGUs, any attributable amount of purchased goodwill is written off and included in the calculation of profit or loss on disposal.

### 12 Repossessed assets

Reposessed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor's rights. The reposessed assets should be recorded at the fair value of the abandoned creditor's rights, and the relevant expenses payable for obtaining the reposessed assets should be included in the book value of the reposessed assets. When there is an indication that the net realizable value of the reposessed assets is lower than the book value, the Group will reduce the book value to the net realizable value.

### 13 Provision for impairment losses on non-financial assets

The carrying amounts of the following assets are reviewed at the end of the year based on the internal and external sources of information to determine whether there is any indication of impairment: property and equipment, right-of-use assets, construction in progress, intangible assets, goodwill and investments in joint ventures.

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of goodwill at no later than each year end, irrespective of whether there is any indication of impairment or not. Goodwill is allocated to the CGU, or group of CGUs, that is expected to benefit from the synergies of the combination for the purpose of impairment testing.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. A CGU is composed of assets directly relating to cash generation. Identification of a CGU is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group's operations and how management makes decisions about continuing or disposing of the Group's assets.

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called "asset") is the higher of its fair value less costs to sell and its present value of expected future cash flows. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the assets belongs.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 13 Provision for impairment losses on non-financial assets (continued)

If there is indication of impairment when testing for asset group or group of asset groups with goodwill for impairment, the Group shall first test the asset group or group of asset groups excluding goodwill for impairment and recognise the impairment loss in the statement of profit or loss. Then the Group shall test the asset group or group of asset groups including goodwill for impairment, by comparing the carrying amount with its recoverable amount. Any impairment loss shall be allocated to reduce the carrying amount of any goodwill allocated to the asset group or group of asset groups first and then pro rata on the basis of carrying amount of each of the asset group or group of asset groups (excluding goodwill).

An impairment loss in respect of goodwill is not reversed. If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects expected future cash flows, the useful life and the discount rate specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss. A provision for an impairment loss of the asset is recognised accordingly.

For the purpose of goodwill impairment testing, goodwill arising from business combination is allocated to asset group since the acquisition date. If it cannot be reliably allocated to an asset group, it should be allocated to the relevant group of asset groups. The asset group or group of asset groups is expected to benefit from the synergies of the business combination and is not larger than a segment as defined by the Group.

### 14 Employee benefits

Employee benefits refer to all forms of consideration and other related expenditure given by the Group in exchange for services rendered by employees. The benefits payable are recognised as liabilities during the period in which the employees have rendered services to the Group. If the effect of discounting the benefits payable which are payable after one year from the end of the reporting period is significant, the Group will present them at their present value.

#### 14.1 Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing funds, measured at the amount incurred or at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

All eligible employees overseas participate in local defined contribution schemes. The Group contributes to these defined contribution schemes based on the requirements of the local regulatory bodies.



## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 14 Employee benefits (continued)

#### 14.2 Post-employment benefits – defined contribution plans

Pursuant to the relevant laws and regulations of the PRC, the Group participates in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as part of the cost of the assets or charged to profit or loss as the related services are rendered by the employees.

In addition, employees in Mainland China also participate in a defined contribution retirement benefit plan established by the Group (the “Annuity Plan”). The Group and its employees are required to contribute a certain percentage of the employees’ previous year basic salaries to the Annuity Plan. The contribution is charged to profit or loss when it is incurred. The Group pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions if the Annuity Plan does not hold sufficient assets to pay all employee benefits.

#### 14.3 Termination benefits

Termination benefits are payable as a result of either the Group’s decision to terminate an employee’s employment before the normal retirement date or an employee’s decision to accept an offer of benefits in exchange for the termination of employment. The Group recognises termination benefits in profit or loss at the earlier of:

- When the Group can no longer withdraw an offer of those benefits; and
- When the Group has a specific, formal restructuring plan involving payment of termination benefits, and the plan has started or the details of the plan have been notified to each affected party, so that each party has developed reasonable expectations.

#### 14.4 Early retirement benefits

According to the Group’s policy on early retirement benefits, certain employees are entitled to take leave of absence and in return receive a certain level of staff salaries and related benefits from the Group. The salaries and benefit payments are made from the date of early retirement to the normal retirement date. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when it is incurred.

### 15 Other provisions and contingent liabilities

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

For a possible obligation resulting from a past transaction or event whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the possible or present obligation is disclosed as a contingent liability.

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## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 16 Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding (“entrusted funds”) to the Group, and the Group grants loans to third parties (“entrusted loans”) under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amounts. No provision for impairment loss is made for entrusted loans.

### 17 Other equity instruments

#### Preference shares

Such preference shares or their components are initially recognised as financial assets, financial liabilities or equity instruments according to the terms of the contract, the economic substance and the definition of financial assets, financial liabilities and equity instruments.

When the issued preference shares contain equity and liability components, the Group follows the same accounting policy as for convertible bonds with equity components. For the issued preference shares which do not contain equity component, the Group follows the accounting policy for the convertible bonds with liability component only.

The issued preference shares that should be classified as equity instruments will be recognised as equity in the actual amount received. Dividends payable are recognised as distribution of profits. Equity will be written down by the redemption price for any redemptions made before maturing in accordance with contractual terms.

#### Perpetual bonds

The perpetual bonds issued by the Group do not include the contractual obligations to pay cash or other financial assets to other parties or exchange financial assets or financial liabilities with other parties under potential adverse conditions; and perpetual bonds issued includes no terms and arrangement that the bonds must or will alternatively be settled in the Group’s own equity instruments. The perpetual bonds issued by the Group are divided into equity instruments. The handling fees and commissions incurred in issuing the perpetual bonds are divided into equity instruments, and the transaction costs are deducted from equity. The interest on perpetual bond is recognized as profit distribution at the time of declaration.

### 18 Revenue recognition

#### 18.1 Interest income

Interest income for financial assets is recognised in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortisation of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 18 Revenue recognition (continued)

#### 18.1 Interest income (continued)

For the purchased or originated credit-impaired financial assets, the Group calculates the interest income according to the amortised cost of the financial assets and the effective interest rate after credit adjustment since the initial recognition by the Group. The effective interest rate after credit adjustment refers to the estimated future cash flows of the acquired or originated financial assets with credit impairment in the expected duration, which is converted into the interest rate of amortised cost of the financial assets.

For the financial assets acquired or originated without any credit impairment, but incurred credit impairment in the subsequent period, the Group calculates the interest income in accordance with the amortised cost and the effective interest rate of the financial assets.

#### 18.2 Fee and commission income

The income should be recognised when the Group's performance obligation in the contract is fulfilled, which refers the revenue is recognised when the customer obtains the control right of relevant goods or services. To obtain the right of control over related goods or services means to be able to dominate the use of such goods or the provision of such services and obtain almost all economic benefits therefrom.

The Group earns fee and commission income from a diverse range of services it provides to its customers. For those services that are provided over a period of time, fee and commission income is accrued in accordance with the terms and conditions of the service agreement. For other services, fee and commission income is recognised when the transactions are completed.

#### 18.3 Other income

Other income is recognised on an accrual basis.

### 19 Expenses recognition

#### 19.1 Interest expenses

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

#### 19.2 Other expenses

Other expenses are recognised on an accrual basis.

### 20 Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

# Notes to the Consolidated Financial Statements

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## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 20 Deferred tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting year.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### 21 Dividends

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorised by the Group and declared after the end of the reporting year are not recognised as a liability at the end of the year but disclosed separately in the notes to the financial statements.

### 22 Related parties

If a Group has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Group is under common control only from the State and that have no other related party relationships are not regarded as related parties.

### 23 Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system, whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance. Any segments which do not comply with the reporting of segments by division of quantities are reported at consolidation level.

### III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Areas susceptible to changes in critical estimates and judgements, which affect the carrying value of assets and liabilities, are set out below. It is possible that actual results may be materially different from the estimates and judgements referred below.

#### 1 Impairment losses on financial assets

The Group follows IFRS 9 to measure impairment losses of all financial assets. In this process, there are many estimates and judgements, especially the determination of the amount of impairment losses, the estimation of future contract cash flows, the value of collateral, and the criteria for judging a significant increase in credit risk. The Group's impairment measurement is impacted by many factors, which will lead to different levels of allowance for impairment.

The Group's expected credit loss calculation is the result of model output, which contains many model assumptions and parameter inputs. The accounting judgements and estimates used in the expected credit loss model include:

- criteria for judging a significant increase in credit risk
- definition of credit impaired assets
- parameters for the measurement of ECL
- forward-looking information
- modification of contractual cash flows

#### 2 Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values of these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis and option pricing models. The Group has established a work flow to ensure that the valuation techniques are constructed by qualified personnel and are validated and reviewed by independent personnel. Valuation techniques are certified and calibrated before implementation to ensure that the valuation result reflects the actual market conditions. Valuation models established by the Group make maximum use of market inputs and rely as little as possible on the Group's specific data. However, it should be noted that some inputs, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

### III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

#### 3 Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

#### 4 Impairment of non-financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and the discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

#### 5 Depreciation and amortisation

Property and equipment and intangible assets are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in the reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

#### 6 Judgement in assessing control over structured entities

The Group is involved with structured entities in its normal business course, and the Group determines whether or not to consolidate those structured entities depending on whether the Group has control over them. When assessing control over structured entities, the Group takes into consideration the power arising from rights it directly owns or indirectly owns through subsidiaries (including controlled structured entities), variable returns, and the link between power and returns.

The variable returns the Group is exposed to from its involvement with structured entities include decision makers' remuneration (such as management fees and performance-related fees), as well as other benefits (such as investment income, remuneration and exposure to loss from providing credit or liquidity support, and variable returns from transactions with structured entities). When assessing whether it controls a structured entity, the Group not only considers applicable legal or regulatory requirements, and contractual agreements, but also other circumstances where the Group may have the obligation to absorb any loss of the structured entity.

The Group reassesses whether it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the relevant elements of control.

## IV TAXATION

The Group's main applicable taxes and tax rates are as follows:

- (a) Value-added tax: value-added tax is charged at 6% and 13% on taxable added value.
- (b) City construction tax: city construction tax is calculated as 1%-7% of turnover tax paid.
- (c) Education surcharge: education surcharge is calculated as 3% of turnover tax paid.
- (d) Income tax: the income tax is calculated on taxable income. Taxation on the Bank and subsidiaries in Mainland China is 25%. Taxation on overseas operations is charged at the relevant local rates. Tax paid on overseas operations is set off to the extent allowed under the relevant income tax laws of the PRC.

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 Net interest income

	Note	2022	2021
<b>Interest income arising from</b>			
Deposits with the central bank		4,619	4,800
Deposits with banks and other financial institutions		75	224
Placements with banks and other financial institutions		3,433	1,392
Loans and advances to customers	(a)		
– Corporate loans and advances		81,033	77,042
– Personal loans and advances		89,442	84,417
– Discounted bills		2,350	2,277
Finance lease receivables		6,084	6,358
Financial assets held under resale agreements		915	551
Investments		53,358	52,273
<b>Subtotal</b>		<b>241,309</b>	<b>229,334</b>
<b>Interest expenses arising from</b>			
Due to the central bank		2,218	5,870
Deposits from banks and other financial institutions		10,106	11,814
Placements from banks and other financial institutions		4,422	3,817
Deposits from customers			
– Corporate customers		64,098	57,786
– Individual customers		22,294	19,772
Financial assets sold under repurchase agreements		1,396	598
Debt securities issued		23,120	17,522
<b>Subtotal</b>		<b>127,654</b>	<b>117,179</b>
<b>Net interest income</b>		<b>113,655</b>	<b>112,155</b>

Note:

- (a) The interest income arising from impaired financial assets for the year ended 31 December 2022 amounted to RMB758 million (2021: RMB907 million).

## Notes to the Consolidated Financial Statements

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### V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 2 Net fee and commission income

	2022	2021
<b>Fee and commission income</b>		
Bank card service fees	13,067	13,084
Wealth management service fees	4,677	3,976
Agency services fees	3,149	3,725
Settlement and clearing fees	2,303	2,681
Custody and other fiduciary business fees	2,058	1,872
Acceptance and guarantee fees	1,486	1,500
Underwriting and advisory fees	1,335	1,412
Others	2,002	1,881
Subtotal	30,077	30,131
<b>Fee and commission expense</b>		
Bank card transaction fees	1,735	1,835
Settlement and clearing fees	183	192
Others	1,415	790
Subtotal	3,333	2,817
<b>Net fee and commission income</b>	<b>26,744</b>	<b>27,314</b>

#### 3 Net trading gains

	2022	2021
Trading financial instruments		
– Derivatives	191	40
– Debt securities	2,155	2,139
Subtotal	2,346	2,179
Precious metal contracts	124	14
Total	2,470	2,193



## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4 Net gains arising from investment securities

	2022	2021
Net gains arising from financial investments at fair value through profit or loss	5,642	10,219
Net gains/(losses) arising from debt instruments at fair value through other comprehensive income	17	(483)
Net gains arising from loans and advances to customers at fair value through other comprehensive income	1,531	230
Net revaluation (losses)/gains reclassified from other comprehensive income on disposal	(774)	126
<b>Total</b>	<b>6,416</b>	<b>10,092</b>

### 5 Operating expenses

	Note	2022	2021
Staff costs			
– Salaries and bonuses		15,249	15,378
– Pension and annuity		2,382	2,156
– Housing allowances		1,166	1,088
– Staff welfares		714	677
– Supplementary retirement benefits		334	282
– Others		2,392	2,409
<b>Subtotal</b>		<b>22,237</b>	<b>21,990</b>
Premises and equipment expenses			
– Depreciation of right-of-use assets		2,760	2,722
– Depreciation of property and equipment		2,412	2,082
– Amortisation of intangible assets		850	664
– Rental and property management expenses		541	516
– Interest expense on lease liabilities		428	462
– Amortisation of other long-term assets		336	297
<b>Subtotal</b>		<b>7,327</b>	<b>6,743</b>
Tax and surcharges		1,766	1,620
Other general and administrative expenses	(a)	13,897	15,187
<b>Total</b>		<b>45,227</b>	<b>45,540</b>

Note:

(a) Other general and administrative expenses included auditor's remuneration of RMB9.90 million for the year ended 31 December 2022 (2021: RMB9.90 million).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6 Directors' and supervisors' emoluments

The emoluments before individual income tax in respect of the directors and supervisors who held office during the reporting year are as follows:

	Notes	2022							Total RMB'000
		Fees RMB'000	Salaries RMB'000	Discretionary bonuses		Subtotal RMB'000	Contributions to social pension schemes RMB'000	Other welfares RMB'000	
				Paid RMB'000	Payable RMB'000				
<b>Executive directors</b>									
Qu Liang		-	1,537	551	-	2,088	141	139	2,368
Wang Zhiheng	(i)	-	-	-	-	-	-	-	-
<b>Non-executive directors</b>									
Wang Jiang	(ii)	-	-	-	-	-	-	-	-
Wu Lijun		-	-	-	-	-	-	-	-
Yao Zhongyou		-	-	-	-	-	-	-	-
Yao Wei		-	-	-	-	-	-	-	-
Liu Chong		-	-	-	-	-	-	-	-
Li Wei		-	-	-	-	-	-	-	-
<b>Independent non-executive directors</b>									
Wang Liguo		420	-	-	-	420	-	-	420
Shao Ruiqing		430	-	-	-	430	-	-	430
Hong Yongmiao		430	-	-	-	430	-	-	430
Li Yinquan		430	-	-	-	430	-	-	430
Han Fuling		420	-	-	-	420	-	-	420
Liu Shipping	(ii)	394	-	-	-	394	-	-	394

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6 Directors' and supervisors' emoluments (continued)

The emoluments before individual income tax in respect of the directors and supervisors who held office during the reporting year are as follows: (continued)

	Notes	2022							Total RMB'000
		Fees RMB'000	Salaries RMB'000	Discretionary bonuses		Subtotal RMB'000	Contributions to social pension schemes RMB'000	Other welfares RMB'000	
				Paid RMB'000	Payable RMB'000				
<b>Supervisors</b>									
Lu Hong		-	1,569	583	-	2,152	141	139	2,432
Wu Junhao		-	-	-	-	-	-	-	-
Li Yinzhong		-	-	-	-	-	-	-	-
Wang Zhe		330	-	-	-	330	-	-	330
Qiao Zhimin		340	-	-	-	340	-	-	340
Chen Qing	(ii)	-	-	-	-	-	-	-	-
Shang Wencheng		-	717	1,090	-	1,807	138	139	2,084
Yang Wenhua	(ii)	-	242	420	-	662	47	49	758
Lu Jian	(ii)	-	233	322	-	555	34	49	638
<b>Former executive directors</b>									
Fu Wanjun	(ii)	-	292	219	-	511	41	127	679
<b>Former non-executive directors</b>									
Li Xiaopeng	(ii)	-	-	-	-	-	-	-	-
<b>Former independent non-executive directors</b>									
Xu Hongcai	(ii)	36	-	-	-	36	-	-	36
<b>Former supervisors</b>									
Wu Gaolian	(ii)	-	-	-	-	-	-	-	-
Xu Keshun	(ii)	-	463	735	-	1,198	99	103	1,400
Sun Jianwei	(ii)	-	559	803	-	1,362	103	102	1,567

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 6 Directors' and supervisors' emoluments (continued)

The emoluments before individual income tax in respect of the directors and supervisors who held office during the reporting year are as follows: (continued)

	2021							
	Fees RMB'000	Salaries RMB'000	Discretionary bonuses		Subtotal RMB'000	Contributions to social pension schemes RMB'000	Other welfares RMB'000	Total RMB'000
Paid RMB'000			Payable RMB'000					
<b>Executive directors</b>								
Fu Wanjun	-	186	139	-	325	26	76	427
Qu Liang	-	1,525	788	-	2,313	245	130	2,688
<b>Non-executive directors</b>								
Li Xiaopeng	-	-	-	-	-	-	-	-
Wu Lijun	-	-	-	-	-	-	-	-
Liu Chong	-	-	-	-	-	-	-	-
Yao Wei	-	-	-	-	-	-	-	-
Yao Zhongyou	-	755	397	-	1,152	174	64	1,390
Li Wei	-	-	-	-	-	-	-	-
<b>Independent non-executive directors</b>								
Li Yinquan	430	-	-	-	430	-	-	430
Wang Ligu	420	-	-	-	420	-	-	420
Shao Ruiqing	430	-	-	-	430	-	-	430
Hong Yongmiao	430	-	-	-	430	-	-	430
Han Fuling	245	-	-	-	245	-	-	245
Xu Hongcai	430	-	-	-	430	-	-	430

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6 Directors' and supervisors' emoluments (continued)

The emoluments before individual income tax in respect of the directors and supervisors who held office during the reporting year are as follows: (continued)

	2021							
	Fees RMB'000	Salaries RMB'000	Discretionary bonuses		Subtotal RMB'000	Contributions to social pension schemes RMB'000	Other welfares RMB'000	Total RMB'000
			Paid RMB'000	Payable RMB'000				
<b>Supervisors</b>								
Lu Hong	-	1,555	707	-	2,262	245	130	2,637
Wu Junhao	-	-	-	-	-	-	-	-
Wu Gaolian	-	-	-	-	-	-	-	-
Wang Zhe	330	-	-	-	330	-	-	330
Qiao Zhimin	340	-	-	-	340	-	-	340
Xu Keshun	-	737	836	-	1,573	245	130	1,948
Sun Jianwei	-	738	836	-	1,574	245	130	1,949
Shang Wencheng	-	714	923	-	1,637	241	130	2,008
Li Yinzhong	-	-	-	-	-	-	-	-
<b>Former executive directors</b>								
Yao Zhongyou	-	-	-	-	-	-	-	-
Lu Hong	-	1,555	707	-	2,262	245	130	2,637
Liu Jin	-	50	37	-	87	34	21	142
<b>Former non-executive directors</b>								
Yu Chunling	-	-	-	-	-	-	-	-
Fu Wanjun	-	27	20	-	47	4	11	62
<b>Former supervisors</b>								
Li Xin	-	133	61	-	194	113	11	318
Yin Lianchen	-	-	-	-	-	-	-	-

Notes:

(i) On 13 March 2023, the CBIRC approved Mr. Wang Zhibeng's qualification as the executive director and the president of the Bank.

# Notes to the Consolidated Financial Statements

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(Expressed in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6 Directors' and supervisors' emoluments (continued)

The emoluments before individual income tax in respect of the directors and supervisors who held office during the reporting year are as follows: (continued)

Notes: (continued)

- (ii) On 19 May 2022, in the Bank's Annual General Meeting 2021, Mr. Wang Jiang was elected as a non-executive director of the eighth Board of Directors of the Bank. And on 20 May 2022, Mr. Wang Jiang was elected as the Chairman of the eighth Board of Directors at the 39th meeting of the eighth Board of Directors of the Bank. On 2 August 2022, the CBIRC approved Mr. Wang Jiang's qualifications as a director and the chairman of the board of directors of the Bank.

Mr. Xu Hongcai's term as an independent director will expire in February 2021, and he will continue to serve as an independent director until the qualifications of his replacement are approved by the CBIRC. The Bank announced on 25 March 2021 that the first Extraordinary General Meeting of the Company had approved the election of Mr. Liu Shiping as an independent non-executive director of the Bank. On 18 January 2022, the CBIRC approved Mr. Liu Shiping as an independent director of the Bank, and Mr. Xu Hongcai no longer took up his post.

On 26 August 2022, in the 21st meeting of the Eighth Board of Supervisors of the Bank, Ms. Chen Qing was approved as the candidate for the external supervisor of the ninth Board of Supervisors of the Bank. Mr. Wu Gaolian's term of office will expire on the date of the election of Ms. Chen Qing as the external Supervisor of the Bank by the general meeting of shareholders. On 28 September 2022, the Bank's first 2022 extraordinary General meeting of shareholders elected Ms. Chen Qing as the external supervisor of the Bank, and Mr. Wu Gaolien stepped down after his term expired.

On 19 September 2022, in the staff congress of the Bank, Mr. Yang Wenhua and Mr. Lu Jian were elected as staff supervisors of the ninth Board of Supervisors of the Bank. Mr. Xu Keshun and Mr. Sun Jianwei would step down as of 19 September 2022.

On 2 December 2022, due to adjustment of jobs, Mr. Fu Wanjun resigned as an Executive Director of the Bank, Chairman and member of the Risk Management Committee of the Board of Directors, Chairman and member of the Committee on Inclusive Finance Development and Consumer Rights Protection, and a member of the Strategy Committee and president of the Bank.

On 24 March 2022, Mr. Li Xiaopeng resigned as the Chairman of the Board of Directors, a non-executive director, a Chairman and member of the Strategic Committee of the Board of Directors, and a member of the nominating Committee of the Bank due to job adjustment.

- (iii) The total compensation package for these directors and supervisors for the year ended 31 December 2022 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have significant impact on the Group's and the Bank's financial statements for the year ended 31 December 2022.

The above directors' and supervisors' emoluments for the year ended 31 December 2022 were calculated in accordance with their actual tenure.

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 7 Individuals with highest emoluments

	2022	2021
Salaries and other emoluments	2,749	2,974
Discretionary bonuses	23,275	24,674
Contributions to pension schemes	273	250
Others	932	1,317
<b>Total</b>	<b>27,230</b>	<b>29,215</b>

None of the five individuals with the highest emoluments are directors or supervisors. The number of these individuals whose emoluments before individual income tax are within the following bands is set out below:

	2022	2021
RMB3,000,001-3,500,000	–	–
RMB3,500,001-4,000,000	–	–
RMB4,000,001-4,500,000	–	–
RMB4,500,001-5,000,000	–	2
RMB5,000,001 and above	5	3

None of these individuals received any inducements or compensation for loss of office, or waived any emoluments during the reporting year.

### 8 Credit impairment losses

	2022	2021
Loans and advances to customers		
– measured at amortised cost	47,366	50,766
– measured at fair value through other comprehensive income	302	(120)
Debt instruments at fair value through other comprehensive income	500	233
Financial investments measured at amortised cost	2,062	5,229
Finance lease receivables	815	619
Others	(445)	(1,955)
<b>Total</b>	<b>50,600</b>	<b>54,772</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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### V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 9 Income tax

##### (a) Income tax:

	Note V	2022	2021
Current tax		22,286	10,371
Deferred tax	23(b)	(11,607)	(993)
Adjustments for prior year	9(b)	247	(76)
<b>Total</b>		<b>10,926</b>	<b>9,302</b>

##### (b) Reconciliations between income tax and accounting profit are as follows:

	Note	2022	2021
Profit before tax		55,966	52,941
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		13,992	13,235
Effect of different tax rates applied by certain subsidiaries		(2)	–
Non-deductible expenses and others		2,725	2,111
Non-taxable gains – Non-taxable income	(i)	(6,036)	(5,968)
<b>Subtotal</b>		<b>10,679</b>	<b>9,378</b>
Adjustments for prior year		247	(76)
<b>Income tax</b>		<b>10,926</b>	<b>9,302</b>

Note:

(i) Non-taxable income mainly includes interest income of PRC treasury bonds and dividends of funds.



## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10 Basic and diluted earnings per ordinary share

Basic earnings per share was computed by dividing the net profit attributable to the ordinary shareholders of the Bank by the weighted average number of ordinary shares in issue during the year.

	2022	2021
Net profit attributable to equity holders of the Bank	44,807	43,407
Less: Dividends to other equity instruments holders	4,811	4,800
Net profit attributable to ordinary shareholders of the Bank	39,996	38,607
Weighted average number of ordinary shares in issue (in million shares)	54,032	54,032
Basic earnings per share (in RMB/share)	0.74	0.71

Weighted average number of ordinary shares in issue (in million shares)

	2022	2021
Issued ordinary shares as at 1 January	54,032	54,032
Weighted average number of ordinary shares in issue (in million shares)	54,032	54,032

Diluted earnings per share was computed by dividing the net profit attributable to the ordinary shareholders of the Bank based on assuming conversion of all dilutive potential shares for the year by the adjusted weighted average number of ordinary shares in issue. The Bank had convertible bonds as dilutive potential ordinary shares.

	2022	2021
Net profit attributable to ordinary shareholders of the Bank	39,996	38,607
Add: Interest expense on convertible bonds, net of tax	794	776
Net profit used to determine diluted earnings per share	40,790	39,383
Weighted average number of ordinary shares in issue (in million shares)	54,032	54,032
Add: Weighted average number of ordinary shares assuming conversion of all dilutive shares (in million shares)	6,817	6,436
Weighted average number of ordinary shares for diluted earnings per share (in million shares)	60,849	60,468
Diluted earnings per share (in RMB/share)	0.67	0.65

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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### V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 11 Cash and deposits with the central bank

	Notes	31 December 2022	31 December 2021
Cash on hand		4,022	4,005
Deposits with the central bank			
– Statutory deposit reserves	(a)	281,357	281,760
– Surplus deposit reserves	(b)	67,141	90,168
– Foreign exchange risk reserves	(c)	243	–
– Fiscal deposits		3,522	2,195
Subtotal		356,285	378,128
Accrued interest		141	135
Total		356,426	378,263

Notes:

- (a) The Group places statutory deposit reserves with the People's Bank of China (the "PBOC") in accordance with relevant regulations. As at the end of the year, the statutory deposit reserve ratios applicable to the Bank were as follows:

	31 December 2022	31 December 2021
Reserve ratio for RMB deposits	7.50%	8.00%
Reserve ratio for foreign currency deposits	6.00%	9.00%

The statutory deposit reserves are not available for the Group's daily business. The RMB deposit reserve ratio of the Group's subsidiaries in Mainland China is executed in accordance with the relevant regulations of the PBOC. The amounts of statutory deposit reserves placed with the central banks of overseas are determined by local jurisdictions.

- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of clearing.
- (c) The foreign-exchange risk reserve is the foreign-exchange risk reserve paid by the Group to the PBOC in accordance with the relevant provisions. As at 31 December 2022, the proportion of foreign-exchange risk reserve shall be 20% (31 December 2021: 0%).

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12 Deposits with banks and other financial institutions

#### Analysed by type and location of counterparty

	31 December 2022	31 December 2021
Deposits in Mainland China		
– Banks	17,532	25,855
– Other financial institutions	1,022	418
Deposits overseas		
– Banks	13,935	25,348
Subtotal	32,489	51,621
Accrued interest	19	27
Total	32,508	51,648
Less: Provision for impairment losses	(435)	(459)
Net balances	32,073	51,189

### 13 Placements with banks and other financial institutions

#### Analysed by type and location of counterparty

	31 December 2022	31 December 2021
Placements in Mainland China		
– Banks	6,068	11,795
– Other financial institutions	85,049	78,469
Placements overseas		
– Banks	38,727	48,268
Subtotal	129,844	138,532
Accrued interest	379	221
Total	130,223	138,753
Less: Provision for impairment losses	(244)	(404)
Net balances	129,979	138,349

## Notes to the Consolidated Financial Statements

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(Expressed in millions of Renminbi, unless otherwise stated)

### V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 14 Derivatives and hedge accounting

Derivative financial instruments included forward, swap, and option contracts undertaken by the Group in foreign currency and interest rate markets. The Group acts as an intermediary between a wide range of customers for structuring deals to provide risk management solutions to meet customer needs. These positions are actively managed through entering into back-to-back deals with external parties to ensure that the Group's net exposures are within acceptable risk level. The Group also uses derivative financial instruments to manage its own asset and liability portfolios and structural positions.

The following tables provide an analysis of the notional amounts of derivative financial instruments of the Group and their corresponding fair values at the end of the year. The notional amounts of the derivatives indicate the volume of transactions outstanding at the end of the reporting year, while they do not represent exposure at risk.

##### (a) Analysed by nature of contract

	31 December 2022		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
– Interest rate swaps	1,037,901	4,768	(4,518)
– Treasury bond futures	308	1	–
Currency derivatives			
– Foreign exchange forwards	22,844	540	(348)
– Foreign exchange swap and cross-currency interest rate swaps	659,026	10,130	(9,379)
– Foreign exchange options	9,519	291	(16)
Credit derivatives	160	–	–
<b>Total</b>	<b>1,729,758</b>	<b>15,730</b>	<b>(14,261)</b>

	31 December 2021		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
– Interest rate swaps	1,020,673	6,470	(6,723)
Currency derivatives			
– Foreign exchange forwards	38,778	602	(496)
– Foreign exchange swap and cross-currency interest rate swaps	801,008	6,031	(6,077)
– Foreign exchange options	22,829	601	(41)
Credit derivatives	80	1	–
<b>Total</b>	<b>1,883,368</b>	<b>13,705</b>	<b>(13,337)</b>

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 14 Derivatives and hedge accounting (continued)

#### (b) Analysed by credit risk-weighted amount

	31 December 2022	31 December 2021
Counterparty default risk-weighted assets		
– Interest rate derivatives	1,390	1,459
– Currency derivatives	2,652	2,311
Credit value adjustment risk-weighted assets	4,443	1,882
<b>Total</b>	<b>8,485</b>	<b>5,652</b>

The risk-weighted assets for counterparty credit risk (“CCR”) of derivatives of the Group were calculated in accordance with the Capital Rules for Commercial Banks (Provisional) and other relevant regulations under the advanced capital measurement approaches. For derivative transactions, risk-weighted assets for CCR include the risk-weighted assets for default risk, and the risk-weighted assets for credit valuation adjustment (“CVA”). The risk-weighted assets for CCR of derivatives of the Group were calculated in accordance with the Assets Measurement Rules for Counterparty Default Risks of Derivatives since 1 January 2019.

#### (c) Hedging accounting

The Group uses interest rate swaps to hedge fair value changes caused by interest rate changes, and the hedged item is fixed interest bonds. As at 31 December 2022, the notional amount of the derivative financial instruments used by the Group for the fair value hedging instrument in the hedge accounting was RMB6,239 million (31 December 2021: RMB3,270 million), in the above hedging instrument, derivative financial assets was RMB416 million (31 December 2021: RMB41 million), derivative financial liabilities was RMB14 million (31 December 2021: RMB11 million).

In 2021 and 2022, the fair value changes recognised in the profit or loss attributed to the ineffective hedging were not significant.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 15 Financial assets held under resale agreements

## (a) Analysed by type and location of counterparty

	31 December 2022	31 December 2021
In Mainland China		
– Banks	–	2,300
– Other financial institutions	–	28,731
Overseas		
– Banks	28	2
– Other financial institutions	–	133
Subtotal	28	31,166
Accrued interest	–	2
Total	28	31,168
Less: Provision for impairment losses	–	(4)
Net balances	28	31,164

## (b) Analysed by type of collateral held

	31 December 2022	31 December 2021
Bonds		
– Government bonds	–	7,586
– Other debt securities	28	23,580
Subtotal	28	31,166
Accrued interest	–	2
Total	28	31,168
Less: Provision for impairment losses	–	(4)
Net balances	28	31,164

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16 Loans and advances to customers

#### (a) Analysed by nature

	31 December 2022	31 December 2021
Loans and advances to customers measured at amortised cost		
Corporate loans and advances	1,838,407	1,720,006
Discounted bills	497	901
Personal loans and advances		
– Personal housing mortgage loans	589,758	565,296
– Personal business loans	257,190	203,600
– Personal consumption loans	208,442	214,068
– Credit cards	463,729	447,786
Subtotal	1,519,119	1,430,750
Loans and advances to customers at fair value through other comprehensive income		
Forfaiting – domestic letter of credit	93,043	70,813
Discounted bills	121,210	84,834
Subtotal	214,253	155,647
Total	3,572,276	3,307,304
Accrued interest	10,255	8,981
Gross loans and advances to customers	3,582,531	3,316,285
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(83,180)	(76,889)
Net loans and advances to customers	3,499,351	3,239,396
Provision for impairment losses of loans and advances to customers at fair value through other comprehensive income	(776)	(474)

As at the end of the year, part of the above loans and advances to customers was pledged for repurchase agreements. See Note V 25(a).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 16 Loans and advances to customers (continued)

## (b) Analysed by industry

	31 December 2022		
	Amount	Percentage	Loans and advances secured by collateral
Manufacturing	379,002	10.59%	78,769
Water, environment and public utility management	320,176	8.96%	120,441
Leasing and commercial services	268,954	7.53%	65,021
Real estate	178,649	5.00%	117,234
Wholesale and retail trade	160,716	4.50%	41,166
Construction	151,748	4.25%	47,185
Transportation, storage and postal services	110,579	3.10%	38,971
Finance	85,008	2.38%	8,739
Production and supply of electricity, gas and water	72,531	2.03%	14,816
Agriculture, forestry, husbandry and fishery	65,622	1.84%	19,029
Others	138,465	3.88%	32,387
Subtotal of corporate loans and advances	1,931,450	54.06%	583,758
Personal loans and advances	1,519,119	42.53%	832,781
Discounted bills	121,707	3.41%	118,279
Total	3,572,276	100.00%	1,534,818
Accrued interest	10,255		
Gross loans and advances to customers	3,582,531		
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(83,180)		
Net loans and advances to customers	3,499,351		
Provision for impairment losses of loans and advances to customers at fair value through other comprehensive income	(776)		



## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16 Loans and advances to customers (continued)

#### (b) Analysed by industry (continued)

	31 December 2021		
	Amount	Percentage	Loans and advances secured by collateral
Manufacturing	331,050	10.01%	91,670
Water, environment and public utility management	316,576	9.58%	125,894
Leasing and commercial services	242,545	7.33%	70,162
Real estate	197,503	5.97%	132,710
Wholesale and retail trade	149,726	4.53%	55,563
Construction	131,822	3.99%	41,151
Transportation, storage and postal services	95,893	2.90%	35,341
Finance	76,557	2.31%	6,585
Agriculture, forestry, husbandry and fishery	63,098	1.91%	21,597
Production and supply of electricity, gas and water	55,328	1.67%	12,371
Others	130,721	3.95%	36,352
Subtotal of corporate loans and advances	1,790,819	54.15%	629,396
Personal loans and advances	1,430,750	43.26%	759,940
Discounted bills	85,735	2.59%	75,514
Total	3,307,304	100.00%	1,464,850
Accrued interest	8,981		
Gross loans and advances to customers	3,316,285		
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(76,889)		
Net loans and advances to customers	3,239,396		
Provision for impairment losses of loans and advances to customers at fair value through other comprehensive income	(474)		

## Notes to the Consolidated Financial Statements

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(Expressed in millions of Renminbi, unless otherwise stated)

### V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 16 Loans and advances to customers (continued)

##### (b) Analysed by industry (continued)

As at the end of the year and for the year ended 31 December 2022, detailed information of the impaired loans and advances to customers as well as the corresponding provision for impairment losses in respect of each economic sector which constitute 10% or more of gross loans and advances to customers is as follows:

	31 December 2022					
	Impaired loans and advances	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Impairment charged during the year	Written-off during the year
Manufacturing	8,578	(3,397)	(1,386)	(4,630)	5,505	5,072

##### (c) Analysed by type of collateral

	31 December 2022	31 December 2021
Unsecured loans	1,192,422	1,076,478
Guaranteed loans	845,036	765,976
Secured loans		
– By tangible assets other than monetary assets	1,188,728	1,117,183
– By monetary assets	346,090	347,667
Total	3,572,276	3,307,304
Accrued interest	10,255	8,981
Gross loans and advances to customers	3,582,531	3,316,285
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(83,180)	(76,889)
Net loans and advances to customers	3,499,351	3,239,396
Provision for impairment losses of loans and advances to customers at fair value through other comprehensive income	(776)	(474)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16 Loans and advances to customers (continued)

#### (d) Analysed by geographical distribution

	31 December 2022		
	Loan balance	Percentage	Loans and advances secured by collateral
Yangtze River Delta	841,441	23.56%	332,851
Central	610,286	17.08%	319,605
Pearl River Delta	511,900	14.33%	303,254
Bohai Rim	465,674	13.04%	251,536
Western	446,599	12.50%	222,310
Overseas	116,267	3.25%	21,940
Northeastern	106,440	2.98%	74,881
Head Office	473,669	13.26%	8,441
<b>Total</b>	<b>3,572,276</b>	<b>100.00%</b>	<b>1,534,818</b>

	31 December 2021		
	Loan balance	Percentage	Loans and advances secured by collateral
Yangtze River Delta	750,167	22.68%	305,064
Central	578,837	17.50%	318,941
Pearl River Delta	455,150	13.76%	283,547
Western	431,443	13.05%	231,123
Bohai Rim	429,285	12.98%	236,217
Northeastern	107,845	3.26%	77,626
Overseas	106,765	3.23%	12,320
Head Office	447,812	13.54%	12
<b>Total</b>	<b>3,307,304</b>	<b>100.00%</b>	<b>1,464,850</b>

## Notes to the Consolidated Financial Statements

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(Expressed in millions of Renminbi, unless otherwise stated)

### V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 16 Loans and advances to customers (continued)

##### (d) Analysed by geographical distribution (continued)

As at the end of the year, detailed information of the impaired loans and advances to customers as well as the corresponding impairment provision in respect of geographic sectors which constitute 10% or more of gross loans and advances to customers is as follows:

	31 December 2022			
	Impaired loans and advances	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)
Pearl River Delta	9,326	(6,261)	(3,008)	(5,213)
Central	6,099	(5,900)	(3,496)	(3,444)
Yangtze River Delta	4,724	(10,567)	(2,246)	(3,570)
Bohai Rim	4,428	(3,252)	(1,830)	(3,270)
Western	4,186	(4,734)	(3,499)	(2,398)
<b>Total</b>	<b>28,763</b>	<b>(30,714)</b>	<b>(14,079)</b>	<b>(17,895)</b>

	31 December 2021			
	Impaired loans and advances	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)
Pearl River Delta	9,845	(5,507)	(2,344)	(4,587)
Bohai Rim	4,992	(2,985)	(1,733)	(2,919)
Yangtze River Delta	4,734	(9,303)	(2,136)	(2,900)
Central	4,148	(5,396)	(3,584)	(2,463)
Western	3,497	(4,049)	(3,554)	(1,913)
<b>Total</b>	<b>27,216</b>	<b>(27,240)</b>	<b>(13,351)</b>	<b>(14,782)</b>

For the definition of regional divisions, see Note V 49(b).

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16 Loans and advances to customers (continued)

#### (e) Overdue loans analysed by overdue period

	31 December 2022				
	Overdue within three months or less (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	18,061	10,778	1,456	295	30,590
Guaranteed loans	2,881	5,094	1,975	357	10,307
Secured loans					
– By tangible assets other than monetary assets	11,121	7,382	7,540	1,289	27,332
– By monetary assets	119	969	548	38	1,674
Subtotal	32,182	24,223	11,519	1,979	69,903
Accrued interest	108	–	–	–	108
Total	32,290	24,223	11,519	1,979	70,011
As a percentage of gross loans and advances to customers	0.90%	0.68%	0.32%	0.06%	1.96%

	31 December 2021				
	Overdue within three months or less (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	14,526	10,872	1,329	176	26,903
Guaranteed loans	2,912	3,263	2,111	344	8,630
Secured loans					
– By tangible assets other than monetary assets	7,985	9,295	5,841	865	23,986
– By monetary assets	4,416	909	858	2	6,185
Subtotal	29,839	24,339	10,139	1,387	65,704
Accrued interest	645	–	–	–	645
Total	30,484	24,339	10,139	1,387	66,349
As a percentage of gross loans and advances to customers	0.92%	0.73%	0.31%	0.04%	2.00%

Overdue loans represent loans, of which the whole or part of the principal or interest was overdue for one day or more.

## Notes to the Consolidated Financial Statements

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## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 16 Loans and advances to customers (continued)

## (f) Loans and advances and provision for impairment losses

	31 December 2022				
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total	Stage 3 loans and advances as a percentage of loans and advances
Loan principal	3,418,026	106,860	47,390	3,572,276	1.33%
Accrued interest	8,441	1,530	284	10,255	
Gross loans and advances to customers	3,426,467	108,390	47,674	3,582,531	
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(36,726)	(17,680)	(28,774)	(83,180)	
Net loans and advances to customers	3,389,741	90,710	18,900	3,499,351	

	31 December 2021				
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total	Stage 3 loans and advances as a percentage of loans and advances
Loan principal	3,130,394	131,030	45,880	3,307,304	1.39%
Accrued interest	7,169	1,409	403	8,981	
Gross loans and advances to customers	3,137,563	132,439	46,283	3,316,285	
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(31,363)	(19,935)	(25,591)	(76,889)	
Net loans and advances to customers	3,106,200	112,504	20,692	3,239,396	

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 16 Loans and advances to customers (continued)

## (g) Reconciliation of provision for impairment losses

	2022			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
As at 1 January 2022	(31,363)	(19,935)	(25,591)	(76,889)
Transfer to Stage 1	(2,847)	2,511	336	–
Transfer to Stage 2	1,180	(1,377)	197	–
Transfer to Stage 3	427	3,348	(3,775)	–
Net charge for the year	(4,117)	(2,227)	(41,022)	(47,366)
Write-off and disposal	–	–	47,828	47,828
Recovery of loans and advances written off	–	–	(7,505)	(7,505)
Unwinding of discount on allowance	–	–	758	758
Exchange fluctuation and others	(6)	–	–	(6)
As at 31 December 2022	(36,726)	(17,680)	(28,774)	(83,180)

	2021			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
As at 1 January 2021	(31,192)	(21,037)	(23,304)	(75,533)
Transfer to Stage 1	(3,492)	2,843	649	–
Transfer to Stage 2	912	(1,293)	381	–
Transfer to Stage 3	574	4,340	(4,914)	–
Net charge for the year	1,827	(4,787)	(47,806)	(50,766)
Write-off and disposal	–	–	54,253	54,253
Recovery of loans and advances written off	–	–	(5,757)	(5,757)
Unwinding of discount on allowance	–	–	907	907
Exchange fluctuation and others	8	(1)	–	7
As at 31 December 2021	(31,363)	(19,935)	(25,591)	(76,889)

Note:

- (i) The above reconciliation of provision for impairment losses only represents provision for impairment losses of loans and advances to customers measured at amortised cost. As at 31 December 2022, the balance of provision for impairment losses of loans and advances to customers at fair value through other comprehensive income was RMB776 million (31 December 2021: RMB474 million).

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### V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 16 Loans and advances to customers (continued)

##### (h) Rescheduled loans and advances to customers

	31 December 2022	31 December 2021
Rescheduled loans and advances to customers	4,404	4,634
Of which: Rescheduled loans and advances to customers overdue more than 90 days	19	70

#### 17 Finance lease receivables

	31 December 2022	31 December 2021
Finance lease receivables	126,223	127,150
Less: Unearned finance lease income	(14,945)	(15,556)
Present value of finance lease receivables	111,278	111,594
Accrued interest	1,122	1,223
Less: Impairment losses	(4,388)	(3,764)
Net balance	108,012	109,053

Minimum finance lease receivables analysed by remaining period is listed as follows:

	31 December 2022	31 December 2021
Less than 1 year (inclusive)	39,200	36,337
1 year to 2 years (inclusive)	31,903	29,568
2 years to 3 years (inclusive)	24,686	24,301
3 years to 4 years (inclusive)	14,703	17,585
4 years to 5 years (inclusive)	7,428	10,763
More than 5 years	8,303	8,596
Total	126,223	127,150

#### 18 Financial investments

	Notes	31 December 2022	31 December 2021
Financial assets at fair value through profit or loss	(a)	403,617	383,666
Debt instruments at fair value through other comprehensive income	(b)	449,596	325,695
Equity instruments at fair value through other comprehensive income	(c)	1,126	1,125
Financial investments measured at amortised cost	(d)	1,192,273	1,125,530
Total		2,046,612	1,836,016



## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 18 Financial investments (continued)

#### (a) Financial assets at fair value through profit or loss

	Notes	31 December 2022	31 December 2021
Debt instruments held for trading	(i)	109,640	50,891
Other financial assets at fair value through profit or loss	(ii)	293,977	332,775
<b>Total</b>		<b>403,617</b>	<b>383,666</b>

#### (i) Debt instruments held for trading

	Notes	31 December 2022	31 December 2021
Issued by the following governments or institutions:			
In Mainland China			
– Government		9,407	4,146
– Banks and other financial institutions		79,658	33,820
– Other institutions	(1)	19,479	11,243
Overseas			
– Government		256	797
– Banks and other financial institutions		372	351
– Other institutions		468	534
<b>Total</b>	(2)	<b>109,640</b>	<b>50,891</b>
Listed	(3)	1,542	2,051
Of which: listed in Hong Kong		670	881
Unlisted		108,098	48,840
<b>Total</b>		<b>109,640</b>	<b>50,891</b>

*Notes:*

- (1) At the end of the year, debt instruments issued by other institutions in Mainland China mainly represented debt securities issued by state-owned enterprises and joint stock enterprises in Mainland China.
- (2) At the end of the year, some of the debt instruments held for trading were pledged for repurchase agreements. See Note V 25(a).
- (3) Listed investments include debt instruments traded on a stock exchange.

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## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 18 Financial investments (continued)

## (a) Financial assets at fair value through profit or loss (continued)

## (ii) Other financial assets at fair value through profit or loss

	31 December 2022	31 December 2021
Fund investments	214,031	253,537
Equity instruments	5,059	4,088
Others	74,887	75,150
Total	293,977	332,775

## (b) Debt instruments at fair value through other comprehensive income

## (i) Analysed by type and location of counterparty:

	Notes	31 December 2022	31 December 2021
In Mainland China			
– Government		196,287	125,286
– Banks and other financial institutions	(1)	143,053	98,420
– Other institutions	(2)	65,207	58,904
Overseas			
– Government		4,437	93
– Banks and other financial institutions		17,852	15,835
– Other institutions		16,078	22,211
Subtotal		442,914	320,749
Accrued interest		6,682	4,946
Total	(3)(4)	449,596	325,695
Listed	(5)	55,718	56,394
Of which: listed in Hong Kong		33,248	38,665
Unlisted		387,196	264,355
Subtotal		442,914	320,749
Accrued interest		6,682	4,946
Total		449,596	325,695

Notes:

- (1) Debt instruments issued by banks and other financial institutions mainly represent debt securities issued by banks and other financial institutions in Mainland China.
- (2) Debt instruments issued by other institutions mainly represent debt securities issued by state-owned enterprises and joint stock enterprises in Mainland China.
- (3) As at 31 December 2022, the provision for impairment losses of the debt instruments at fair value through other comprehensive income approximated to RMB1,218 million (31 December 2021: RMB687 million).
- (4) At the end of the year, part of the debt instruments at fair value through other comprehensive income were pledged for repurchase agreements and time deposits, see Note V 25(a).
- (5) Listed investments include debt instruments traded on a stock exchange.

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 18 Financial investments (continued)

#### (b) Debt instruments at fair value through other comprehensive income (continued)

##### (ii) Reconciliation of provision for impairment losses on debt instruments at fair value through other comprehensive income

	2022			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
As at 1 January 2022	(410)	(104)	(173)	(687)
Transfer to Stage 2	10	(30)	20	–
Transfer to Stage 3	31	104	(135)	–
Net charge for the year	(95)	(103)	(302)	(500)
Exchange fluctuation and others	(6)	(25)	–	(31)
As at 31 December 2022	(470)	(158)	(590)	(1,218)

	2021			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
As at 1 January 2021	(420)	–	(36)	(456)
Transfer to Stage 2	7	(7)	–	–
Transfer to Stage 3	6	–	(6)	–
Net charge for the year	(5)	(97)	(131)	(233)
Exchange fluctuation and others	2	–	–	2
As at 31 December 2021	(410)	(104)	(173)	(687)

#### (c) Equity instruments at fair value through other comprehensive income

	Notes	31 December 2022	31 December 2021
Listed	(i)	24	23
Unlisted		1,102	1,102
Total	(ii)	1,126	1,125

Notes:

(i) Listed investments include equity instruments traded on a stock exchange.

(ii) The Group designated the equity instruments not held for trading as measured at fair value through other comprehensive income. For the year ended 31 December 2022, the Group has received dividends of RMB60 million from the above equity instruments (2021: RMB20 million).

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## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 18 Financial investments (continued)

## (d) Financial investments measured at amortised cost

	Notes	31 December 2022	31 December 2021
Debt securities and asset-backed instruments	(i)	1,105,621	978,630
Others	(ii)	79,789	139,573
Subtotal		1,185,410	1,118,203
Accrued interest		17,745	17,652
Total		1,203,155	1,135,855
Less: Provision for impairment losses		(10,882)	(10,325)
Net balance		1,192,273	1,125,530
Listed	(iii)	217,335	157,553
Of which: listed in Hong Kong		29,541	15,725
Unlisted		957,193	950,325
Subtotal		1,174,528	1,107,878
Accrued interest		17,745	17,652
Net balance		1,192,273	1,125,530

## (i) Debt securities and asset-backed instruments measured at amortised cost were analysed by type and location of counterparty as follows:

	Notes	31 December 2022	31 December 2021
In Mainland China			
– Government		405,772	364,017
– Banks and other financial institutions		385,852	405,557
– Other institutions	(1)	242,040	187,762
Overseas			
– Government		29,524	5,260
– Banks and other financial institutions		31,091	6,572
– Other institutions		11,342	9,462
Subtotal		1,105,621	978,630
Accrued interest		17,330	16,823
Total	(2)	1,122,951	995,453
Less: Provision for impairment losses		(4,217)	(3,981)
Net balance		1,118,734	991,472
Fair value		1,135,161	1,003,770

Notes:

(1) Other institutions mainly represent state-owned enterprises and joint stock enterprises in Mainland China.

(2) As at the end of the year, part of the debt securities measured at amortised cost were pledged for repurchase agreements, time deposits and derivative transactions. See Note V 25(a).

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 18 Financial Investments (continued)

#### (d) Financial investments measured at amortised cost (continued)

(ii) *Other financial investments measured at amortised cost mainly include trusts and other rights to earnings.*

(iii) *Listed investments include debt instruments traded on a stock exchange.*

(iv) *Reconciliation of provision for impairment losses on financial investments measured at amortised cost:*

	2022			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
As at 1 January 2022	(1,361)	(1,315)	(7,649)	(10,325)
Transfer to Stage 2	36	(36)	–	–
Transfer to Stage 3	162	1,314	(1,476)	–
Net charge for the year	(88)	(19)	(1,955)	(2,062)
Write-off and disposal	–	–	1,579	1,579
Exchange fluctuation and others	(74)	–	–	(74)
As at 31 December 2022	(1,325)	(56)	(9,501)	(10,882)
	2021			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
As at 1 January 2021	(1,932)	(472)	(2,734)	(5,138)
Transfer to Stage 2	104	(104)	–	–
Transfer to Stage 3	102	195	(297)	–
Net charge for the year	323	(934)	(4,618)	(5,229)
Exchange fluctuation and others	42	–	–	42
As at 31 December 2021	(1,361)	(1,315)	(7,649)	(10,325)

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### V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 19 Investment in subsidiaries and joint ventures

##### (a) Investments in subsidiaries

	31 December 2022	31 December 2021
Everbright Financial Leasing Co., Ltd.	4,680	4,680
CEB International Investment Co., Ltd.	2,267	2,267
Shaoshan Everbright Rural Bank Co., Ltd.	105	105
Jiangsu Huai'an Everbright Rural Bank Co., Ltd.	70	70
China Everbright Bank Company Limited (Europe)	156	156
Jiangxi Ruijin Everbright Rural Bank Co., Ltd.	105	105
Everbright Wealth Co., Ltd.	5,000	5,000
Beijing Sunshine Consumer Finance Co., Ltd.	600	600
<b>Total</b>	<b>12,983</b>	<b>12,983</b>

The details of the subsidiaries are presented as follows:

Corporate name	Registered address	Registered capital	Investment proportion	Voting proportion	Main business	Economic nature/type
Everbright Financial Leasing Co., Ltd. (Everbright Financial Leasing)	Wuhan, Hubei	5,900	90%	90%	Leasing transactions	Incorporated company
CEB International Investment Co., Ltd. (CEB International)	Hong Kong	2,267	100%	100%	Investment banking	Limited company
Shaoshan Everbright Rural Bank Co., Ltd. (Shaoshan Everbright Bank)	Shaoshan, Hunan	150	70%	70%	Banking business	Incorporated company
Jiangsu Huai'an Everbright Rural Bank Co., Ltd. (Huai'an Everbright Bank)	Huai'an, Jiangsu	100	70%	70%	Banking business	Incorporated company
China Everbright Bank Company Limited (Europe) (CEB Europe)	Luxembourg	156	100%	100%	Banking business	Incorporated company
Jiangxi Ruijin Everbright Rural Bank Co., Ltd. (Ruijin Everbright Bank)	Ruijin, Jiangxi	150	70%	70%	Banking business	Incorporated company
Everbright Wealth Co., Ltd. (Everbright Wealth)	Qingdao, Shandong	5,000	100%	100%	Capital market business	Limited company
Beijing Sunshine Consumer Finance Co., Ltd. (Sunshine Consumer)	Beijing	1,000	60%	60%	Banking business	Incorporated company

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 19 Investment in subsidiaries and joint ventures (continued)

#### (b) Investments in joint ventures

	2022	2021
As at 1 January	256	257
Increased investment	(47)	93
Investment losses under the equity method	(63)	(90)
Foreign currency conversion difference	19	(4)
As at 31 December	165	256

### 20 Property and equipment

	Premises (Note (i))	Aircraft (Note (ii))	Construction in progress	Electronic equipment	Others	Total
<b>Cost</b>						
As at 1 January 2022	13,529	10,134	2,656	9,151	4,818	40,288
Additions	59	1	930	1,373	351	2,714
Transfers in/(out)	690	–	(754)	–	–	(64)
Disposals	–	–	–	(556)	(198)	(754)
Foreign currency conversion difference	–	922	–	–	–	922
As at 31 December 2022	14,278	11,057	2,832	9,968	4,971	43,106
<b>Accumulated depreciation</b>						
As at 1 January 2022	(4,895)	(882)	–	(5,582)	(3,611)	(14,970)
Charge for the year	(442)	(394)	–	(1,212)	(364)	(2,412)
Disposals	–	–	–	525	182	707
Foreign currency conversion difference	–	(94)	–	–	–	(94)
As at 31 December 2022	(5,337)	(1,370)	–	(6,269)	(3,793)	(16,769)
<b>Provision for impairment</b>						
As at 1 January 2022	(163)	–	–	–	–	(163)
As at 31 December 2022	(163)	–	–	–	–	(163)
<b>Net book value</b>						
As at 31 December 2022	8,778	9,687	2,832	3,699	1,178	26,174

## Notes to the Consolidated Financial Statements

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### V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 20 Property and equipment (continued)

	Premises (Note (i))	Aircraft (Note (ii))	Construction in progress	Electronic equipment	Others	Total
<b>Cost</b>						
As at 1 January 2021	13,526	8,127	2,315	8,249	4,790	37,007
Additions	43	2,217	356	1,353	223	4,192
Transfers in/(out)	15	–	(15)	–	–	–
Disposals	(55)	–	–	(451)	(195)	(701)
Foreign currency conversion difference	–	(210)	–	–	–	(210)
As at 31 December 2021	13,529	10,134	2,656	9,151	4,818	40,288
<b>Accumulated depreciation</b>						
As at 1 January 2021	(4,506)	(582)	–	(5,101)	(3,351)	(13,540)
Charge for the year	(424)	(317)	–	(911)	(430)	(2,082)
Disposals	35	–	–	430	170	635
Foreign currency conversion difference	–	17	–	–	–	17
As at 31 December 2021	(4,895)	(882)	–	(5,582)	(3,611)	(14,970)
<b>Provision for impairment</b>						
As at 1 January 2021	(163)	–	–	–	–	(163)
As at 31 December 2021	(163)	–	–	–	–	(163)
<b>Net book value</b>						
As at 31 December 2021	8,471	9,252	2,656	3,569	1,207	25,155

*Notes:*

- (i) As at 31 December 2022, title deeds were not yet finalised for the premises with a carrying amount of RMB35 million (31 December 2021: RMB38 million). Management of the Group expected that there would be no significant cost in obtaining the title deeds.
- (ii) As at 31 December 2022, Everbright Financial Leasing, the Group's subsidiary leased certain aircraft and aircraft engines which were included in "Aircraft" to third parties under operating lease arrangements, with a net book value of RMB9,687 million (31 December 2021: RMB9,252 million). As at the end of the year, part of the finance lease receivables was pledged for borrowings from banks. See Note V 25(a).

The net book values of premises at the end of the reporting period are analysed by the remaining terms of leases as follows:

	31 December 2022	31 December 2021
Held in Mainland China		
– Medium term leases (10 to 50 years)	8,173	8,002
– Short term leases (less than 10 years)	605	469
Total	8,778	8,471



## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 21 Right-of-use Assets

	Premises	Transportation and others	Total
<b>Cost</b>			
As at 1 January 2022	17,302	61	17,363
Charge for the year	2,250	8	2,258
Deductions	(1,406)	(16)	(1,422)
Foreign currency conversion difference	47	–	47
As at 31 December 2022	18,193	53	18,246
<b>Accumulated depreciation</b>			
As at 1 January 2022	(6,381)	(29)	(6,410)
Charge for the year	(2,749)	(11)	(2,760)
Reduction for the year	1,205	14	1,219
Foreign currency conversion difference	(14)	–	(14)
As at 31 December 2022	(7,939)	(26)	(7,965)
<b>Net book value</b>			
As at 31 December 2022	10,254	27	10,281
	Premises	Transportation and others	Total
<b>Cost</b>			
As at 1 January 2021	15,658	64	15,722
Additions	2,760	4	2,764
Charge for the year	(1,103)	(7)	(1,110)
Foreign currency conversion difference	(13)	–	(13)
As at 31 December 2021	17,302	61	17,363
<b>Accumulated depreciation</b>			
As at 1 January 2021	(4,521)	(23)	(4,544)
Charge for the year	(2,710)	(12)	(2,722)
Reduction for the year	843	6	849
Foreign currency conversion difference	7	–	7
As at 31 December 2021	(6,381)	(29)	(6,410)
<b>Net book value</b>			
As at 31 December 2021	10,921	32	10,953

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### V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 22 Goodwill

	31 December 2022	31 December 2021
Gross amount	6,019	6,019
Less: Provision for impairment losses	(4,738)	(4,738)
Net balances	1,281	1,281

As approved by the PBOC, the Bank and China Development Bank (“CDB”) jointly signed the “Agreement between China Development Bank and China Everbright Bank for the transfer of assets, liabilities and banking premises of China Investment Bank” (the “Agreement”) on 18 March 1999. According to the Agreement, CDB transferred the assets, liabilities, equity and 137 outlets of 29 branches of the former China Investment Bank (“CIB”) to the Bank. The Agreement became effective on 18 March 1999. The Bank assessed the fair value of the transferred assets and liabilities, and recognised the excess of the purchase cost over the sum of the fair value of the net assets transferred and deferred tax assets as goodwill.

The goodwill is subject to annual impairment testing. The Bank makes provision for impairment if necessary. The Bank calculates the recoverable amount of the CGU using cash flow projections based on financial forecasts approved by management covering a five-year period. The discount rate used in the Bank’s cash flow forecast is 11% (2021: 11%). The discount rate used reflects specific risks relating to the relevant segments.

Based on the result of the impairment testing, no additional impairment losses on goodwill were recognised for the year.

#### 23 Deferred tax assets and liabilities

##### (a) Analysed by nature

	31 December 2022		31 December 2021	
	Temporary difference	Deferred tax assets/ (liabilities)	Temporary difference	Deferred tax assets/ difference (liabilities)
Deferred income tax assets	130,811	32,703	79,583	19,895
Deferred income tax liabilities	–	–	–	–
Total	130,811	32,703	79,583	19,895

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 23 Deferred tax assets and liabilities (continued)

#### (b) Movements of deferred tax

	Provision for impairment losses Note(i)	Fair value changes of financial instruments Note(ii)	Accrued staff costs and others	Net balance of deferred tax assets/ (liabilities)
As at 1 January 2022	17,847	(953)	3,001	19,895
Recognised in profit or loss	10,827	379	401	11,607
Recognised in other comprehensive income	(229)	1,430	–	1,201
As at 31 December 2022	28,445	856	3,402	32,703

	Provision for impairment losses (Note (i))	Fair value changes of financial instruments (Note (ii))	Accrued staff costs and others	Net balance of deferred tax assets/ (liabilities)
As at 1 January 2021	17,324	137	2,126	19,587
Recognised in profit or loss	507	(389)	875	993
Recognised in other comprehensive income	16	(701)	–	(685)
As at 31 December 2021	17,847	(953)	3,001	19,895

*Notes:*

- (i) *The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets at the end of the year. Besides, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of the year, together with write-offs which fulfil specific criteria as set out in the PRC tax rules and are approved by the tax authorities.*
- (ii) *Fair value changes of financial instruments are subject to tax when realised.*

## Notes to the Consolidated Financial Statements

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### V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 24 Other assets

	Note	31 December 2022	31 December 2021
Other receivables	(a)	17,229	25,058
Accrued interest		6,539	5,713
Intangible assets		3,475	2,684
Refundable Deposits		1,542	2,148
Property and equipment purchase prepayment		1,334	1,004
Long-term deferred expense		927	950
Repossessed assets		238	327
Land use right		77	83
Others	(b)	3,147	3,001
<b>Total</b>		<b>34,508</b>	<b>40,968</b>

Note:

(a) Other receivables mainly include items in the process of clearing and settlement. The amount of impairment allowance is not material.

(b) Others are mainly agency financial assets.

#### 25 Pledged assets

##### (a) Assets pledged as collateral

The Group's financial assets as collateral for liabilities include discounted bills, debt securities and property and equipment, which are mainly used as collateral for repurchase agreements, time deposits, derivative contracts and borrowings from banks. The carrying amount of the financial assets pledged as securities as at 31 December 2022 is RMB183.853 billion (as at 31 December 2021: RMB160.10 billion).

##### (b) Collateral received

The Group accepted securities as collateral for those which are permitted to be sold or re-pledged in connection with reverse repurchase agreements with banks and other financial institutions in the year ended 31 December 2022. As at 31 December 2022, the Group had no collateral received from banks and other financial institutions (31 December 2021: nil). As at 31 December 2022, the Group had no collateral that was sold or re-pledged, but was obligated to return (31 December 2021: nil). These transactions are conducted under standard terms in the normal course of business.

#### 26 Due to the central bank

	31 December 2022	31 December 2021
Due to the central bank	63,142	100,143
Accrued interest	244	1,037
<b>Total</b>	<b>63,386</b>	<b>101,180</b>

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 27 Deposits from banks and other financial institutions

#### Analysed by type and location of counterparty

	31 December 2022	31 December 2021
Deposits in Mainland China		
– Banks	160,959	163,919
– Other financial institutions	376,763	359,030
Deposits overseas		
– Banks	2,019	1,526
Subtotal	539,741	524,475
Accrued interest	927	1,784
Total	540,668	526,259

### 28 Placements from banks and other financial institutions

#### Analysed by type and location of counterparty

	31 December 2022	31 December 2021
Placements in Mainland China		
– Banks	115,365	111,353
– Other financial institutions	6,605	12,102
Placements overseas		
– Banks	65,745	55,464
Subtotal	187,715	178,919
Accrued interest	886	707
Total	188,601	179,626

### 29 Financial liabilities at fair value through profit or loss

	31 December 2022	31 December 2021
Short position in debt securities	27	67
Total	27	67

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### V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 30 Financial assets sold under repurchase agreements

##### (a) Analysed by type and location of counterparty

	31 December 2022	31 December 2021
In Mainland China		
– Banks	74,624	72,963
– Other financial institutions	74	–
Overseas		
– Banks	17,947	7,439
– Other financial institutions	215	183
Subtotal	92,860	80,585
Accrued interest	120	15
Total	92,980	80,600

##### (b) Analysed by collateral

	31 December 2022	31 December 2021
Debt securities	89,892	78,170
Bank acceptances	2,968	2,415
Subtotal	92,860	80,585
Accrued interest	120	15
Total	92,980	80,600

#### 31 Deposits from customers

	31 December 2022	31 December 2021
Demand deposits		
– Corporate customers	822,387	843,252
– Individual customers	254,239	251,609
Subtotal	1,076,626	1,094,861
Time deposits		
– Corporate customers	1,552,167	1,606,347
– Individual customers	807,037	602,576
Subtotal	2,359,204	2,208,923
Pledged deposits	409,978	313,623
Other deposits	2,086	2,915
Subtotal deposits from customers	3,847,894	3,620,322
Accrued interest	69,274	55,421
Total	3,917,168	3,675,743

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 32 Accrued staff costs

	Notes	31 December 2022	31 December 2021
Salary and welfare payable		15,528	13,845
Pension and annuity payable	(a)	319	220
Supplementary retirement benefits payable	(b)	3,159	2,712
<b>Total</b>		<b>19,006</b>	<b>16,777</b>

Notes:

(a) Pension scheme

Pursuant to the relevant laws and regulations in the PRC, the Group has joined a defined contribution scheme for the employees arranged by local government labour and social security organisations. The Group makes contributions to the retirement scheme at the applicable rates based on the amounts stipulated by the relevant government organisations.

The Group provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to its employees' gross wages in the prior year, which are expensed to profit or loss when the contributions are made.

(b) Supplementary retirement benefits ("SRB")

The Group pays SRB for eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting year. The Group's obligations in respect of the SRB were assessed, using projected unit credit method by qualified staff (a member of society of Actuaries in America) of an external independent actuary, Wills Towers Watson Management Consulting (Shenzhen) Co., Ltd.

(i) The details of the Group's supplementary retirement benefits are as follows:

	31 December 2022	31 December 2021
Present value of supplementary retirement benefits liability	3,159	2,712

(ii) Movements of SRB of the Group are as follows:

	2022	2021
As at 1 January	2,712	2,163
Current service costs	239	196
Interest costs	95	86
Recalculation part of the defined benefit plan	135	287
Payments made	(22)	(20)
As at 31 December	3,159	2,712

Remeasurement of the defined benefit plan was recognised in other comprehensive income. See Note V 40.

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## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 32 Accrued staff costs (continued)

Notes: (continued)

(b) Supplementary retirement benefits ("SRB") (continued)

(iii) Principal actuarial assumptions of the Group are as follows:

	31 December 2022	31 December 2021
Discount rate	3.25%	3.50%
Medical cost growth rate	6.00%	6.00%
Average expected future lifetime	25.18	25.16

(iv) Sensitivity analysis:

Reasonably possible changes at the end of the year to one of the relevant actuarial assumptions, with other assumptions being constant, would have affected the defined benefit obligation by the amounts shown below:

	31 December 2022	
	Increases	Decreases
Discount rate (1% movement)	(927)	1,021
Medical cost growth rate (1% movement)	1,003	(704)

	31 December 2021	
	Increases	Decreases
Discount rate (1% movement)	(786)	866
Medical cost growth rate (1% movement)	851	(597)

Although the analysis does not take the full expected distribution into account in the future cash flow statement, approximate assumptions can be made about the sensitivity to supplementary retirement benefits.

Except as stated in (a) and (b) above, the Group has no other major responsibilities to pay employee retirement benefits and other post-retirement benefits.



## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 33 Taxes payable

	31 December 2022	31 December 2021
Income tax payable	7,542	3,089
Value added tax payable	3,068	2,965
Others	531	481
<b>Total</b>	<b>11,141</b>	<b>6,535</b>

### 34 Lease liabilities

	31 December 2022	31 December 2021
Within 1 year (inclusive)	2,723	2,841
1 year to 2 years (inclusive)	2,171	2,340
2 years to 3 years (inclusive)	1,724	1,851
3 years to 5 years (inclusive)	2,539	2,601
More than 5 years	2,282	2,546
<b>Total undiscounted lease liabilities</b>	<b>11,439</b>	<b>12,179</b>
<b>Lease liabilities</b>	<b>10,151</b>	<b>10,736</b>

### 35 Debt securities issued

	Notes	31 December 2022	31 December 2021
Subordinated debts issued	(a)	–	6,700
Financial bonds issued	(b)	130,346	42,174
Tier-two capital bonds issued	(c)	46,596	41,434
Convertible bonds issued	(d)	24,082	23,498
Interbank deposits issued	(e)	604,319	586,331
Certificates of deposit issued	(f)	46,798	35,309
Medium term notes	(g)	20,476	25,127
<b>Subtotal</b>		<b>872,617</b>	<b>760,573</b>
Accrued interest		3,354	2,959
<b>Total</b>		<b>875,971</b>	<b>763,532</b>

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## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 35 Debt securities issued (continued)

#### (a) Subordinated debts issued

	Note	31 December 2022	31 December 2021
Subordinated fixed rate debts maturing in June 2027	(i)	–	6,700
<b>Total</b>		<b>–</b>	<b>6,700</b>

Notes:

(i) Fixed rate subordinated debts of RMB6.70 billion with a term of fifteen years were issued on 7 June 2012. The coupon rate is 5.25% per annum. The Group has redeemed the debts on 8 June 2022 at the nominal amount.

(ii) As at 31 December 2022, the fair value of the total subordinated debts issued was nil (31 December 2021: RMB6,767 million).

#### (b) Financial bonds issued

	Note	31 December 2022	31 December 2021
Financial fixed rate bonds maturing in January 2022	(i)	–	800
Financial fixed rate bonds maturing in March 2024	(ii)	39,993	39,988
Financial floating rate bonds maturing in May 2024	(iii)	1,415	1,386
Financial floating rate bonds maturing in August 2024	(iv)	944	–
Financial fixed rate bonds maturing in February 2025	(v)	39,998	–
Financial fixed rate bonds maturing in October 2025	(vi)	47,996	–
<b>Total</b>		<b>130,346</b>	<b>42,174</b>

Notes:

(i) Fixed rate financial bonds of RMB0.80 billion with a term of three years were issued by Everbright Financial Leasing on 18 January 2019. The coupon rate is 3.49% per annum.

(ii) Fixed rate social bonds for small Small and Micro Enterprises Loans of RMB40.00 billion with a term of three years were issued by the Bank on 22 March 2021. The coupon rate is 3.45% per annum.

(iii) Floating rate financial bonds of AUD 0.3 billion with a term of three years were issued by the Bank's Sydney branch on 18 May 2021. The initial coupon rate is 0.68% per annum.

(iv) Floating rate financial bonds of AUD 0.2 billion with a term of 1.75 years were issued by the Bank's Sydney branch on 11 November 2022. The initial coupon rate is 3MBBSW+103BP per annum.

(v) Fixed rate social bonds for small Small and Micro Enterprises Loans of RMB40.00 billion with a term of three years were issued by the Bank on 17 February 2022. The coupon rate is 2.73% per annum.

(vi) Fixed rate financial bonds of RMB48.00 billion with a term of three years were issued by the Bank on 18 October 2022. The initial coupon rate is 2.47% per annum.

(vii) As at 31 December 2022, the fair value of the total financial bonds issued was RMB130,169 million (31 December 2021: RMB42,824 million).

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 35 Debt securities issued (continued)

#### (c) Tier-two capital bonds issued

	Notes	31 December 2022	31 December 2021
Tier-two capital fixed rate bonds maturing in March 2027	(i)	–	27,992
Tier-two capital fixed rate bonds maturing in August 2027	(ii)	–	11,996
Tier-two capital fixed rate bonds maturing in September 2030	(iii)	1,596	1,446
Tier-two capital fixed rate bonds maturing in August 2032	(iv)	40,000	–
Tier-two capital fixed rate bonds maturing in August 2037	(v)	5,000	–
<b>Total</b>		<b>46,596</b>	<b>41,434</b>

*Notes:*

- (i) Fixed rate tier-two capital bonds of RMB28.00 billion with a term of ten years were issued on 2 March 2017. The coupon rate is 4.60% per annum. At the end of the fifth year, the issuer's redemption option was attached and the Group redeemed the bond at the nominal amount on 6 March 2022.
- (ii) Fixed rate tier-two capital bonds of RMB12.00 billion with a term of ten years were issued on 25 August 2017. The coupon rate is 4.70% per annum. At the end of the fifth year, the issuer's redemption option was attached and the Group redeemed the bond at the nominal amount on 29 August 2022.
- (iii) Fixed rate tier-two capital bonds of RMB1.60 billion with a term of ten years were issued on 16 September 2020 by Everbright Financial Leasing. The coupon rate is 4.39% per annum. The Group has an option to redeem the debts on 18 September 2025 at the nominal amount.
- (iv) Fixed rate tier-two capital bonds of RMB40.00 billion with a term of ten years were issued on 25 August 2022. The coupon rate is 3.10% per annum. The Group has an option to redeem the debts on 29 August 2027 at the nominal amount.
- (v) Fixed rate tier-two capital bonds of RMB5.00 billion with a term of fifteen years were issued on 25 August 2022. The coupon rate is 3.35% per annum. The Group has an option to redeem the debts on 29 August 2032 at the nominal amount.
- (vi) As at 31 December 2022, the fair value of the total tier-two capital bonds issued approximated to RMB45,113 million (31 December 2021: RMB41,739 million).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 35 Debt securities issued (continued)

## (d) Convertible bonds issued

	31 December 2022	31 December 2021
Fixed rate six years convertible bonds issued in March 2017	24,082	23,498

The convertible corporate bonds issued have been split into the liability and equity components as follows:

	Note	Liability component	Equity component Note V 38	Total
Nominal value of convertible bonds		24,826	5,174	30,000
Direct transaction costs		(64)	(13)	(77)
Balance as at the issuance date		24,762	5,161	29,923
Accumulated amortisation as at 1 January 2022		4,183	–	4,183
Accumulated conversion amount as at 1 January 2022		(5,447)	(998)	(6,445)
Balance as at 1 January 2022		23,498	4,163	27,661
Amortisation during the year		584	–	584
Conversion amount during the year	(iv)	–	–	–
Balance as at 31 December 2022		24,082	4,163	28,245

Notes:

- (i) Pursuant to the approval by relevant PRC authorities, on 17 March 2017, the Bank issued A-share convertible bonds with a total nominal amount of RMB30 billion. The convertible bonds have a maturity term of six years from 17 March 2017 to 16 March 2023, and bear a fixed interest rate of 0.20% for the first year, 0.50% for the second year, 1.00% for the third year, 1.50% for the fourth year, 1.80% for the fifth year and 2.00% for the sixth year. The convertible bond holders may exercise their rights to convert the convertible bonds into the Bank's A shares at the stipulated conversion price during the year ("Conversion Period") beginning six months after the date of issuance until the maturity date. Within 5 trading days after maturity, the Bank shall redeem the outstanding convertible bonds at 105% of the par value, including interest for the sixth year.

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 35 Debt securities issued (continued)

#### (d) Convertible bonds issued (continued)

Notes: (continued)

- (ii) *During the Conversion Period, if the closing price of the Bank's A Shares is not lower than or equal to 130% of the prevailing conversion price in at least 15 trading days out of any 30 consecutive trading days, subject to the approval by relevant PRC authorities (if needed), the Bank has the right to redeem all or part of the outstanding convertible bonds at par value plus accrued interest on the first day on which the redemption criteria are met. In case that the Bank's conversion price is adjusted due to the ex-right or ex-dividend at these trading days, the pre-adjustment price is calculated at the conversion price and the closing price at the trading day before the adjustment, and the post-adjustment price is calculated at the conversion price and the closing price at the trading day after the adjustment. The Bank also has the right to redeem all the convertible bonds at par value plus accrued interest should the total outstanding amount be less than RMB30 million.*
- (iii) *Based on the calculation method in the prospectus of the convertible bonds, the initial conversion price is RMB4.36 per share, no less than the average trading price of the Bank's A shares within 30 or 20 trading days before the announcement date of the prospectus (if the stock price is adjusted due to the ex-right or ex-dividend within these 30 or 20 trading days, the pre-adjustment price is calculated at the related adjusted price), the average trading price of the Bank's A shares at the previous trading day, as well as the latest audited net asset value per share and the face value. As at 31 December 2022, the conversion price is RMB3.35 per share (31 December 2021: RMB3.55 per share).*
- (iv) *As at 31 December 2022, a total of RMB5,801million (31 December 2021: RMB5,801million) convertible bonds have been converted into ordinary shares, the cumulative convertible number of shares is 1,542,885,091 shares (31 December 2021: 1,542,823,195 shares).*
- (v) *For the year ended 31 December 2022, a total of RMB436 million interests on the convertible bonds has been paid by the Bank (2021: RMB363 million).*

#### (e) Interbank deposits issued

For the year ended 31 December 2022, 223 inter-bank deposits were issued by the Bank and measured at amortised cost with a carrying amount of RMB796,570 million (2021: RMB623,770 million). The carrying amount of interbank deposits due in 2022 was RMB781,630 million (2021: RMB346,860 million). As at 31 December 2022, the fair value of its outstanding interbank deposits issued was RMB596,629 million (31 December 2021: RMB579,510 million).

#### (f) Certificates of deposit issued

As at 31 December 2022, the certificates of deposit were issued by the Bank's Hong Kong branch, Seoul branch, Sydney branch and Luxembourg Branch measured at amortised cost. The fair value of the certificates of deposit issued approximated to their carrying amount.

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## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 35 Debt securities issued (continued)

## (g) Medium term notes

	Notes	31 December 2022	31 December 2021
Medium term notes with floating rate maturing on 24 June 2022	(i)	–	3,182
Medium term notes with floating rate maturing on 11 December 2022	(ii)	–	3,182
Medium term notes with floating rate maturing on 3 August 2023	(iii)	4,863	4,455
Medium term notes with fixed rate maturing on 11 March 2024	(iv)	3,819	3,500
Medium term notes with fixed rate maturing on 15 June 2024	(v)	4,165	3,818
Medium term notes with fixed rate maturing on 14 September 2024	(vi)	3,471	3,181
Medium term notes with fixed rate maturing on 1 December 2024	(vii)	2,081	1,909
Medium term notes with fixed rate maturing on 15 December 2024	(viii)	2,077	1,900
<b>Total</b>		<b>20,476</b>	<b>25,127</b>

## Notes:

- (i) Floating rate medium term notes of USD500 million with a term of three years were issued by the Bank's Hong Kong branch on 17 June 2019. The initial coupon rate is 3.13% per annum.
- (ii) Floating rate medium term notes of USD500 million with a term of three years were issued by the Bank's Hong Kong branch on 4 December 2019. The initial coupon rate is 2.59% per annum.
- (iii) Floating rate medium term notes of USD700 million with a term of three years were issued by the Bank's Hong Kong branch on 27 July 2020. The initial coupon rate is 1.10% per annum.
- (iv) Fixed rate medium term notes of USD550 million with a term of three years were issued by the Bank's Hong Kong branch on 4 March 2021. The coupon rate is 0.93% per annum.
- (v) Fixed rate medium term notes of USD600 million with a term of three years were issued by the Bank's Hong Kong branch on 8 June 2021. The coupon rate is 0.84% per annum.
- (vi) Fixed rate medium term notes of USD500 million with a term of three years were issued by the Bank's Luxembourg branch on 14 September 2021. The coupon rate is 0.83% per annum.
- (vii) Fixed rate medium term notes of USD300 million with a term of three years were issued by the Bank's Hong Kong branch on 1 December 2021. The coupon rate is 1.27% per annum.
- (viii) Fixed rate medium term notes of USD300 million with a term of three years were issued by the Bank's subsidiary CEB International. on 9 December 2021. The coupon rate is 2.00% per annum.
- (ix) As at 31 December 2022, the fair value of the medium term notes was RMB19,574 million (31 December 2021: RMB22,409 million).

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 36 Other liabilities

	Notes	31 December 2022	31 December 2021
Bank loans	(a)	20,718	10,841
Payment and collection clearance accounts		13,436	4,885
Finance leases payable		6,680	6,100
Provisions	(b)	1,883	2,213
Dormant accounts		865	408
Dividend payables		23	22
Others		13,532	18,842
<b>Total</b>		<b>57,137</b>	<b>43,311</b>

(a) As at 31 December 2022, the Bank's subsidiary, Everbright Financial Leasing, borrowed long-term loans with terms of 1 to 10 years. Everbright Financial Leasing should repay capital with interest quarterly.

(b) As at 31 December 2022, the accruals for litigation losses estimated by the Group based on the status of outstanding litigation cases and the probability of losses amounted to RMB157 million (31 December 2021: RMB165 million).

### 37 Share capital

The Bank's shareholding structure as at the end of the year is as follows:

	31 December 2022	31 December 2021
Ordinary shares listed in Mainland China (A share)	41,353	41,353
Ordinary shares listed in Hong Kong (H share)	12,679	12,679
<b>Total</b>	<b>54,032</b>	<b>54,032</b>

The H shares rank pari passu in all respects with the A shares including the right to all dividend distributions declared, paid or made.

## Notes to the Consolidated Financial Statements

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### V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 38 Other equity instruments

	Note V	31 December 2022	31 December 2021
Preference shares (Notes (a), (b), (c), (e))		64,906	64,906
Equity of convertible bonds	35(d)	4,163	4,163
Perpetual bonds (Notes(d), (e))		39,993	39,993
Total		109,062	109,062

#### (a) Preference shares at the end of the year

Issue date	Dividend rate	Issue price (RMB/share)	Number of shares issued (million)	Issue amount (RMBmillion)	Conversion condition
Everbright P1 2015-6-19	4.45%	100	200	20,000	Mandatory conversion triggering events
Everbright P2 2016-8-8	4.01%	100	100	10,000	Mandatory conversion triggering events
Everbright P3 2019-7-15	4.80%	100	350	35,000	Mandatory conversion triggering events
Subtotal				65,000	
Less: Issuing costs				(94)	
Book value				64,906	



## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 38 Other equity instruments (continued)

#### (b) Main clauses

##### (i) *Dividend*

Fixed rate for the first 5 years after issuance.

Dividend is reset every 5 years thereafter to the sum of the benchmark rate and the fixed spread.

The fixed spread equals to the spread between the dividend rate at the time of issuance and the benchmark rate. The fixed spread will remain unchanged throughout the term of the preference shares.

##### (ii) *Conditions to distribution of dividends*

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general reserve, and the Group's capital adequacy ratio meets regulatory requirements. The Group may elect to cancel any dividend, but such cancellation requires a shareholder's resolution to be passed.

##### (iii) *Dividend blocker*

If the Group cancels all or part of the dividends to the preference shareholders, the Group shall not make any dividend distribution to ordinary shareholders before the Group pays the dividends for the current dividend year to the preference shareholders in full.

##### (iv) *Order of distribution and liquidation method*

The preference shareholders are subordinated to the depositors, ordinary creditors, holders of subordinated debt, holders of Tier-two capital bonds, holders of convertible bonds and holders of perpetual bonds but have a higher priority in shares' distribution than to the ordinary shareholders.

##### (v) *Mandatory conversion trigger events*

Upon the occurrence of an Additional Tier-one Capital Triggering Event (Common equity tier-one capital Adequacy Ratio of the Group falling to 5.125% or below), the Group shall have the right to convert all or part of the preference shares into A shares, in order to restore the common equity tier-one capital Adequacy Ratio of the Group to above 5.125%; If preference shares were converted to A shares, they could not be converted to preference shares again.

Upon the occurrence of a non-viability triggering event (Earlier of the two situations: (1) CBIRC has determined that the Group would become non-viable if there is no conversion or write-down of capital; and (2) the relevant authorities have determined that a public sector injection of capital or equivalent support is necessary, without which the Group would become non-viable), the Group shall have the right to convert all preference shares into A shares.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 38 Other equity instruments (continued)

#### (b) Main clauses (continued)

##### (vi) Redemption

Subject to the prior approval of the CBIRC and the satisfaction of the relevant requirements, the Group shall have the right to redeem all or part of the preference shares on any redeemable day (the payment date for dividends of the preference shares each year) after the fifth year following the completion date of the issuance of the preference shares. The specific commencement date of the redemption period shall be determined by the Board in line with market conditions, subject to authorisation at a shareholders' general meeting (the authorisation can be further delegated). The redemption period for the preference shares shall commence on such commencement date of the redemption period and end on the completion date of the redemption or conversion of all the preference shares. Where redemption is in part, the preference shares shall be redeemed based on the same proportion and conditions. Preference shares shall be redeemed in cash. The redemption price shall be the par value plus the dividend declared but unpaid for the relevant year.

#### (c) Changes in preference shares outstanding

	1 January 2022		Additions for the year		31 December 2022	
	Number of shares (million)	Carrying value	Number of shares (million)	Carrying value	Number of shares (million)	Carrying value
Preference Shares	650	64,906	–	–	650	64,906

	1 January 2021		Additions for the year		31 December 2021	
	Number of shares (million)	Carrying value	Number of shares (million)	Carrying value	Number of shares (million)	Carrying value
Preference Shares	650	64,906	–	–	650	64,906

#### (d) Main clauses of perpetual bonds

With the approvals by the relevant regulatory authorities in China, the Bank issued RMB40 billion of non-dated capital bonds (the "Bonds") which are written down in the domestic interbank bond market on 18 September 2020, and completed the issuance on 22 September 2020. The denomination of the Bonds is RMB100 each, and the annual coupon rate of the Bonds for the first five years is 4.60%, which is reset every 5 years.

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 38 Other equity instrument (continued)

#### (d) Main clauses of perpetual bonds (continued)

The duration of the above bonds is the same as the period of continuing operation of the Bank. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Bank may redeem the above bonds in whole or in part on each distribution payment date 5 years after the issuance date of the above bonds. Upon the occurrence of a trigger event for the write-downs, with the consent of the CBIRC and without the consent of the bondholders, the Bank has the right to write down all or part of the above bonds issued and existing at that time in accordance with the total par value. The claims of the holders of the above bonds will be subordinated to the claims of depositors, general creditors and subordinated creditors; and shall rank in priority to the claims of shareholders and will rank *pari passu* with the claims under any other additional tier 1 capital instruments of the Bank that rank *pari passu* with the above bonds.

The above bonds are paid with non-cumulative interest. The Bank shall have the right to cancel distributions on the above bonds in whole or in part and such cancellation shall not constitute a default. The Bank may at its discretion utilise the proceeds from the cancelled distributions to meet other obligations of maturing debts. But the Bank shall not distribute profits to ordinary shareholders until the resumption of full interest payment.

Capital raised from the issuance of the above bonds, after deduction of transaction costs, was wholly used to replenish the Bank's additional tier one capital and to increase its capital adequacy ratio.

#### (e) Interests attributable to equity instruments' holders

Items	31 December 2022	31 December 2021
Total equity attributable to equity shareholders of the Bank	507,883	482,489
– Equity attributable to ordinary shareholders of the Bank	402,984	377,590
– Equity attributable to preference shareholders of the Bank	64,906	64,906
– Equity attributable to Perpetual bonds holders of the Bank	39,993	39,993
Total equity attributable to non- controlling interests	2,130	1,877
– Equity attributable to non-controlling interests of ordinary shares	2,130	1,877

# Notes to the Consolidated Financial Statements

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## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 39 Capital reserve

	31 December 2022	31 December 2021
Share premium	58,434	58,434

### 40 Other comprehensive income

	31 December 2022	31 December 2021
<b>Items that will not be reclassified to profit or loss</b>		
Fair value changes on equity instruments at fair value through other comprehensive income	16	16
Remeasurement of a defined benefit plan	(703)	(568)
Subtotal	(687)	(552)
<b>Items that will be reclassified to profit or loss</b>		
Debt instruments at fair value through other comprehensive income	81	3,868
– Net change in fair value	(1,463)	2,929
– Net change in expected credit loss	1,544	939
Exchange differences on translation of financial statements	16	(164)
Subtotal	97	3,704
Total	(590)	3,152

Other comprehensive income attributable to equity shareholders of the Bank in the consolidated statement of financial position:

	Fair value change on debt instruments at fair value through other comprehensive income	Net change in ECL on debt instruments at fair value through other comprehensive income	Fair value change on equity instruments at fair value through other comprehensive income	Exchange differences on translation of financial statements of overseas subsidiaries	Remeasurement of a defined benefit plan	Total
As at 1 January 2021	928	811	16	(81)	(281)	1,393
Changes in amount for the previous year	2,001	128	–	(83)	(287)	1,759
As at 1 January 2022	2,929	939	16	(164)	(568)	3,152
Changes in amount for the year	(4,392)	605	–	180	(135)	(3,742)
As at 31 December 2022	(1,463)	1,544	16	16	(703)	(590)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 41 Surplus reserve and general reserve

#### (a) Surplus reserve

The surplus reserve at the end of the reporting year represented statutory surplus reserve fund. The Bank is required to allocate 10% of its net profit, after making good prior year's accumulated losses, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

#### (b) General reserve

Pursuant to the Measures for Managing the Appropriation of Provisions of Financial Enterprises (Cai Jin [2012] No. 20) issued by the Ministry of Finance, the Bank is required to provide for impairment losses of its assets and set aside a general reserve through the appropriation of net profits to cover potential losses against its assets. The general reserve is part of the equity shareholders' interests and should not be less than 1.5% of the year-end balance of risk-bearing assets.

The Bank's subsidiaries appropriated their profits to the general reserve according to the applicable local regulations.

The Group appropriated RMB5,805 million of profits to the general reserve for the year ended 31 December 2022 (2021: RMB7,894 million).

The Bank appropriated RMB4,608 million of profits to the general reserve for the year ended 31 December 2022 (2021: RMB6,806 million).

### 42 Appropriation of profits

#### (a) At the Board Meeting held on 24 March 2023, the Board of Directors approved the following profit appropriations for the year ended 31 December 2022:

- The accumulated amount of withdrawal has reached 50% of the Bank registered capital; According to the relevant terms of the company law, the surplus reserve can no longer be withdrawn in this profit distribution;
- Appropriated RMB4,608 million to general reserve;
- The 2023 annual dividend of RMB1,680 million should be paid to the Third preference shareholders in cash dividend RMB4.80 per share before tax base on the coupon dividend yield of 4.8%;
- Declared cash dividends of RMB11,185 million to all ordinary shareholders at 31 December 2022, representing RMB2.07 per 10 shares before tax.

#### (b) The Bank distributed the interest on the Undated Capital Bonds amounting to RMB1,840 million on 22 September 2022.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 42 Appropriation of profits (continued)

**(c) At the Annual General Meeting of shareholders held on 19 May 2022, the shareholders approved the following profit appropriations for the year ended 31 December 2021:**

- Under the Company Law of the PRC, the bank's statutory surplus reserve has reached 50% of its registered capital, no further provision shall be made for this profit distribution;
- Appropriated RMB6,806 million to general reserve; and
- Declared cash dividends of RMB10,860 million to all ordinary shareholders at 31 December 2021, representing RMB2.10 per 10 shares before tax.

**(d) At the Board Meeting held on 25 March 2022, the dividend distribution of the Everbright P3 for the year ended 2021 was approved by the Board of Directors:**

- Declared cash dividends to preference shareholders of RMB1,680 million before tax, representing RMB4.80 per share before tax, accruing from 1 January 2021, and are calculated using the 4.80% of dividend yield ratio for the Everbright P3.

**(e) At the Board Meeting held on 27 May 2022, the dividend distribution of the Everbright P1 was approved by the Board of Directors:**

- Declared cash dividends to preference shareholders of RMB890 million before tax, representing RMB4.45 per share before tax, accruing from 25 June 2021, and are calculated using 4.45% of dividend yield ratio for the Everbright P1.

**(f) At the Board Meeting held on 27 May 2022, the dividend distribution of the Everbright P2 was approved by the Board of Directors:**

- Declared cash dividends to preference shareholders of RMB401 million before tax, representing RMB4.01 per share before tax, accruing from 11 August 2021, and are calculated using 4.01% of dividend yield ratio for the Everbright P2.

### 43 Involvement with structured entities

**(a) Structured entities sponsored by third party institutions in which the Group holds an interest:**

The types of structured entities that the Group does not consolidate but in which it holds an interest include fund investments and asset management plans at fair value through profit or loss, asset management plans and asset-backed securities at amortised cost. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 43 Involvement with structured entities (continued)

#### (a) Structured entities sponsored by third party institutions in which the Group holds an interest: (continued)

The following table sets out an analysis of the carrying amounts and maximum exposure of interests held by the Group in unconsolidated structured entities sponsored by third party institutions as at the end of the year:

	31 December 2022		31 December 2021	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Financial assets at fair value through profit or loss				
– Fund investments	214,031	214,031	252,528	252,528
– Asset management plans	52,909	52,909	56,578	56,578
Financial investments measured at amortised cost				
– Asset management plans	73,539	73,539	133,980	133,980
– Asset-backed securities	145,276	145,276	143,736	143,736
<b>Total</b>	<b>485,755</b>	<b>485,755</b>	<b>586,822</b>	<b>586,822</b>

#### (b) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in:

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services. As at 31 December 2022, the carrying amounts of the investments in the notes issued by these structured entities and management fee receivables being recognised are not material in the statement of financial positions.

As at 31 December 2022, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group is RMB1,185,241 million (31 December 2021: RMB1,067,464 million). The aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January 2021 but matured before 31 December 2022 was RMB3,421 million (2021: RMB3,001 million).

In 2022, the amount of fee and commission income received from the unconsolidated structured entities by the Group was RMB4,677 million (2021: RMB3,976 million).

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### V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 43 Involvement with structured entities (continued)

##### (b) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in: (continued)

For the purpose of asset-liability management, wealth management products may cause short-term financing needs to the Group and other banks. The Group is not contractually obliged to provide financing. After internal risk assessment, the Group may enter into transactions with these wealth management products in accordance with market principles. As at 31 December 2022, the balance of above transactions was nil (31 December 2021: nil). In 2022, the amount of interest receivables from the above financing transactions was not material for the Group in the statement of profit or loss.

In addition, please refer to Note V44 for the interests in the unconsolidated structured entities of asset securitization transactions held by the Group as at 31 December 2022. In 2022, the Group's income from these structured entities was immaterial.

##### (c) Consolidated structured entities

The consolidated structured entities of the Group are primarily the principal guaranteed wealth management products and certain asset management plans and trust plans. Principal guaranteed wealth management products sponsored and managed by the Group represent products to which the Group has guaranteed the investor's principal investment, regardless of their actual performance. Investments made by these products and the corresponding liabilities to the investors of these products are presented in the respective financial asset and financial liability items based on the nature of the assets and liabilities. The Group controls these entities when the Group has power over, is exposed to, or has rights to, variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's returns.

#### 44 Transferred financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to structured entities. In some cases, these transfers may give rise to full or partial de-recognition of the financial assets concerned in accordance with IFRSs. In other cases where the transferred assets do not qualify for de-recognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

##### Credit assets backed securitization

The Group enters into credit assets transfers in the normal course of business during which it transfers credit assets to structured entities which in turn issue asset-backed securities to investors. The Group may acquire some asset-backed securities at the subordinated tranche level and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.



## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 44 Transferred financial assets (continued)

#### **Credit assets backed securitization** (continued)

With respect to the credit assets that were securitised and qualified for de-recognition, the Group derecognised the transferred credit assets in their entirety. The corresponding total carrying amount of asset-backed securities held by the Group in the securitisation transactions was nil as at 31 December 2022 (31 December 2021: nil).

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the transferred credit assets are recognised on the statement of financial position to the extent of the Group's continuing involvement. As at 31 December 2022, the Group has no continuing involvement in credit asset-backed securities (31 December 2021: nil).

#### **Transfer of right to earnings**

The Group enters into transactions of transfer of right to earnings of credit assets in the normal course of business by which it transfers the right to earnings to structured entities which sell share of trust to investors.

With respect to the credit assets that were transferred and qualified for de-recognition, the Group derecognised the transferred credit assets in their entirety. As at 31 December 2022, the Group held no share in corresponding transaction.

As the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial assets and it has retained control on them, these financial assets are recognised on the statement of financial position to the extent of the Group's continuing involvement. The extent of the Group's continuing involvement is the extent to which the Group is exposed to changes in the value of the transferred assets. As at 31 December 2022, loans with an original carrying amount of RMB1,998 million (31 December 2021: RMB1,998 million) had been transferred by the Group under arrangements in which the Group retains a continuing involvement in such assets in the form of subordinated tranches, which were accounted for in other assets and other liabilities. As at 31 December 2022, the carrying amount of assets that the Group continues to recognise amounted to RMB251 million (31 December 2021: RMB251 million).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

### V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 45 Capital management

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines. The capital of the Group is divided into common equity tier-one capital, additional tier-one capital and tier-two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading global banks with reference to the Group's own business environment and conditions.

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio. The required information is filed with the CBIRC by the Group and the Bank quarterly.

With effect from 1 January 2013, the Group has started computing its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" and other relevant regulations.

The CBIRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Regulation Governing Capital of Commercial Banks (provisional)". For systemically important banks, each bank is required to maintain the common equity tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of at least 8.50%, 9.50% and 11.50%, respectively. For non-systemically important banks, the minimum ratios for common equity tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively. In addition, those individual banking subsidiaries or branches incorporated overseas are also directly regulated and supervised by their respective local banking supervisors. There are certain differences in the capital adequacy requirements of different countries.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. The counterparty credit risk-weighted assets for over-the-counter (OTC) derivatives are the summation of default risk-weighted assets and credit value adjustment (CVA). Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using the basic indicator approach.

The Group has computed its capital adequacy ratios and related data in accordance with "Regulation Governing Capital of Commercial Banks (provisional)". During the reporting year, the Group complied with the capital requirements imposed by the regulatory authorities.

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 45 Capital management (continued)

The Group calculates the capital adequacy ratios in accordance with “Regulation Governing Capital of Commercial Banks (provisional)” and relevant requirements are as follows:

	31 December 2022	31 December 2021
<b>Total common equity tier-one capital</b>	404,205	378,813
Share capital	54,032	54,032
Qualifying portions of capital reserve, other equity instruments and other comprehensive income	62,007	65,749
Surplus reserve	26,245	26,245
General reserve	81,401	75,596
Retained earnings	179,293	155,968
Qualifying portions of non-controlling interests	1,227	1,223
<b>Common equity tier-one capital deductions</b>	(4,809)	(4,021)
Goodwill	(1,281)	(1,281)
Other intangible assets other than land use rights	(3,475)	(2,684)
Net deferred tax assets arising from operating losses that depend on future profits	(53)	(56)
<b>Net common equity tier-one capital</b>	399,396	374,792
<b>Additional tier-one capital</b>	105,063	105,062
Additional tier-one capital instruments	104,899	104,899
Qualifying portions of non-controlling interests	164	163
<b>Tier-one capital net</b>	504,459	479,854
<b>Tier-two capital</b>	88,759	82,400
Qualifying portions of tier-two capital instruments issued and share premium	45,000	42,258
Excess loan loss provisions	42,287	38,677
Qualifying portions of non-controlling interests	1,472	1,465
<b>Net capital base</b>	593,218	562,254
<b>Total risk-weighted assets</b>	4,579,772	4,204,733
<b>Common equity tier-one capital adequacy ratio</b>	8.72%	8.91%
<b>Tier-one capital adequacy ratio</b>	11.01%	11.41%
<b>Capital adequacy ratio</b>	12.95%	13.37%

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

### V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 46 Notes to consolidated cash flow statements

##### (a) Net increase in cash and cash equivalents

	31 December 2022	31 December 2021
Cash and cash equivalents as at 31 December	136,664	222,583
Less: Cash and cash equivalents as at 1 January	222,583	145,076
Net (decrease)/increase in cash and cash equivalents	(85,919)	77,507

##### (b) Cash and cash equivalents

	31 December 2022	31 December 2021
Cash on hand	4,022	4,005
Deposits with the central bank	67,141	90,168
Deposits with banks and other financial institutions	31,084	50,029
Placements with banks and other financial institutions	34,417	78,381
Total	136,664	222,583

#### 47 Related party relationships and transactions

##### (a) Related parity relationships

###### (i) *The ultimate parent company and its subsidiaries*

The ultimate parent of the Group is China Investment Corporation (“CIC”) set up in China.

Approved by the State Council of the PRC, CIC was established on 29 September 2007 with registered capital of USD200 billion. Central Huijin Investment Ltd. (“Huijin”) is a wholly-owned subsidiary of CIC and exercises its rights and obligations as an investor on behalf of CIC to ultimately control the Bank through the China Everbright Group.

Huijin was established as a wholly state-owned investment company on 16 December 2003. It was registered in Beijing with registered capital of RMB828,209 million. Apart from holding equity investments as authorised by the State Council of the PRC, it does not engage in any other commercial operations.

The Group’s transactions with CIC, Huijin and its affiliates mainly include deposit taking, purchases and sales of debt securities, money market transactions and inter-bank clearing. These transactions are priced based on market prices and conducted under normal commercial terms.

The Group has issued subordinated debts, financial bonds, convertible bonds, interbank deposits and certificates of deposit which are bearer bonds tradable in the secondary market. Accordingly, the Group has no information in respect of the amount of the debts held by these banks and other financial institutions as at the end of the year. The amount and balance of related parties and transactions between the group and the ultimate parent company and its subsidiaries are listed in Note V47(b).

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 47 Related party relationships and transactions (continued)

#### (a) Related parity relationships (continued)

##### (ii) *Affiliated companies*

The immediate parent of the Group is China Everbright Group Ltd. (“China Everbright Group”). The uniform social credit code of China Everbright Group is 91100000102063897J. The affiliated companies refer to China Everbright Group and its affiliated companies. The transactions and balances with China Everbright Group and its affiliates are listed in Note V 47(b).

The affiliated companies that have related party transactions with the Group are as follows:

##### **Related party**

- China Everbright Group Limited
- China Everbright Limited (Everbright Limited)
- Everbright Securities Co., Ltd. (Everbright Securities)
- China Everbright industry (Group) Co., Ltd.
- Everbright Financial Holdings Asset Management Co., Ltd.
- Everbright Life Insurance Co., Ltd.
- Everbright Xinglong Trust Co., Ltd.
- Everbright Prudential Fund Management Co., Ltd.
- Everbright Futures Co., Ltd.
- Everbright Fortune Investment Co., Ltd.
- Everbright Capital Investment Co., Ltd.
- Sun Light Everbright Asset Management Co., Ltd.
- China Everbright international Trust and Investment Corporation
- Everbright Jinou Asset Management Co., Ltd.
- China CYTS Group Corporation
- Cachet Pharmaceutical Co., Ltd.
- Everbright Technology Co., Ltd.
- Everbright Happiness International Leasing Co., Ltd.
- Everbright Sunshine Asset Management Co., Ltd.
- Hangzhou Jinou Asset Management Co., Ltd.
- Guokaitai Industrial Development Co., Ltd.
- Zhongqing Chuangyi Investment Management Co., Ltd.
- Shenzhen Qianhai Everbright Investment Management Co., Ltd.
- Everbright Securities Asset Management Co., Ltd.
- Everbright Guangzi Investment Management Co., Ltd.
- Shanghai Guiyun Asset Management Co., Ltd.
- Everbright Senior Healthcare Industry Development Co., Ltd.
- Everbright Culture Investment Co., Ltd.
- Everbright Development Investment Co., Ltd.
- Beijing Everbright Huichen Pension Service Co., Ltd.
- CYTS Holding Co., Ltd.
- Beijing Damei Parent-Child Investment Group Co., Ltd.
- Shanghai Guangkong Zhongsheng Health Asset Management Co., Ltd.
- Shenzhen Qianhai Ruida Innovative Buyout Fund

# Notes to the Consolidated Financial Statements

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(Expressed in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 47 Related party relationships and transactions (continued)

#### (a) Related parity relationships (continued)

##### (ii) *Affiliated companies* (continued)

##### **Related party (continued)**

- Zhongguang Holding Co., Ltd.
- CYTS Industry Development Co., Ltd.
- Zhuhai Guangkong Zhongheng Investment Management Co., Ltd.
- Everbright Prestige Capital Asset Management Co., Ltd.
- Da Cheng Fund Management Co., Ltd.
- Shanghai Guangkong Jiaxin Equity Investment Management Co., Ltd.
- Beijing Financial Assets Co., Ltd.
- Tianjin Guangkong Chengfa Investment Management Partnership (Limited Partnership)
- Photocontrol Finance (Shaanxi) Advanced Manufacturing Investment Partnership (Limited Partnership)
- CDB Jinzhan Economic and Trade Co., Ltd.
- Huadian Financial Leasing Co., Ltd.
- China Everbright Real Estate Co., Ltd.
- Qingdao Light Control Low Carbon Xinneng Equity Investment Co., Ltd.
- Chengdu Rongjign MEDICINE &TRADE Co., Ltd.
- China Everbright Environment Group Limited.
- Shanghai Jiashi Minglun Medical Equipment Co., Ltd.
- Gansu Equity Trading Center Co., Ltd.
- Heyuan Capital Management Co., Ltd.
- Qingdao Everbright Water Operating Limited
- Songhuang Ecological Tea Co., Ltd.
- Suzhou Huiyang Investment Management Co., Ltd.
- Suzhou Huiyang Capital Management Co., Ltd.
- Wuxi Guangkong Haiyin Enterprise Management Co., Ltd.
- Wuxi Guolian Venture Capital Co., Ltd.
- Zhangjiakou Guanghe Xiangda Property Service Co., Ltd.

##### (iii) *Other related parties*

Other related parties include key management personnel (directors, supervisors, senior management personnel of the head office) and their close family members, enterprises controlled, jointly controlled or exerted significant influence by key management personnel or their close family members, shareholders holding more than 5% shares of the Group and the key management personnel in direct control party.

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 47 Related party relationships and transactions (continued)

#### (a) Related parity relationships (continued)

##### (iii) Other related parties (continued)

The other related parties that have related party transactions with the Group are as follows:

##### Other related parties

- Overseas Chinese Town Holding Company
- Henan Zhongyuan Chemical Co., Ltd.
- Jilin TuoCheng Construction Engineering Co., Ltd.
- China UnionPay Co., Ltd.
- Konka Group Co., Ltd.
- China Pacific Property Insurance Co., Ltd.
- China Pacific Life Insurance Co., Ltd.
- COSCO SHIPPING Development Co., Ltd.
- China Ocean Shipping (Group) Company
- Shenzhen weipin Zhiyuan Information Technology Co., Ltd.
- Shanghai Zhongbo Enterprise Management Development Co., Ltd.
- Shanghai Insurance Exchange Co., Ltd.
- Beijing Jingneng clean energy power Co., Ltd.
- Shijiazhuang Hualin Food Co., Ltd.
- Fujian Bofang Technology Co., Ltd.
- China Cinda Asset Management Co., Ltd.
- Zhongke Zhiyuan Technology Co., Ltd.
- Huayang Gongji Investment Management Co., Ltd.
- Lankaoguang Huinongtong No.1 Equity Investment Fund Partnership (limited Partnership)
- Xinjiang Guangshi Hanhong Equity Investment Management Co., Ltd.
- COSCO Shipping Group Finance Co., Ltd.
- COSCO Shipping Container Transportation Co., Ltd.
- Zhongfei Leasing Finance Leasing Co., Ltd.
- Shenzhen Overseas Chinese Town Co., Ltd.
- Orient Securities Co., Ltd.
- Wuhan Qingshan Ancient Town Real Estate Co., Ltd.
- Shenneng Group Finance Co., Ltd.
- Shenzhen Zhaohua Exhibition Industry Co., Ltd.
- Xiangyang OCT Culture and Tourism Development Co., Ltd.
- Telian Technology Group Co., Ltd.
- CIMC Finance Leasing Co., Ltd.
- Beijing Gubei Water Town Tourism Co., Ltd.
- Hunan OCT Cultural Tourism Investment Co., Ltd.

The amount and balance of transactions between the Group and other related parties are shown in Notes V47(b).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

### V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 47 Related party relationships and transactions (continued)

##### (b) Related party transactions

##### (i) *The ultimate parent company and its subsidiaries*

The Group's material transactions with CIC, Huijin and its affiliates during the reporting period are summarised as follows:

	2022	2021
Interest income	730	1,034
Interest expense	5,902	4,112

The Group's material balances with CIC, Huijin and its affiliates during the reporting period are summarised as follows:

	31 December 2022	31 December 2021
Deposits with banks and other financial institutions	8,143	13,788
Precious metal	6	–
Placements with banks and other financial institutions	23,419	26,467
Derivative financial assets	3,128	2,338
Financial assets held under resale agreements	28	1,732
Loans and advances to customers	100	2,228
Financial investments	340,056	298,941
Financial assets at fair value through profit or loss	122,064	81,369
Debt instruments at fair value through other comprehensive income	51,592	44,614
Financial investments measured at amortised cost	166,400	172,958
Other assets	11,396	14,227
<b>Total</b>	<b>386,276</b>	<b>359,721</b>
Deposits from banks and other financial institutions	121,788	56,181
Placements from banks and other financial institutions	64,165	57,899
Derivative financial liabilities	3,215	3,020
Financial assets sold under repurchase agreements	17,281	27,478
Deposits from customers	108,483	101,898
Other liabilities	1,101	11
<b>Total</b>	<b>316,033</b>	<b>246,487</b>



## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 47 Related party relationships and transactions (continued)

#### (b) Related party transactions (continued)

##### (ii) Transactions with other PRC state-owned entities

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations (“state-owned entities”). Transactions with other state-owned entities include but are not limited to: lending and deposit taking; taking and placing of inter-bank balances; entrusted lending and other custody services; insurance and securities agency, and other intermediary services; sale, purchase, underwriting and redemption of bonds issued by other state-owned entities; purchase, sale and leases of property and other assets; and rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group’s banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group’s pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether or not the customers are state-owned entities. Having considered the substance of the relationships, the Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

##### (iii) Affiliated companies and other related parties

The Group’s material transactions and balances with China Everbright Group and the above related parties during the reporting year are summarised as follows:

	China Everbright Group	Other affiliated companies	Others	Total
Transactions with related parties for year ended 31 December 2022:				
Interest income	–	4,289	407	4,696
Interest expense	105	708	1,136	1,949

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### V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 47 Related party relationships and transactions (continued)

##### (b) Related party transactions (continued)

##### (iii) *Affiliated companies and other related parties* (continued)

	China Everbright Group	Other affiliated companies	Others	Total
Balances with related parties as at 31 December 2022:				
Placements with banks and other financial institutions	–	3,100	2,000	5,100
Derivative financial assets	–	–	13	13
Loans and advances to customers	–	3,822	9,528	13,350
Financial investments	272	43,876	706	44,854
Financial assets at fair value through profit or loss	272	21,356	–	21,628
Debt instruments at fair value through other comprehensive income	–	41	77	118
Financial investments measured at amortised cost	–	22,479	629	23,108
Other assets	–	534	3,537	4,071
<b>Total</b>	<b>272</b>	<b>51,332</b>	<b>15,784</b>	<b>67,388</b>
Deposits from banks and other financial institutions	–	20,958	16,648	37,606
Derivative financial liabilities	–	–	20	20
Deposits from customers	5,164	10,387	22,138	37,689
Other liabilities	–	118	168	286
<b>Total</b>	<b>5,164</b>	<b>31,463</b>	<b>38,974</b>	<b>75,601</b>
Significant other sheet items with related parties as at 31 December 2022:				
Guarantee granted (Note)	180	–	–	180

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 47 Related party relationships and transactions (continued)

#### (b) Related party transactions (continued)

##### (iii) *Affiliated companies and other related parties* (continued)

	China Everbright Group	Other affiliated companies	Others	Total
Transactions with related parties for the year ended 31 December 2021:				
Interest income	–	1,934	636	2,570
Interest expense	72	371	659	1,102
Balances with related parties as at 31 December 2021:				
Placements with banks and other financial institutions	–	3,300	–	3,300
Derivative financial assets	–	–	28	28
Financial assets held under resale agreements	–	114	–	114
Loans and advances to customers	–	8,899	14,514	23,413
Financial investment	104	46,963	1,514	48,581
Financial assets at fair value through profit or loss	–	15,769	1,514	17,283
Debt instruments at fair value through other comprehensive income	104	41	–	145
Financial investments at amortised cost	–	31,153	–	31,153
Other assets	–	731	2,317	3,048
<b>Total</b>	<b>104</b>	<b>60,007</b>	<b>18,373</b>	<b>78,484</b>
Deposits from banks and other financial institutions	–	15,511	14,905	30,416
Placements from banks and other financial institutions	–	370	–	370
Derivative financial liabilities	–	–	28	28
Financial assets sold under repurchase agreements	–	66	–	66
Deposits from customers	3,137	7,226	29,044	39,407
Other liabilities	–	115	1,122	1,237
<b>Total</b>	<b>3,137</b>	<b>23,288</b>	<b>45,099</b>	<b>71,524</b>
Significant other sheet items with related parties as at 31 December 2021:				
Guarantee granted (Note)	180	–	–	180

Note: As at 31 December 2022, the Bank has guarantee obligations relating to China Everbright Group's outstanding interest obligation of RMB180 million (31 December 2021: RMB180 million) due to one of the state-owned commercial banks.

## Notes to the Consolidated Financial Statements

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### V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 47 Related party relationships and transactions (continued)

##### (b) Related party transactions (continued)

##### (iv) Remuneration of directors, supervisors and senior management

	2022 RMB'000	2021 RMB'000
Remuneration	24,427	28,887
Retirement benefits	1,903	3,360
– Basic social pension insurance	587	618

The total compensation packages for senior management of the Group as at 31 December 2022 have not been finalised in accordance with the regulations of the PRC relevant authorities. The remuneration not yet accrued is not expected to have a significant impact on the Group's and the Bank's financial statements as at 31 December 2022.

##### (v) Loans to related natural persons

The aggregate amount of relevant loans outstanding as at 31 December 2021 to related natural persons amounted to RMB9 million (As at 31 December 2021: RMB10 million).

Of which the aggregate amount of relevant loans outstanding to directors, supervisors and senior management, are as follows:

The aggregate amount of relevant loans outstanding to directors, supervisors, senior management or their associates of the Group disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance, with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), are as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Aggregate amount of relevant loans outstanding as at the year end	8,199	9,041
Maximum aggregate amount of relevant loans outstanding during the year	8,308	9,100

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 48 Statement of financial position of the Bank

	Note V	31 December 2022	31 December 2021
<b>Assets</b>			
Cash and deposits with the central bank		356,253	377,846
Deposits with banks and other financial institutions		28,279	49,555
Precious metals		7,187	6,426
Placements with banks and other financial institutions		137,450	149,588
Derivative financial assets		15,726	13,705
Financial assets held under resale agreements		–	32,507
Loans and advances to customers		3,489,051	3,231,445
Financial investments		2,031,064	1,822,297
– Financial assets at fair value through profit or loss		398,106	378,113
– Debt instruments at fair value through other comprehensive income		443,869	318,343
– Equity instruments at fair value through other comprehensive income		1,121	1,120
– Financial investments measured at amortised cost		1,187,968	1,124,721
Investment in subsidiaries	19	12,983	12,983
Property and equipment		16,403	15,836
Right-of-use assets		10,122	10,780
Goodwill		1,281	1,281
Deferred tax assets		31,146	18,517
Other assets		32,121	38,633
<b>Total assets</b>		<b>6,169,066</b>	<b>5,781,399</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 48 Statement of financial position of the Bank (continued)

	31 December 2022	31 December 2021
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
Due to the central bank	63,231	101,036
Deposits from banks and other financial institutions	544,410	528,061
Placements from banks and other financial institutions	105,321	98,520
Derivative financial liabilities	14,257	13,336
Financial assets sold under repurchase agreements	89,959	79,382
Deposits from customers	3,915,781	3,674,204
Accrued staff costs	18,473	16,385
Taxes payable	9,836	5,362
Lease liabilities	9,993	10,562
Debts securities issued	872,278	759,340
Other liabilities	27,151	19,953
<b>Total liabilities</b>	<b>5,670,690</b>	<b>5,306,141</b>
<b>Equity</b>		
Share capital	54,032	54,032
Other equity instrument	109,062	109,062
of which: Preference shares	64,906	64,906
Perpetual bonds	39,993	39,993
Capital reserve	58,434	58,434
Other comprehensive income	(453)	3,390
Surplus reserve	26,245	26,245
General reserve	77,429	72,821
Retained earnings	173,627	151,274
<b>Total equity</b>	<b>498,376</b>	<b>475,258</b>
<b>Total liabilities and equity</b>	<b>6,169,066</b>	<b>5,781,399</b>

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 49 Segment reporting

The Group manages its business by business lines and geographical areas. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

#### **Corporate banking**

This segment represents the provision of a range of financial products and services to corporations and government agencies. These products and services include corporate loans and advances, trade financing and deposit taking activities, agency services, cash management services, financial consulting and advisory services, remittance and settlement services and guarantee services.

#### **Retail banking**

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans, deposit taking activities, bank card business, personal wealth management services, remittance services and securities agency services.

#### **Financial market business**

This segment covers the Group's financial market business. The financial market business enters into inter-bank money market transactions, repurchase transactions and inter-bank investments. It also trades in debt securities, derivatives and foreign currency trading for its own accounts. The financial market business segment also covers customer-driven derivatives and foreign currency trading, as well as management of the Group's overall liquidity position, including the issuance of debts.

#### **Others**

These represent equity investments and related income.

Measurement of segment assets and liabilities and measurement of segment income, expenses and results are based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred to acquire property and equipment, intangible assets and other long-term assets.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 49 Segment reporting (continued)

## (a) Segment results, assets and liabilities

	2022				
	Corporate banking	Retail banking	Financial market business	Others	Total
Operating income					
External net interest income	20,821	67,033	25,801	–	113,655
Internal net interest income/(expense)	27,544	(19,537)	(8,007)	–	–
Net interest income	48,365	47,496	17,794	–	113,655
Net fee and commission income	7,522	18,399	823	–	26,744
Net trading gains	–	–	2,470	–	2,470
Dividend income	–	–	–	49	49
Net gains arising from investment securities	438	–	5,912	66	6,416
Net gains on derecognition of financial assets measured at amortised cost	–	–	858	–	858
Foreign exchange gains	245	48	191	–	484
Other net operating income	1,049	55	3	82	1,189
Operating income	57,619	65,998	28,051	197	151,865
Operating expenses	(18,176)	(25,006)	(1,899)	(146)	(45,227)
Credit impairment losses	(13,596)	(34,630)	(2,374)	–	(50,600)
Other impairment losses	(3)	(4)	(2)	–	(9)
Losses on investments of joint ventures	–	–	–	(63)	(63)
Profit before tax	25,844	6,358	23,776	(12)	55,966
Other segment information					
– Depreciation and amortisation	2,866	3,226	266	–	6,358
– Capital expenditure	1,819	2,672	176	–	4,667
	31 December 2022				
	Corporate banking	Retail banking	Financial market business	Others	Total
Segment assets	2,453,436	1,673,543	2,133,844	5,703	6,266,526
Segment liabilities	2,977,717	1,176,387	1,632,788	3,582	5,790,474



## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 49 Segment reporting (continued)

## (a) Segment results, assets and liabilities (continued)

	2021				Total
	Corporate banking	Retail banking	Financial market business	Others	
Operating income					
External net interest income	23,337	64,538	24,280	–	112,155
Internal net interest income/(expense)	27,132	(19,792)	(7,340)	–	–
Net interest income	50,469	44,746	16,940	–	112,155
Net fee and commission income	7,947	18,493	874	–	27,314
Net trading gains	–	–	2,193	–	2,193
Dividend income	–	–	–	24	24
Net gains/(losses) arising from Investment securities	–	–	10,134	(42)	10,092
Net gains on derecognition of financial assets measured at amortised cost	–	–	115	–	115
Foreign exchange gains/(losses)	313	47	(357)	–	3
Other net operating income	964	94	54	358	1,470
Operating income	59,693	63,380	29,953	340	153,366
Operating expenses	(18,901)	(24,644)	(1,853)	(142)	(45,540)
Credit impairment losses	(21,103)	(28,136)	(5,533)	–	(54,772)
Other impairment losses	(17)	(2)	(4)	–	(23)
Losses on investments of joint ventures	–	–	–	(90)	(90)
Profit before tax	19,672	10,598	22,563	108	52,941
Other segment information					
– Depreciation and amortisation	2,671	2,865	229	–	5,765
– Capital expenditure	2,162	2,993	197	–	5,352
	31 December 2021				
	Corporate banking	Retail banking	Financial market business	Others	Total
Segment assets	2,302,005	1,555,303	2,023,110	475	5,880,893
Segment liabilities	2,912,103	927,093	1,575,081	3,404	5,417,681

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## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 49 Segment reporting (continued)

#### (a) Segment results, assets and liabilities (continued)

Reconciliation between segment assets, liabilities and total assets and total liabilities:

	Note V	31 December 2022	31 December 2021
Segment assets		6,266,526	5,880,893
Goodwill	22	1,281	1,281
Deferred tax assets	23	32,703	19,895
Total assets		6,300,510	5,902,069
Segment liabilities		5,790,471	5,417,681
Dividend payables	36	23	22
Total liabilities		5,790,497	5,417,703

#### (b) Geographical information

The Group operates principally in China with branches located in main provinces, autonomous regions and municipalities directly under the central government. Also, the Group has set up branches in Hong Kong, Luxembourg, Seoul, Sydney and Macao, with subsidiaries located in Beijing, Wuhan city of Hubei Province, Shaoshan city of Hunan Province, Huai'an city of Jiangsu Province, Ruijin city of Jiangxi Province, Qingdao city of Shandong Province, Hong Kong and Luxembourg.

Non-current assets include property and equipment, right-of-use assets, land use rights and intangible assets. In presenting of geographical information, non-current assets are allocated based on geographical locations of the underlying assets. Operating income is allocated based on the locations of the branches which generate income. Geographical areas, as defined for management reporting purposes, are as follows:

- “Yangtze River Delta” refers to the following areas serviced by the following branches of the Bank and Huai'an Everbright Bank: Shanghai, Nanjing, Hangzhou, Suzhou, Ningbo and Wuxi;
- “Pearl River Delta” refers to the areas serviced by the following branches of the Bank: Guangzhou, Shenzhen, Fuzhou, Xiamen and Haikou;
- “Bohai Rim” refers to the areas serviced by the following branches of the Bank, Everbright Wealth and Sunshine Consumer: Beijing, Tianjin, Shijiazhuang, Jinan, Qingdao and Yantai;
- “Central” refers to the areas serviced by the following subsidiaries and branches of the Bank, Everbright Financial Leasing, Shaoshan Everbright Bank and Ruijin Everbright Bank: Zhengzhou, Taiyuan, Changsha, Wuhan, Hefei and Nanchang;

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 49 Segment reporting (continued)

#### (b) Geographical information (continued)

- “Western” refers to the areas serviced by the following branches of the Bank: Xi’an, Chengdu, Chongqing, Kunming, Nanning, Hohhot, Urumchi, Guiyang, Lanzhou, Xining, Yinchuan and Lhasa;
- “Northeastern” refers to the areas serviced by the following branches of the Bank: Heilongjiang, Changchun, Shenyang and Dalian;
- “Overseas” refers to the areas serviced by the Bank and the following branches, CEB International, CEB Europe: Hong Kong, Seoul, Luxembourg, Sydney, Macao; and
- “Head Office” refers to the head office of the Bank.

	Operating Income								
	Yangtze River Delta	Bohai Rim	Head Office	Central	Pearl River Delta	Western	North eastern	Overseas	Total
2022	28,355	27,202	20,771	26,434	21,625	18,587	5,889	3,002	151,865
2021	27,675	26,509	24,193	25,794	20,719	19,756	5,999	2,721	153,366

	Non-current Asset (Note(i))								
	Yangtze River Delta	Bohai Rim	Head Office	Central	Pearl River Delta	Western	North eastern	Overseas	Total
31 December 2022	3,704	3,408	12,191	12,995	3,241	2,763	1,214	491	40,007
31 December 2021	3,698	3,342	11,580	12,683	2,846	2,831	1,338	557	38,875

Note:

(i) Including property and equipment, right-of-use assets, intangible assets and land use rights.

### 50 Risk Management

The Group’s primary risk management objectives are to maximise value for equity holders while maintaining risk within acceptable parameters, optimising capital allocation and satisfying the requirements of the regulatory authorities, the Group’s depositors and other stakeholders for the Group’s prudent and stable development.

The Group has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and operational risk.

This note presents information about the Group’s exposure to each of the above risks and their sources, and the Group’s objectives, policies and procedures for measuring and managing these risks.

# Notes to the Consolidated Financial Statements

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## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 50 Risk Management (continued)

The Group's risk management policies were established to identify and analyse the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control policies and systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Internal Audit Department of the Group undertakes both regular and ad hoc reviews of the compliance of internal control implementation with risk management policies.

#### (a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and bond investment portfolios and guarantees granted.

##### *Credit business*

The board of directors is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies. The board gives advice on internal controls relating to risk management. Senior management is responsible for the implementation of the development strategy, risk strategy and risk management policies set by the board of directors. Senior management is responsible for the improvement of the risk management system and establishment of risk management policies and rules. Senior management is responsible for establishment of procedures and standards to identify, measure, evaluate, monitor and control credit risks. And senior management is responsible for the management of all types of risks and ensure that the business activities of the Bank are consistent with the risk strategy, risk appetite and risk policies adopted by the board of directors.

The business lines of the Group are directly responsible for the management of credit risk. The Risk Management Department is responsible for the development of risk management policies and procedures, and the monitoring and management of credit risks. The Internal Audit Department is responsible for auditing the performance of duties of business lines and the Risk Management Department, specifically as follows:

- The Corporate Finance Department, Investment Banking Department, Inclusive Finance Department, Credit Card Centre, Retail Credit Department, Digital Finance Department and other business lines carry out corporate and retail business in accordance with the risk management policies and procedures of the Bank. The business lines are directly responsible for the management of credit risk, and they are the first line of defence of internal control. The business lines independently control the customer relationship and the whole process of specific business in its duration, and they are firstly responsible for the compliance and security of the business.

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 50 Risk Management (continued)

#### (a) Credit risk (continued)

##### *Credit business* (continued)

- The Bank’s main responsible departments for credit risk management are the Risk Management Department, Credit Approval Department, Risk Monitoring Department, and Special Asset Management Department/Asset Management Department. They are the second line of defence of the internal control in credit risk management, and they are responsible for the overall supervision of credit risk management. The functional departments of credit risk management determine their functional positioning in accordance with the basic procedures of “Policy and technology – Investigation and approval – During and post-lending monitoring – Collection and Resolution”.
- The Internal Audit Department is the third line of defence of credit risk management, and undertakes the responsibility of supervision and performance evaluation.

The Group continuously improves the internal control mechanism and strengthens the management of the credit business. The Group has established comprehensive assessment and inquiry mechanisms, assigning the credit management accountability to the relevant departments and individuals.

For corporate businesses, the Group has established industry-specific limits for credit and investment approval. It has put in place dynamic monitoring mechanism, with regular reporting of credit exposures to the board. The Group’s credit risk management covers key operational phases, including pre-lending evaluations, credit approval, loan payment and post-lending monitoring. With respect to pre-lending evaluations, the Group assesses customer credit ratings and performs integrated analysis on the risk and return of the loan. In the credit approval phase, the Group has established standardized system and procedures for credit evaluation and approval in accordance with the principle of separation of duties for approval and lending as well as the hierarchical approval principle. All credit applications are approved by designated credit officers. In the loan payment phase, an independent responsible department has been established to manage and control the payment of the loan, ensuring that the payment conforms with the intended use of the loan approved. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit related businesses. Any adverse events that may significantly affect a borrower’s repayment ability are reported immediately, and actions are taken to mitigate the risks.

For personal credit operation business, the Group implemented control processes of “separation of review and approval, separation of approval and lending, separation of approval and mortgage registration, and separation of loan management and archival keeping” to effectively control the operational risk. During the pre-loan process, client managers are required to assess the income level, credit history, and repayment ability of the applicant to strengthen the credit evaluation of the applicant. During the review and approval process, the client managers forward the application and their recommendations to the loan-approval departments for further approval, and a standardized review and approval policies and process in accordance with the principle of “separation of review and approval” and “hierarchical approval” have been established for this process. The Group monitors borrowers’ repayment ability, the status of collateral and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process in accordance with its standardized loan recovery procedures.

## Notes to the Consolidated Financial Statements

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### V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 50 Risk Management (continued)

##### (a) Credit risk (continued)

##### *Credit business* (continued)

The Group adopts a loan risk classification approach to manage its loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be impaired loans and advances. The Group measures and manages the quality of the credit assets of the Group in accordance with the Guidelines of the Risk Classification of Loans.

The core definitions of the five categories of loans and advances are set out below:

Normal:	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special mention:	Borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors.
Substandard:	Borrowers' ability to service their loans is in question and they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.
Doubtful:	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
Loss:	Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

The Bank implemented a customer credit rating system based on the PD model. The PD model predicts the PD for customers in the coming year. The risk rating of the customer is obtained through mapping relationship. The Group conducts recheck and optimization testing of the model according to the customer's actual default each year to better identify the credit risk.

The customer credit ratings in the internal model are based on four categories of A, B, C and D which are further classified into twenty four grades as AAA+, AAA, AAA-, AA+, AA, AA-, A+, A, A-, BBB+, BBB, BBB-, BB+, BB, BB-, B+, B, B-, CCC+, CCC, CCC-, CC, C and D. Credit grading D equates to defaulted customers while the others are assigned to performing customers.

Management periodically reviews various elements of the Group's credit risk management process, in the context of loan portfolio growth, the changing mix and concentration of assets, and the evolving risk profile of the credit portfolio. From time to time, in this regard, refinements are made to the Group's credit risk management processes to most effectively manage the effects of these changes on the Group's credit risk. These refinements include, among other things, adjustments to portfolio level controls, such as revisions to lists of approved borrowers, industry limits and underwriting criteria. Where circumstances related to specific loans or a group of loans increase the Bank's credit risk, actions are taken, to the extent possible, to strengthen the Group's security position.

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 50 Risk Management (continued)

#### (a) Credit risk (continued)

##### *Financial market business*

The Group implemented differentiated risk access standards of investments, and ensured the credit risk exposure of financial market business to be controlled within a reasonable range to meet the Group's risk preference. At the same time, the Group has integrated the financial markets business that assumes credit risk into the unified credit management system, to check and approve the customer credit limit and credit line for the subject taking credit risks, and carry out financial market business within the line of credit.

##### *Credit risk measurement*

###### *Measurement of ECL*

The ECL is a weighted average of credit losses on financial instruments weighted at the probability of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Group discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the ECL by three stages:

- Stage 1: The financial instruments without significant increases in credit risk after initial recognition are included in Stage 1 to calculate their impairment allowance at an amount equivalent to the ECL of the financial instrument for the next 12 months;
- Stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage 2, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;
- Stage 3: Financial assets with objective evidence of impairment at the end of the reporting year are included in Stage 3, with their impairment allowance measured at the amount equivalent to the ECL for the lifetime of the financial instruments.

For the previous accounting year, the impairment allowance was measured at the amount equivalent to the ECL over the entire lifetime of the financial instrument. However, at the end of the reporting period, if the financial instrument no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Group measures the impairment allowance of the financial instruments at the end of the reporting period according to the ECL in the next 12 months.

For purchased or originated credit-impaired financial assets, the Group only recognises the lifetime cumulative change in ECL after initial recognition at the end of the reporting period as impairment allowance. At the end of each reporting period, the Group recognises the amount of the changes in ECL as an impairment loss or gain in profit or loss.

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## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 50 Risk Management (continued)

#### (a) Credit risk (continued)

##### *Credit risk measurement* (continued)

##### *Measurement of ECL* (continued)

The Group shall measure ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

The Group conducted an assessment of ECL according to forward-looking information and used complex models and assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group adopts judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial asset
- Parameters for measuring ECL
- Forward-looking information
- Modification of contract cash flows

Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at the end of each reporting period. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group and external credit risk rating. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments at the end of the reporting period with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.



## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 50 Risk Management (continued)

#### (a) Credit risk (continued)

##### *Credit risk measurement* (continued)

##### *Measurement of ECL* (continued)

##### Criteria for judging significant increases in credit risk (continued)

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

##### Quantitative criteria

- At the reporting date, the decrease in customer rating is considered significant, comparing with the one at initial recognition

##### Qualitative criteria

- Significant adverse change in debtors' operation or financial status
- Be classified into Special Mention category within five-tier loan classification

##### Backstop criteria

- The debtor's contractual payments (including principal and interest) are more than 30 days past due

The Group continued to make judgments based on substantive risk assessment and comprehensively considered the operations and repayment capacity of borrowers, and to assess whether the credit risk of relevant financial instruments had increased significantly since initial recognition.

##### Definition of credit-impaired assets

The standard adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;

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## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 50 Risk Management (continued)

#### (a) Credit risk (continued)

##### *Credit risk measurement* (continued)

##### *Measurement of ECL* (continued)

##### Definition of credit-impaired assets (continued)

- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;
- The debtor leaves any of the principal, advances, interest or investments in corporate bonds of the Group overdue for more than 90 days.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

##### Parameters of ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime. The key measuring parameters of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). Mainly based on the requirements of IFRS 9, the Group takes into account the historical statistics (such as ratings of counterparties, manners of guarantees and types of collateral and repayments) and forward-looking information in order to establish the model of PD, LGD and ECL.

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the result of the credit risk rating of customers, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment.
- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the difference of credit products, and the type of collateral, the LGD varies. The LGD is the percentage of loss of risk exposure after the time of default, based on historical statistics, the loss rate may be different in various economic environments.
- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

##### Forward-looking information

The calculation of ECL involves forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types, such as GDP, CPI, investment in property and equipment.

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 50 Risk Management (continued)

#### (a) Credit risk (continued)

##### *Credit risk measurement* (continued)

##### *Measurement of ECL* (continued)

##### Forward-looking information (continued)

The impact of these economic indicators on the PD and the LGD varies according to different types of business. The Group combined statistic model and experts' judgement in this process, according to the result of model and experts' judgement, the Group predicts these economic indicators on a quarterly basis and determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

In 2022, the key assumptions the Group has taken include the GDP growth rate, the CPI growth rate, the investment in property and equipment growth rate. The GDP growth rate: the predicted value under the base economic scenario during the year of 2023 is 4.6%, the optimistic predicted value is 6.1%, the pessimistic predicted value is 3.1%.

In addition to providing a baseline economic scenario, the Group combines statistic model with experts' judgement to determine the weight of the other possible scenarios. The Group measures the weighted average ECL of 12 months (Stage 1) or lifetime (Stage 2 and Stage 3). The weighted average credit loss above is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

The Group conducts sensitivity analysis on the main economic indicators used in forward-looking information. When the predicted value of the main economic indicators changes by 10%, the difference between the hypothetical expected credit loss and the current expected credit loss measurement does not exceed 5%.

##### Modification of contractual cash flows

A modification or re-negotiation of a contract between the Group and a counterparty may result in a change to the contractual cash flows without resulting in the de-recognition of the financial assets. Such restructuring activities include extended payment term arrangements, repayment schedule modifications and changes to the interest settlement method. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in de-recognition of the original asset and the book value of the financial asset is recalculated and the related gain or loss is included in current profit or loss. The recalculated book value of the financial asset is determined based on the present value of the contractual cash flows following the renegotiation or modification, as calculated using the original effective interest rate of the financial asset.

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## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 50 Risk Management (continued)

## (a) Credit risk (continued)

## (i) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets, including derivative financial instruments. The maximum exposure to credit risk in respect of the statement of financial position items as at the end of the reporting period is disclosed in Note V 53(a).

	31 December 2022				
	Stage 1	Stage 2	Stage 3	N/A	Total
<b>Assets</b>					
Cash and deposits with the central bank	356,426	–	–	–	356,426
Deposits with banks and other financial institutions	32,073	–	–	–	32,073
Placements with banks and other financial institutions	129,845	–	134	–	129,979
Financial assets held under resale agreements	28	–	–	–	28
Loans and advances to customers	3,389,741	90,710	18,900	–	3,499,351
Finance lease receivables	104,043	3,505	464	–	108,012
Financial investments	1,618,886	5,192	17,791	129,863	1,771,732
Others (Note)	21,338	6,539	–	15,730	43,607
<b>Total</b>	<b>5,652,380</b>	<b>105,946</b>	<b>37,289</b>	<b>145,593</b>	<b>5,941,208</b>
	31 December 2021				
	Stage 1	Stage 2	Stage 3	N/A	Total
<b>Assets</b>					
Cash and deposits with the central bank	378,263	–	–	–	378,263
Deposits with banks and other financial institutions	51,189	–	–	–	51,189
Placements with banks and other financial institutions	138,215	–	134	–	138,349
Financial assets held under resale agreements	31,164	–	–	–	31,164
Loans and advances to customers	3,106,200	112,504	20,692	–	3,239,396
Finance lease receivables	106,003	2,858	192	–	109,053
Financial investments	1,436,541	3,519	11,165	68,184	1,519,409
Others (Note)	27,347	5,712	–	13,705	46,764
<b>Total</b>	<b>5,274,922</b>	<b>124,593</b>	<b>32,183</b>	<b>81,889</b>	<b>5,513,587</b>

Note: Others comprise derivative financial assets and assets from wealth management business, deposit margin, interests receivable and other receivables recorded in other assets.

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 50 Risk Management (continued)

#### (a) Credit risk (continued)

##### (ii) Credit rating

The distribution according to the credit quality of amounts due from banks and non-bank financial institutions (including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions) is as follows:

	31 December 2022	31 December 2021
<i>Impaired</i>		
Carrying amount	300	300
Provision for impairment losses	(166)	(166)
Subtotal	134	134
<i>Neither overdue nor impaired</i>		
– grade A to AAA	158,470	209,720
– grade B to BBB	900	1,118
– unrated (Note)	2,576	9,730
Subtotal	161,946	220,568
Total	162,080	220,702

Note: Mainly represent deposits with banks and other financial institutions.

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to Bloomberg Composite, or the major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analysed by the rating agency designations as at the end of the reporting period are as follows:

	31 December 2022	31 December 2021
<i>Impaired</i>		
Carrying amount	27,292	18,814
Provision for impairment losses	(9,501)	(7,649)
Subtotal	17,791	11,165
<i>Neither overdue nor impaired</i>		
<i>Bloomberg Composite</i>		
– grade AAA	5,217	–
– grade AA- to AA+	9,355	3,599
– grade A- to A+	33,794	20,275
– grade lower than A-	26,151	12,790
Subtotal	74,517	36,664
<i>Other agency ratings</i>		
– grade AAA	1,384,698	964,608
– grade AA- to AA+	208,649	310,143
– grade A- to A+	15,561	29,168
– grade lower than A-	6,924	17,619
– unrated	63,592	150,042
Subtotal	1,679,424	1,471,580
Total	1,771,732	1,519,409

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 50 Risk Management (continued)

#### (b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The board of directors is ultimately responsible for monitoring the Group's market risk to ensure that the Group has effectively identified, measured, monitored and controlled all types of market risk. The Risk Management Committee monitors the market risk management process within the scope authorised by the board of directors, which include review and approval of market risk management strategies, policies and procedures as well as the market risk tolerance level recommended by senior management. The Group is primarily exposed to market risk in its treasury business. The Financial Market Department is responsible for the Group's investments and proprietary trading business. The Assets and Liability Management Department is responsible for monitoring and managing the interest rate risk and foreign exchange risk on a daily basis under the banking book. The Risk Management Department is responsible for formulating the market risk management policies and procedures, as well as identifying, measuring and monitoring the Group's market risk.

The Group classified the transactions as the banking book transactions and trading book transactions. The identification, measurement, monitoring and controls over the relevant market risks are based on the nature and characteristics of these books. The trading book transactions consist of the Group's investments which are acquired or incurred primarily for the purpose of selling in the near term, or for the purpose of short-term profit taking. The banking book transactions represent non-trading businesses. Sensitivity analysis, scenario analysis and foreign currency gap analysis are the main tools employed by the Group to measure and monitor the market risk in its trading book transactions. Sensitivity gap analysis, effective duration analysis and scenario simulation analysis are the main tools used by the Group to measure and monitor the market risk of its non-trading businesses.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile with reference to the interest rate risks for different maturities.

Scenario analysis is a multi-factor analysis method which assesses the impact of multiple factors interacting simultaneously, taking into consideration the probabilities of various scenarios.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

Sensitivity gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorising each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 50 Risk Management (continued)

#### (b) Market risk (continued)

Scenario simulation analysis is an important technique for assessing interest rate risk. It simulates and calculates the changes in net interest income (NII) and economic value (EVE) indicators in the following year through multiple conventional scenarios and stress scenarios, including interest rate standard shocks, yield curve shifts and shape changes, historical extreme interest rate changes, customers' execution of embedded options for deposits and loans, etc. The Bank regularly re-examines important customer behavior models such as loan prepayment and deposits from early withdrawals used in scenario simulation analysis.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

#### *Interest rate risk*

The Group is primarily exposed to interest rate risk arising from gap risk, basis risk and trading interest rate risk. The Assets and Liability Management Department and Risk Management Department are responsible for identifying, measuring and monitoring. In terms of measuring and monitoring risks, the Group regularly evaluates the interest rate sensitivity repricing gap of each period and the impact of interest rate changes on the Group's net interest income and economic value. The main purpose of interest rate risk management is to reduce the potential negative impact of interest rate changes on net interest income and economic value.

#### *Gap risk*

Gap risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest rate instruments) or repricing (related to floating interest rate instruments) of assets, liabilities and off-balance sheet items. The mismatch of the repricing timing causes the Group's income or its inherent economic value to vary with the movement in interest rates.

#### *Basis risk*

Basis risk, is caused by interest rates on different pricing basis on the on-and off- balance sheet business of bank books. The risk could be different because the basis risk changes no matter the term is the same or similar.

#### *Trading interest rate risk*

Trading interest rate risk mainly arises from the treasury's investment portfolios. Interest rate risk is monitored using the effective duration analysis method. The Group employs basis point value methods to measure its interest rate sensitivity, which is expressed as changes in the fair value of its investment portfolios given a 1 basis point (0.01%) movement in the interest rates.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 50 Risk Management (continued)

#### (b) Market risk (continued)

##### *Interest rate risk* (continued)

(i) *The following tables indicate the effective interest rates for the respective periods, and the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities of the Group as at the end of the year:*

	31 December 2022						
	Effective interest rate (*)	Total	Non-Interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
<b>Assets</b>							
Cash and deposits with the central bank	1.45%	356,426	14,922	341,504	–	–	–
Deposits with banks and other financial institutions	0.19%	32,073	19	32,054	–	–	–
Placements with banks and other financial institutions	2.56%	129,979	513	47,992	70,779	10,695	–
Financial assets held under resale agreements	1.62%	28	–	28	–	–	–
Loans and advances to customers	4.98%	3,499,351	12,589	2,647,346	756,364	81,450	1,602
Finance lease receivables	5.56%	108,012	1,122	20,983	60,173	19,863	5,871
Financial investments	3.48%	2,046,612	299,498	115,021	243,919	970,807	417,367
Others	N/A	128,029	124,407	1,420	–	–	2,202
<b>Total assets</b>	N/A	6,300,510	453,070	3,206,348	1,131,235	1,082,815	427,042

	31 December 2022						
	Effective interest rate (*)	Total	Non-Interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
<b>Liabilities</b>							
Due to the central bank	2.93%	63,386	272	68	63,046	–	–
Deposits from banks and other financial institutions	2.06%	540,668	927	463,639	76,102	–	–
Placements from banks and other financial institutions	2.28%	188,601	892	106,837	80,872	–	–
Financial assets sold under repurchase agreements	1.63%	92,980	120	89,764	1,548	1,548	–
Deposits from customers	2.30%	3,917,168	76,352	2,161,300	811,022	868,413	81
Debt securities issued	2.62%	875,971	3,354	261,866	422,153	183,598	5,000
Others	N/A	111,723	80,815	29,523	–	1,358	27
<b>Total liabilities</b>	N/A	5,790,497	162,732	3,112,997	1,454,743	1,054,917	5,108
<b>Asset-liability gap</b>	N/A	510,013	290,338	93,351	(323,508)	27,898	421,934



## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 50 Risk Management (continued)

#### (b) Market risk (continued)

##### *Interest rate risk* (continued)

(i) *The following tables indicate the effective interest rates for the respective periods, and the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities of the Group as at the end of the year: (continued)*

	31 December 2021						
	Effective interest rate (*)	Total	Non-Interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
<b>Assets</b>							
Cash and deposits with the central bank	1.47%	378,263	21,046	357,217	-	-	-
Deposits with banks and other financial institutions	0.51%	51,189	27	49,762	1,400	-	-
Placements with banks and other financial institutions	1.72%	138,349	355	92,158	34,543	11,293	-
Financial assets held under resale agreements	2.19%	31,164	2	31,162	-	-	-
Loans and advances to customers	5.11%	3,239,396	12,126	2,456,909	685,895	82,352	2,114
Finance lease receivables	5.81%	109,053	1,223	25,706	55,661	20,253	6,210
Financial investments	3.72%	1,836,016	367,692	125,673	199,395	698,872	444,384
Others	N/A	118,639	115,839	-	-	-	2,800
<b>Total assets</b>	N/A	5,902,069	518,310	3,138,587	976,894	812,770	455,508

	31 December 2021						
	Effective interest rate (*)	Total	Non-Interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
<b>Liabilities</b>							
Due to the central bank	2.99%	101,180	1,037	7,606	92,537	-	-
Deposits from banks and other financial institutions	2.45%	526,259	1,788	425,612	97,417	1,442	-
Placements from banks and other financial institutions	2.02%	179,626	713	90,908	88,005	-	-
Financial assets sold under repurchase agreements	1.78%	80,600	15	76,318	2,336	1,931	-
Deposits from customers	2.22%	3,675,743	62,116	2,002,866	732,266	878,404	91
Debt securities issued	2.92%	763,532	2,959	202,883	503,394	54,296	-
Others	N/A	90,763	79,566	10,884	223	87	3
<b>Total liabilities</b>	N/A	5,417,703	148,194	2,817,077	1,516,178	936,160	94
<b>Asset-liability gap</b>	N/A	484,366	370,116	321,510	(539,284)	(123,390)	455,414

\* *The effective interest rate represents the ratio of interest income/expense to the average interest-bearing assets/liabilities.*

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For the year ended 31 December 2022

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## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 50 Risk Management (continued)

#### (b) Market risk (continued)

##### *Interest rate risk* (continued)

##### (ii) *Interest rate sensitivity analysis*

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity. As at 31 December 2022, assuming other variables remain unchanged, an increase in the estimated interest rate of one hundred basis points will cause the Group's net profit to decrease by RMB2,736 million (31 December 2021: increase by RMB2,177 million), and equity to decrease by RMB12,553 million (31 December 2021: decrease by RMB9,296 million); a decrease in the estimated interest rate of one hundred basis points will cause the Group's net profit to increase by RMB2,908 million (31 December 2021: increase by RMB2,333 million), and equity to increase by RMB13,337 million (31 December 2021: increase by RMB9,855 million).

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualised net profit or loss and equity would have been affected by the repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at the end of the reporting period apply to all derivative and non-derivative financial instruments of the Group;
- An interest rate movement of one hundred basis points is based on the assumption of interest rate movement over the next 12 months;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the portfolio of asset and liability;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by management.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

##### *Foreign currency risk*

The Group's foreign currency risk mainly arises from the foreign currency portfolio within the treasury's proprietary investments, and other foreign currency exposures. The Group manages foreign currency risk by spot and forward foreign exchange transactions, swap transactions and matching its foreign currency denominated assets with corresponding liabilities in the same currencies.

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 50 Risk management (continued)

#### (b) Market risk (continued)

##### *Foreign currency risk* (continued)

The Group's currency exposures as at the end of the year are as follows:

	31 December 2022			
	RMB	US Dollars (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
<b>Assets</b>				
Cash and deposits with the central bank	344,797	7,628	4,001	356,426
Deposits with banks and other financial institutions	14,275	10,286	7,512	32,073
Placements with banks and other financial institutions	99,693	25,085	5,201	129,979
Financial assets held under resale agreements	–	–	28	28
Loans and advances to customers	3,354,625	74,791	69,935	3,499,351
Financial lease receivables	104,687	3,325	–	108,012
Financial investments	1,906,805	105,825	33,982	2,046,612
Others	110,819	15,285	1,925	128,029
<b>Total assets</b>	<b>5,935,701</b>	<b>242,225</b>	<b>122,584</b>	<b>6,300,510</b>
<b>Liabilities</b>				
Due to the central bank	63,386	–	–	63,386
Deposits from banks and other financial institutions	534,696	3,924	2,048	540,668
Placements from banks and other financial institutions	97,935	58,477	32,189	188,601
Financial assets sold under repurchase agreements	74,725	8,343	9,912	92,980
Deposits from customers	3,731,263	153,797	32,108	3,917,168
Debt securities issued	816,898	51,913	7,160	875,971
Others	99,343	9,900	2,480	111,723
<b>Total liabilities</b>	<b>5,418,246</b>	<b>286,354</b>	<b>85,897</b>	<b>5,790,497</b>
<b>Net position</b>	<b>517,455</b>	<b>(44,129)</b>	<b>36,687</b>	<b>510,013</b>
Off-balance sheet credit commitments	1,331,943	34,169	13,312	1,379,424
Derivative financial instruments (Note)	(927)	43,772	(8,031)	34,814

## Notes to the Consolidated Financial Statements

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## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 50 Risk management (continued)

## (b) Market risk (continued)

*Foreign currency risk* (continued)

The Group's currency exposures as at the end of the year are as follows: (continued)

	31 December 2021			
	RMB	US Dollars (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
<b>Assets</b>				
Cash and deposits with the central bank	361,425	14,942	1,896	378,263
Deposits with banks and other financial institutions	17,284	26,377	7,528	51,189
Placements with banks and other financial institutions	84,508	46,782	7,059	138,349
Financial assets held under resale agreements	31,029	–	135	31,164
Loans and advances to customers	3,083,882	93,185	62,329	3,239,396
Finance lease receivables	108,230	823	–	109,053
Financial investments	1,744,976	66,766	24,274	1,836,016
Others	103,446	13,758	1,435	118,639
<b>Total assets</b>	<b>5,534,780</b>	<b>262,633</b>	<b>104,656</b>	<b>5,902,069</b>
<b>Liabilities</b>				
Due to the central bank	101,180	–	–	101,180
Deposits from banks and other financial institutions	524,463	265	1,531	526,259
Placements from banks and other financial institutions	84,283	64,636	30,707	179,626
Financial assets sold under repurchase agreements	72,972	1,828	5,800	80,600
Deposits from customers	3,445,129	199,292	31,322	3,675,743
Debt securities issued	701,662	56,446	5,424	763,532
Others	79,603	9,375	1,785	90,763
<b>Total liabilities</b>	<b>5,009,292</b>	<b>331,842</b>	<b>76,569</b>	<b>5,417,703</b>
<b>Net position</b>	<b>525,488</b>	<b>(69,209)</b>	<b>28,087</b>	<b>484,366</b>
Off-balance sheet credit commitments	1,304,615	49,136	15,853	1,369,604
Derivative financial instruments (Note)	(56,670)	69,135	(24,128)	(11,663)

Note: Derivative financial instruments reflect the net notional amounts of derivatives.

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 50 Risk management (continued)

#### (b) Market risk (continued)

##### *Foreign currency risk* (continued)

The Group conducts a substantial portion of its business in RMB, with certain transactions denominated in USD, HKD and, to a much lesser extent, other currencies. As at the end of the year, the exchange rate changes of the currencies to which the Group had significant exposure are as follows:

	31 December 2022	31 December 2021
Exchange rates against RMB for the HK dollar	0.8914	0.8176
Exchange rates against RMB for the US dollar	6.9509	6.3748

The Group uses sensitivity analysis to measure the potential effect of changes in the Group's exchange rates on the Group's net profit or loss and equity. As at 31 December 2022, assuming other variables remain unchanged, an appreciation of one hundred basis points in the US dollar against the RMB would increase both the Group's net profit and equity by RMB31 million (31 December 2021: increase by RMB5 million); a depreciation of one hundred basis points in the US dollar against the RMB would decrease both the Group's net profit and equity by RMB31 million (31 December 2021: decrease by RMB5 million).

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions:

- The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points' fluctuation in the foreign currency exchange rates (central parity) against RMB;
- At the end of the reporting year, the fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rate movement over the next 12 months;
- Due to the immaterial proportion of the Group's total assets and liabilities denominated in currencies other than US dollars and HK dollars, other foreign currencies are converted into US dollars in the above sensitivity analysis;
- The foreign exchange exposures calculated include spot and forward foreign exchange exposures and swaps;
- Other variables (including interest rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by management.

Due to the assumptions adopted, actual changes in the Group's net profit or loss and equity resulting from the increase or decrease in foreign exchange rates might vary from the estimated results of this sensitivity analysis.

# Notes to the Consolidated Financial Statements

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(Expressed in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 50 Risk management (continued)

#### (b) Market risk (continued)

##### *Price risk*

Price risk mainly comes from equity investments held by the Group and the trading precious metal investments. The Group's risk of commodity or shares price from investment is not significant.

#### (c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to meet repayment obligations or sustain its asset business. In accordance with liquidity policies, the Group monitors the future cash flows and maintains liquid assets of high quality.

The Asset and Liability Management Committee ("ALMC") is responsible for managing the Group's overall liquidity risk. The ALMC, chaired by the President of the Bank, is responsible for the formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- Maintaining liquidity at a stable and sufficient level; establishing integrated liquidity risk management system; ensuring the meeting of liquidity requirements on a timely basis and the payments to various businesses, whether under a normal operating environment or a state of stress; and
- Making timely and reasonable adjustments to capital structure and scale in response to market changes and business developments; achieving the integration of the security, liquidity, and effectiveness of the Bank's funds.

The Asset and Liability Management Department is responsible for executing liquidity risk management policies. It is also responsible for identifying, measuring, monitoring and managing medium and long-term working capital on a regular basis, and for formulating liquidity management strategies. The Asset and Liability Management Department is responsible for monitoring working capital on a daily basis and ensuring the liquidity. Significant disbursement or portfolio changes must be reported to the ALMC on a timely basis.

The Group mainly applies liquidity gap analysis to measure liquidity risk. The Group will continue to focus on limit monitoring and dynamic control, and apply different scenario stress tests to assess the impacts from liquidity risks and develop effective contingency plans to respond to various possible liquidity risks.

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 50 Risk management (continued)

#### (c) Liquidity risk (continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the year:

	31 December 2022							
	Overdue/ indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
<b>Assets</b>								
Cash and deposits with the central bank	285,122	71,304	-	-	-	-	-	356,426
Deposits with banks and other financial institutions	-	29,321	269	2,231	80	-	172	32,073
Placements with banks and other financial institutions	134	-	37,301	10,778	70,999	10,767	-	129,979
Financial asset held under resale agreements	-	-	28	-	-	-	-	28
Loans and advances to customers	50,072	435,712	165,707	218,479	935,429	834,213	859,739	3,499,351
Finance lease receivables	33	46	4,371	5,486	23,607	67,841	6,628	108,012
Financial investments	25,405	216,233	35,753	53,166	268,783	1,013,567	433,705	2,046,612
Others	81,666	28,432	2,098	4,564	5,309	3,492	2,468	128,029
<b>Total assets</b>	<b>442,432</b>	<b>781,048</b>	<b>245,527</b>	<b>294,704</b>	<b>1,304,207</b>	<b>1,929,880</b>	<b>1,302,712</b>	<b>6,300,510</b>
	31 December 2022							
	Overdue/ indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
<b>Liabilities</b>								
Due to the central bank	-	-	25	71	63,290	-	-	63,386
Deposits from banks and other financial institutions	-	274,073	57,135	133,346	76,114	-	-	540,668
Placements from banks and other financial institutions	-	6	64,023	43,183	81,389	-	-	188,601
Financial assets sold under repurchase agreements	-	-	82,059	7,820	1,550	1,551	-	92,980
Deposits from customers	-	1,382,165	318,146	364,756	830,288	1,021,718	95	3,917,168
Debt securities issued	-	-	13,069	243,628	426,169	188,105	5,000	875,971
Others	-	59,873	3,013	5,312	8,015	30,022	5,488	111,723
<b>Total liabilities</b>	<b>-</b>	<b>1,716,117</b>	<b>537,470</b>	<b>798,116</b>	<b>1,486,815</b>	<b>1,241,396</b>	<b>10,583</b>	<b>5,790,497</b>
<b>Net position</b>	<b>442,432</b>	<b>(935,069)</b>	<b>(291,943)</b>	<b>(503,412)</b>	<b>(182,608)</b>	<b>688,484</b>	<b>1,292,129</b>	<b>510,013</b>
Notional amount of derivative financial instruments	-	-	235,347	218,141	574,524	699,711	2,035	1,729,758

# Notes to the Consolidated Financial Statements

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## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 50 Risk management (continued)

#### (c) Liquidity risk (continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the year: (continued)

	31 December 2021							Total
	Overdue/ indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
<b>Assets</b>								
Cash and deposits with the central bank	283,955	94,308	-	-	-	-	-	378,263
Deposits with banks and other financial institutions	-	47,360	566	1,863	1,400	-	-	51,189
Placements with banks and other financial institutions	134	-	57,707	34,529	34,635	11,344	-	138,349
Financial asset held under resale agreements	-	-	31,164	-	-	-	-	31,164
Loans and advances to customers	40,247	424,929	138,685	204,972	848,399	758,453	823,711	3,239,396
Finance lease receivables	35	163	3,838	5,530	21,367	70,938	7,182	109,053
Financial investments	25,339	257,058	36,931	60,363	219,216	756,178	480,931	1,836,016
Others	68,841	33,293	1,980	1,797	2,715	7,197	2,816	118,639
<b>Total assets</b>	<b>418,551</b>	<b>857,111</b>	<b>270,871</b>	<b>309,054</b>	<b>1,127,732</b>	<b>1,604,110</b>	<b>1,314,640</b>	<b>5,902,069</b>

	31 December 2021							Total
	Overdue/ indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
<b>Liabilities</b>								
Due to the central bank	-	-	2	7,802	93,376	-	-	101,180
Deposits from banks and other financial institutions	-	195,213	81,904	149,184	98,516	1,442	-	526,259
Placements from banks and other financial institutions	-	6	48,460	42,837	88,323	-	-	179,626
Financial assets sold under repurchase agreements	-	-	73,810	2,520	2,338	1,932	-	80,600
Deposits from customers	-	1,428,708	242,027	369,592	713,016	891,849	30,551	3,675,743
Debt securities issued	-	-	37,863	129,319	511,269	85,081	-	763,532
Others	-	49,395	3,413	2,537	5,896	23,195	6,327	90,763
<b>Total liabilities</b>	<b>-</b>	<b>1,673,322</b>	<b>487,479</b>	<b>703,791</b>	<b>1,512,734</b>	<b>1,003,499</b>	<b>36,878</b>	<b>5,417,703</b>
<b>Net position</b>	<b>418,551</b>	<b>(816,211)</b>	<b>(216,608)</b>	<b>(394,737)</b>	<b>(385,002)</b>	<b>600,611</b>	<b>1,277,762</b>	<b>484,366</b>
Notional amount of derivative financial instruments	-	-	383,509	239,565	438,142	820,304	1,848	1,883,368



## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 50 Risk management (continued)

#### (c) Liquidity risk (continued)

The following tables provide an analysis of the contractual undiscounted cash flows of the financial liabilities at the end of the year:

	31 December 2022							
	Carrying amount	Contractual undiscounted cash flows	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
<b>Non-derivative financial liabilities</b>								
Due to the central bank	63,386	64,799	-	25	72	64,702	-	-
Deposits from banks and other financial institutions	540,668	543,019	274,209	57,357	134,598	76,855	-	-
Placements from banks and other financial institutions	188,601	190,663	6	64,091	43,520	83,046	-	-
Financial assets sold under repurchase agreements	92,980	93,084	-	82,102	7,863	1,566	1,553	-
Deposits from customers	3,917,168	3,978,082	1,382,165	324,008	376,136	862,226	1,033,433	114
Debt securities issued	875,971	904,053	-	13,211	251,786	433,688	199,530	5,838
Other financial liabilities	65,432	70,298	28,111	354	2,711	2,872	28,620	7,630
<b>Total non-derivative financial liabilities</b>	<b>5,744,206</b>	<b>5,843,998</b>	<b>1,684,491</b>	<b>541,148</b>	<b>816,686</b>	<b>1,524,955</b>	<b>1,263,136</b>	<b>13,582</b>
<b>Derivative financial liabilities</b>								
Derivative financial instruments settled on net basis		748	-	13	(2)	378	97	262
Derivative financial instruments settled on gross basis								
- Cash inflow		681,857	-	213,796	162,785	300,364	4,912	-
- Cash outflow		(489,327)	-	(106,413)	(128,164)	(249,837)	(4,913)	-
<b>Total derivative financial liabilities</b>		<b>192,530</b>	<b>-</b>	<b>107,383</b>	<b>34,621</b>	<b>50,527</b>	<b>(1)</b>	<b>-</b>

# Notes to the Consolidated Financial Statements

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(Expressed in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 50 Risk management (continued)

#### (c) Liquidity risk (continued)

The following tables provide an analysis of the contractual undiscounted cash flows of financial liabilities at the end of the year: (continued)

	31 December 2021							
	Carrying amount	Contractual undiscounted cash flows	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
<b>Non-derivative financial liabilities</b>								
Due to the central bank	101,180	103,136	-	2	7,832	95,302	-	-
Deposits from banks and other financial institutions	526,259	529,293	195,668	82,009	150,733	99,439	1,444	-
Placements from banks and other financial institutions	179,626	181,293	6	48,505	43,129	89,653	-	-
Financial assets sold under repurchase agreements	80,600	82,195	-	75,391	2,523	2,344	1,937	-
Deposits from customers	3,675,743	3,747,415	1,428,709	245,370	373,963	731,797	937,005	30,571
Debt securities issued	763,532	790,079	-	38,466	136,112	518,738	96,763	-
Other financial liabilities	51,901	54,609	23,912	1,644	669	3,417	17,346	7,621
<b>Total non-derivative financial liabilities</b>	<b>5,378,841</b>	<b>5,488,020</b>	<b>1,648,295</b>	<b>491,387</b>	<b>714,961</b>	<b>1,540,690</b>	<b>1,054,495</b>	<b>38,192</b>
<b>Derivative financial liabilities</b>								
Derivative financial instruments settled on net basis		433	-	47	(7)	62	329	2
Derivative financial instruments settled on gross basis								
- Cash inflow		835,750	-	355,824	192,172	274,567	13,187	-
- Cash outflow		(691,673)	-	(253,563)	(164,043)	(260,875)	(13,192)	-
<b>Total derivative financial liabilities</b>		<b>144,077</b>	<b>-</b>	<b>102,261</b>	<b>28,129</b>	<b>13,692</b>	<b>(5)</b>	<b>-</b>

This analysis of the financial instruments by contractual undiscounted cash flows might diverge from actual results.

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 50 Risk management (continued)

#### (c) Liquidity risk (continued)

The following tables provide an analysis of off-balance sheet assets of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the year:

	31 December 2022			Total
	Within one year	Between one year and five years	More than five years	
Loan and credit card commitments	365,068	540	1,520	367,128
Guarantees, acceptances and other credit commitments	964,754	46,456	1,086	1,012,296
<b>Total</b>	<b>1,329,822</b>	<b>46,996</b>	<b>2,606</b>	<b>1,379,424</b>

	31 December 2021			Total
	Within one year	Between one year and five years	More than five years	
Loan and credit card commitments	357,503	957	2,925	361,385
Guarantees, acceptances and other credit commitments	962,529	44,584	1,106	1,008,219
<b>Total</b>	<b>1,320,032</b>	<b>45,541</b>	<b>4,031</b>	<b>1,369,604</b>

#### (d) Operational risk

Operational risk refers to the risk of losses associated with internal processes deficiencies, personnel mistakes and information system failures, or impacts from other external events.

The Group establishes a framework of an operational risk management system to identify, assess, control, manage and report operational risk. The framework covers all business functions ranging from corporate banking, retail banking, trading, corporate finance, settlement, intermediary business, asset management and all supporting functions, including human resource management, financial management, legal affairs, anti-money laundering and administration management. The key elements of the framework are listed as follows:

- A multi-level operational risk management framework with segregation of duties between front and back offices under the leadership of senior management;
- A series of operational risk management policies covering all businesses on the basis of core operational risk management policy;
- A set of standard operational procedures covering all products and services, which is practical, traceable and can be re-performed, investigated and remedied;

# Notes to the Consolidated Financial Statements

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## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 50 Risk management (continued)

#### (d) Operational risk (continued)

- A series of operational risk management tools, including Risk Control Self-Assessment (RCSA), Key Risk Index (KRI), Loss Event Collection and IT system monitoring;
- An operational risk management culture, the core values of the culture is that effective risk management could create value. It is supported with a team of operational risk management professionals across all branches, businesses and functions;
- An evaluation system on the operational risk management as well as an inquiry and disciplinary system on the non-compliance issues; and
- An independent risk assessment framework based on the internal audit and the compliance review.

### 51 Fair value

#### (a) Methods and assumptions for measurement of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

##### (i) Debt securities and equity investments

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period. The fair values of unlisted equity investments are estimated using comparable firm approach, after adjustment for the specific circumstances of the issuers.

##### (ii) Receivables and other non-derivative financial assets

Fair values are estimated as the present values of the future cash flows, discounted at the market interest rates at the end of the year.

##### (iii) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on their quoted market prices at the end of the reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the year.

##### (iv) Derivative financial instruments

The fair values of foreign currency forward and swap contracts are determined by the difference between the present values of the forward prices and the contractual prices at the end of the reporting period, or are based on quoted market prices. The fair values of interest rate swaps are estimated as the present value of estimated future cash flows. The yield curve is based on the optimised price between the broker's quoted price and Thomson Reuters' quoted price.

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 51 Fair value (continued)

#### (b) Fair value measurement

##### (i) Financial assets

The Group's financial assets mainly consist of cash and deposits with the central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, derivative financial assets, financial assets held under resale agreements, loans and advances to customers, finance lease receivables and financial investments.

Cash and deposits with the central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets held under resale agreements are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers measured at amortised cost, finance lease receivables and financial investments measured at amortised cost, except for bond investments and asset-backed securities, are mostly priced at floating interest rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values.

Financial assets at fair value through profit or loss, debt instruments at fair value through other comprehensive income, and equity instruments at fair value through other comprehensive income presented at fair value.

##### (ii) Financial liabilities

The Group's financial liabilities mainly include deposits from banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements, deposits from customers, due to the central bank and debt securities issued. Except the debt securities issued, the carrying amounts of other financial liabilities approximate their fair values.

Financial liabilities at fair value through profit or loss and derivative financial liabilities presented at fair value.

The tables below summarise the carrying amounts and fair values of "debt securities and asset-backed instruments measured at amortised cost", and "debt securities issued" not presented at fair value at the end of year:

	Carrying value		Fair value	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
<b>Financial assets</b>				
Debt securities and asset-backed instruments measured at amortised cost	1,118,734	991,472	1,135,161	1,003,770
<b>Financial liabilities</b>				
Debt securities issued	875,971	763,532	859,788	751,799

# Notes to the Consolidated Financial Statements

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(Expressed in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 51 Fair value (continued)

#### (b) Fair value measurement (continued)

##### (ii) *Financial liabilities* (continued)

Debt securities and asset-backed instruments measured at amortised cost are based on market prices or broker/dealer price quotations. Where this information is not available, the Bank will perform valuation by referring to prices from valuation service providers or on the basis of discounted cash flows models. Valuation parameters include market interest rates, expected future default rates, prepayment rates and market liquidity. The fair values of RMB bonds are mainly determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd..

The fair values of debt securities issued are calculated based on quoted market prices. For those bonds where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

#### (c) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value in the statement of financial position across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The definitions of three levels are as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. prices) or indirectly (i.e. derived from prices). This level includes bonds and a majority of OTC derivative contracts. Input parameters like ChinaBond interbank yield curves or LIBOR yield curves are sourced from ChinaBond, Bloomberg, Thomson Reuters and Shanghai Clearing House.

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs). This level includes complicated unlisted equity and derivative contracts with one or more than one significant unobservable component.

This hierarchy requires the use of observable open market data wherever possible. The Group tries its best to consider relevant and observable market prices in valuations.

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is with reference to another instrument that is substantially the same.

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 51 Fair value (continued)

## (c) Fair value hierarchy (continued)

*Assets and liabilities measured at fair value*

	31 December 2022			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
<i>Derivative financial assets</i>				
– Currency derivatives	–	10,961	–	10,961
– Interest rate derivatives	1	4,768	–	4,769
<i>Loan and advances to customers</i>	–	214,253	–	214,253
<i>Financial assets at fair value through profit or loss</i>				
– Debt instruments held for trading	1,287	108,098	255	109,640
– Other financial assets at fair value through profit or loss	217,137	69,144	7,696	293,977
<i>Debt instruments at fair value through other comprehensive income</i>	56,292	393,240	64	449,596
<i>Equity instruments at fair value through other comprehensive income</i>	24	–	1,102	1,126
Total	274,741	800,464	9,117	1,084,322
<b>Liabilities</b>				
<i>Financial liabilities at fair value through profit or loss</i>	27	–	–	27
<i>Derivative financial liabilities</i>				
– Currency derivatives	–	9,743	–	9,743
– Interest rate derivatives	–	4,518	–	4,518
Total	27	14,261	–	14,288

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## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 51 Fair value (continued)

## (c) Fair value hierarchy (continued)

*Assets and liabilities measured at fair value* (continued)

	31 December 2021			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
<i>Derivative financial assets</i>				
– Currency derivatives	–	7,234	–	7,234
– Interest rate derivatives	–	6,470	–	6,470
– Credit derivatives	–	–	1	1
<i>Loans and advances to customers</i>	–	155,647	–	155,647
<i>Financial assets at fair value through profit or loss</i>				
– Debt instruments held for trading	1,801	48,840	250	50,891
– Other financial assets at fair value through profit or loss	255,932	66,775	10,068	332,775
<i>Debt instruments at fair value through other comprehensive income</i>	56,912	268,716	67	325,695
<i>Equity instruments at fair value through other comprehensive income</i>	23	–	1,102	1,125
<b>Total</b>	<b>314,668</b>	<b>553,682</b>	<b>11,488</b>	<b>879,838</b>
<b>Liabilities</b>				
<i>Financial liabilities at fair value through profit or loss</i>	67	–	–	67
<i>Derivative financial liabilities</i>				
– Currency derivatives	–	6,614	–	6,614
– Credit derivatives	–	6,723	–	6,723
<b>Total</b>	<b>67</b>	<b>13,337</b>	<b>–</b>	<b>13,404</b>



## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 51 Fair value (continued)

#### (c) Fair value hierarchy (continued)

##### *Assets and liabilities measured at fair value* (continued)

The movements during the year ended 31 December 2022 in the balance of Level 3 fair value measurements are as follows:

	Derivative financial assets	Financial assets at fair value through profit or loss	Equity instruments at fair value through other comprehensive income	Debt instruments at fair value through other comprehensive income	Total assets	Derivative financial liabilities	Total liabilities
1 January 2022	1	10,318	1,102	67	11,488	-	-
Total gain or loss:	-	-	-	-	-	-	-
- Recognised in the profit or loss	(1)	(1,237)	-	(3)	(1,241)	-	-
Purchases	-	2,964	-	-	2,964	-	-
Settlements	-	(4,094)	-	-	(4,094)	-	-
31 December 2022	-	7,951	1,102	64	9,117	-	-
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the reporting year	(1)	(1,237)	-	(3)	(1,241)	-	-

The movements during the year ended 31 December 2021 in the balance of Level 3 fair value measurements are as follows:

	Derivative financial assets	Financial assets at fair value through profit or loss	Equity instruments at fair value through other comprehensive income	Debt instruments at fair value through other comprehensive income	Total assets	Derivative financial liabilities	Total liabilities
1 January 2021	2	10,364	852	-	11,218	(2)	(2)
Transferred to level 3	-	250	-	67	317	-	-
Transferred from level 3	-	(634)	-	-	(634)	-	-
Total gain or loss:	-	-	-	-	-	-	-
- Recognised in the profit or loss	-	(489)	-	-	(489)	-	-
Purchases	1	941	250	-	1,192	-	-
Settlements	(2)	(114)	-	-	(116)	2	2
31 December 2021	1	10,318	1,102	67	11,488	-	-
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the reporting year	-	(489)	-	-	(489)	-	-

## Notes to the Consolidated Financial Statements

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(Expressed in millions of Renminbi, unless otherwise stated)

### V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 51 Fair value (continued)

##### (c) Fair value hierarchy (continued)

###### *Financial assets and liabilities not measured at fair value*

The tables below summarise the three levels' fair values of "debt securities and asset-backed instruments measured at amortised cost" and "debt securities issued" not presented at fair value on the statement of financial position:

	31 December 2022			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Debt securities and asset-backed instruments measured at amortised cost	217,623	917,538	–	1,135,161
<b>Financial liabilities</b>				
Debt securities issued	21,583	838,205	–	859,788
	31 December 2021			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Debt securities and asset-backed instruments measured at amortised cost	184,283	819,487	–	1,003,770
<b>Financial liabilities</b>				
Debt securities issued	23,262	728,537	–	751,799

##### (d) Valuation of financial instruments with significant unobservable inputs

Financial instruments valued with significant unobservable inputs are primarily unlisted equity and derivative contracts. These financial instruments are valued using cash flow discount model and market method. The models incorporate various non-observable assumptions such as discount rate and market rate volatilities.

As at 31 December 2022, the carrying amounts of financial instruments valued with significant unobservable inputs were immaterial, and the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were also immaterial.

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 52 Entrusted lending business

The Group provides entrusted lending business services to government agencies, corporations and individuals. All entrusted loans are funded by entrusted funds from these entities and individuals. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustors and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the statement of financial position.

	31 December 2022	31 December 2021
Entrusted loans	92,724	105,138
Entrusted funds	92,724	105,138

### 53 Commitments and contingent liabilities

#### (a) Credit commitments

The Group's credit commitments take the form of approved loans with signed contracts, credit card commitments, bank acceptances, letters of credit and financial guarantees.

The contractual amounts of loans and credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	31 December 2022	31 December 2021
Loan commitments		
– Original contractual maturity within one year	16,007	15,635
– Original contractual maturity more than one year (inclusive)	6,009	7,564
Credit card commitments	345,112	338,186
Subtotal	367,128	361,385
Acceptances	724,330	669,088
Letters of guarantee	116,297	121,565
Letters of credit	171,484	217,381
Guarantees	185	185
Total	1,379,424	1,369,604

The Group may be exposed to credit risk in all the credit businesses above. Group management periodically assesses the estimated credit risk and makes provision for any expected credit losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

## Notes to the Consolidated Financial Statements

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(Expressed in millions of Renminbi, unless otherwise stated)

### V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 53 Commitments and contingent liabilities (continued)

##### (b) Credit risk-weighted amount of credit commitments

	31 December 2022	31 December 2021
Credit risk-weighted amount of credit commitments	418,205	409,233

The credit risk-weighted amount of credit commitments represents the amount calculated with reference to the Regulation Governing Capital of Commercial Banks (Provisional). The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights ranged from 0% to 100% for credit commitments.

##### (c) Capital commitments

As at the end of the year, the Group's authorised capital commitments are as follows:

	31 December 2022	31 December 2021
Contracted but not paid – Purchase of property and equipment	3,939	2,139
Approved but not contracted for – Purchase of property and equipment	5,708	4,530
Total	9,647	6,669

##### (d) Underwriting and redemption commitments

The Group has no unexpired commitments for underwriting bonds as at 31 December 2022.

As an underwriting agent of the PRC government bonds, the Group has the responsibility for buying back those bonds it previously sold should the holders decide to make an early redemption of the bonds held. The redemption price for a bond at any time before its maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payable to the bond holders is calculated in accordance with the relevant MOF and PBOC rules. The redemption price may be different from the fair value of similar financial instruments traded at the redemption date.

As at the end of the year, the underwritten, sold and immature national bonds' redemption commitments at nominal value are as follows:

	31 December 2022	31 December 2021
Redemption commitments	4,320	5,393

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 53 Commitments and contingent liabilities (continued)

#### (e) Outstanding litigations and disputes

As at 31 December 2022, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB1,688 million (31 December 2021: RMB674 million). Provisions have been made for the estimated losses from such litigations based upon the opinions of the Group's internal and external legal counsels (Note V 36). The Group considers that the provisions made are reasonable and adequate.

### 54 Subsequent Events

The Group has no significant subsequent event.

# Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

The information set out below does not form part of the consolidated financial statements, and is included herein for information purposes only.

## 1 LIQUIDITY COVERAGE RATIO, LIQUIDITY RATIO, LEVERAGE RATIO AND NET STABLE FUNDING RATIO

### Liquidity Coverage Ratio

As stipulated by the Rules on Liquidity Risk Management of *Commercial Banks*, commercial banks' liquidity coverage ratio ("LCR") should reach 100% by the end of 2018. During the transition period, the LCR should be no lower than 90%. During the transition period, eligible commercial banks are encouraged to fulfil the requirements in advance, and banks with LCR already reaching 100% are encouraged to continuously maintain it at 100% or above.

	31 December 2022
Liquidity coverage ratio	130.24%
High Quality Liquid Assets	972,725
Net cash outflows in 30 days from the end of the reporting period	746,886

### Liquidity Ratio\*

	As at 31 December 2022	Average for the year ended 31 December 2022	As at 31 December 2021	Average for the year ended 31 December 2021
RMB current assets to RMB current liabilities	74.44%	70.72%	75.58%	67.88%
Foreign current assets to foreign current liabilities	123.89%	136.46%	125.41%	128.12%

\* Liquidity ratio is calculated in accordance with the banking level.

## 1 LIQUIDITY COVERAGE RATIO, LIQUIDITY RATIO, LEVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

### Leverage Ratio

	31 December 2022
Leverage Ratio	6.81%

Pursuant to the Leverage Ratio Management of Commercial Banks which has been effective since 1 April 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the CBIRC and based on the financial information prepared in accordance with PRC GAAP.

### Net Stable Funding Ratio

The net stable fund ratio is designed to ensure that commercial banks have sufficient sources of stable funding to meet the demand for stable funds for various assets and off-balance sheet exposures. The Measures for the Administration of Liquidity Risk of Commercial Banks stipulate that since 1 July 2018, the minimum regulatory standard for the net stable fund ratio is no less than 100%.

The calculation formula of net stable funding ratio is as follows:

Net stable funding ratio = available and stable funds/required stable funds\*100%

As at 31 December 2022, the Group met the supervision requirement with the net stable funding ratio standing at 105.63%.

Indicators	31 December 2022
Available and stable funds	3,632,315
Required stable funds	3,438,630
Net stable funding ratio	105.63%

## Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

### 2 CURRENCY CONCENTRATIONS

	31 December 2022			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	242,225	51,952	70,632	364,809
Spot liabilities	(286,354)	(35,120)	(50,777)	(372,251)
Forward purchases	351,772	2,015	26,327	380,114
Forward sales	(308,000)	(12,136)	(24,237)	(344,373)
Net (short)/long position	(357)	6,711	21,945	28,299
Net structural position	–	201	107	308

	31 December 2021			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	262,633	50,166	54,490	367,289
Spot liabilities	(331,842)	(44,668)	(31,901)	(408,411)
Forward purchases	460,290	5,443	4,393	470,126
Forward sales	(391,155)	(8,186)	(25,778)	(425,119)
Net long/(short) position	(74)	2,755	1,204	3,885
Net structural position	–	110	82	192

The net structural position of the Group includes the structural positions, denominated in foreign currency, of the Bank's Hong Kong, Seoul, Luxembourg, Sydney and Macao branches. Structural assets mainly include property and equipment.

### 3 INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties overseas and claims in foreign currencies on third parties within the Mainland China as international claims.

International claims include loans and advances to customers, deposits with central banks, deposits and placements with banks and other financial institutions and debt investments.



### 3 INTERNATIONAL CLAIMS (CONTINUED)

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	As at 31 December 2022			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	124,453	9,522	85,160	219,135
– of which: attributed to Hong Kong	24,794	4,769	54,965	84,528
Europe	25,259	257	24,536	50,052
North and South America	11,882	25,684	16,069	53,635
<b>Total</b>	<b>161,594</b>	<b>35,463</b>	<b>125,765</b>	<b>322,822</b>

	As at 31 December 2021			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	89,050	6,376	45,153	140,579
– of which: attributed to Hong Kong	31,603	2,244	17,000	50,847
Europe	22,187	–	25,917	48,104
North and South America	22,569	797	16,710	40,076
<b>Total</b>	<b>133,806</b>	<b>7,173</b>	<b>87,780</b>	<b>228,759</b>

### 4 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES

#### (a) By geographical segment

	31 December 2022	31 December 2021
Pearl River Delta	8,542	8,017
Yangtze River Delta	4,589	4,068
Central	4,264	3,579
Northeastern	4,034	5,363
Bohai Rim	3,953	3,869
Western	3,200	2,685
Overseas	1,656	8
Head Office	7,483	8,276
<b>Total</b>	<b>37,721</b>	<b>35,865</b>

The above analysis includes loans and advances overdue for more than 90 days. Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

## Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

### 4 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES (CONTINUED)

#### (b) By overdue day

	31 December 2022	31 December 2021
Gross loans and advances which have been overdue with respect to either principal or interest for periods of:		
– between 3 and 6 months (inclusive)	11,769	10,715
– between 6 months and 1 year (inclusive)	12,454	13,624
– over 1 year	13,498	11,526
<b>Total</b>	<b>37,721</b>	<b>35,865</b>
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.33%	0.32%
– between 6 months and 1 year (inclusive)	0.35%	0.41%
– over 1 year	0.38%	0.35%
<b>Total</b>	<b>1.06%</b>	<b>1.08%</b>

The above analysis includes loans and advances overdue for more than 90 days. Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

#### (c) Collateral of loans and advances past due but not impaired

	31 December 2022	31 December 2021
Covered portion of loans and advances past due but not impaired	10,392	11,643
Uncovered portion of loans and advances past due but not impaired	19,137	17,062
Total loans and advances past due but not impaired	29,529	28,705
Current market value of collateral	22,226	23,474

### 5 NON-BANK MAINLAND CHINA EXPOSURE


The Bank is a commercial bank incorporated in the PRC with its banking business conducted in Mainland China. As at 31 December 2022, substantial amounts of the Group's exposures arose from businesses with Mainland China entities or individuals.

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