中国光大银行
CHINA EVERBRIGHT BANK

Building a First-class Wealth Management Bank

Stock Code: 6818

2021
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 37th Meeting of the Eighth Session of the Board of Directors of the Bank was convened in Beijing on 25 March 2022, at which the *2021 Annual Report* of the Bank was considered and approved. 13 out of 13 Directors attended the meeting in person. Director Mr. Yao Zhongyou was authorized in writing by Vice Chairman of the Board of Directors Mr. Wu Lijun who were unable to attend the meeting due to other work arrangements, to attend the meeting and exercise the voting right on their behalf. 7 Supervisors were present at the meeting as non-voting attendees.

The financial statements of the Bank for the year 2021 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 and the International Standards on Auditing. Both auditors issued standard unqualified auditor's reports.

Mr. Fu Wanjun, Executive Director and President, Mr. Qu Liang, Executive Director and Executive Vice President, Mr. Zhao Ling, Executive Vice President who is in charge of finance, 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.

As proposed by the Board of Directors of the Bank, based on the Bank's share capital of 54,032 million as at the disclosure date of the Report, an ordinary share dividend of RMB2.01 (before tax) for every 10 shares will be paid, with the total cash dividends amounting to RMB10,860 million. As the convertible bonds issued by the Bank are in the conversion period, if the total share capital changes before the equity distribution registration date, the Bank will keep the total amount of cash dividends to be distributed unchanged and accordingly adjust the dividends to be distributed per share. 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
25 March 2022

Contents

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.
China Everbright Group	:	China Everbright Group Ltd.
SSE	:	Shanghai Stock Exchange
SZSE	:	Shenzhen Stock Exchange
HKEX	:	Hong Kong Exchanges and Clearing 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 Ten to 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 President, Executive Vice President in charge of finance 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: Li Xiaopeng
Authorized Representatives: Fu Wanjun, Qu Liang
Secretary to the Board of Directors: Zhao Ling
Joint Company Secretary: Zhao Ling, 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
Facsimile: 86-10-63636713
E-mail: IR@cebbank.com
Investor Hotline: 86-10-63636388
Customer Service/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 Change Records:
1992-1997: 16/F, New Century Hotel Office Building, No. 6 Shoudutiyuguan South Road, Beijing
1997-2011: Everbright Building, No. 6 Fuxingmenwai Street, Xicheng District, Beijing
2011-now: 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 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

vi. Websites and Newspapers Designated for Information Disclosure

Websites designated for publication of A share annual report:
SSE's website: www.sse.com.cn
The Bank's website: www.cebbank.com
Newspapers designated for publication of A share annual report: *China Securities Journal:* www.cs.com.cn, *Shanghai Securities News:* www.cnstock.com, *Securities Times:* www.stcn.com, *Securities Daily:* www.zqrb.cn
Websites designated for publication of H share annual report:
HKEX's website: www.hkex.com.hk
The Bank's website: www.cebbank.com
Copies of 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 Bond: Everbright Convertible Bonds, Code: 113011
H Shares: Hong Kong Exchanges and Clearing Limited (HKEX)
Abbreviated Name: CEB Bank, Code: 6818

viii. Auditors during the Reporting Period

Domestic Auditor: Ernst & Young Hua Ming LLP
Office Address: 16/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: Choi Kam Cheong, Geoffrey

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 HKEX in December 2013 (stock code 6818).

Focusing on the strategic vision of "building a first-class wealth management bank", the Bank has pushed ahead with the transformation towards "agility, technology and ecosphere". Through integrated, characteristic, light-asset and digital development, the Bank has stepped up efforts to optimize its product design, channel development and service models, which not only forged a strong competitive edge in wealth management and fintech, but also built up a sound social image of first-class wealth management bank, with balanced growth of all businesses, improved risk management and enhanced innovation capabilities.

As at the end of the reporting period, in domestic market, the Bank had established 1,304 branches and outlets nationwide, covering all provincial administrative regions and extending its business reach to 150 economic center cities across the country. Centering on wealth management strategy, Everbright Financial Leasing Co., Ltd. strove to build a comprehensive operating platform and asset operation platform for leasing business, Everbright Wealth Management Co., Ltd. focused on asset management and wealth management business, while Beijing Sunshine Consumer Finance Co., Ltd. was engaged in the specialized consumer market. In overseas market, closely following up with the Belt and Road Initiative and expanding its international presence at a faster pace, the Bank put Hong Kong Branch, CEB International Investment Corporation Limited, Seoul Branch, China Everbright Bank (Europe) S.A., Luxembourg Branch and Sydney Branch into operation successively. CEB Tokyo Representative Office was officially opened for operation, and CEB Macao Branch was under preparation. At the same time, the Bank's long-term sponsorship for "Water Cellar for Mothers", a public charity program, demonstrated CEB's ever-growing commitment to its social responsibilities, which was well recognized by the Chinese society. Everbright Cloud Fee Payment, an online convenient inclusive finance service launched by the Bank, focused on people's well-being services and financial scenarios and served hundreds of millions of people. Three Everbright rural banks located in Shaoshan, Huai'an of Jiangsu Province and Ruijin of Jiangxi Province delivered sound results in providing inclusive financial services to rural residents. In 2021, the Bank was ranked 32nd among the "Top 1000 World Banks" according to *The Banker*, up 3 places over the previous year.

Over the years, along with the evolution of Chinese economy and the growth of Chinese financial sector, the Bank managed to improve its brand image and market value continuously. While rendering quality financial services to its customers and the public, it also secured good business performance. Now the Bank is a listed bank with sound compliance and wide influence.

Honors and Awards

1. On 21 January 2021, SSE announced the selection results of “2020 Annual Excellent Institution of Shanghai Stock Exchange Bond Market”, and the Bank won the “Excellent Bond Investment Institution (Proprietary) Award”.

2. On 8 February 2021, Shanghai Clearing House announced the selection results of 2020 excellent institutions in settlement business and centralized clearing business, and the Bank was recognized as “Excellent Clearing Member”.

3. In April 2021, CEB Beijing Branch Fengsheng Sub-branch was conferred the honor of “Pioneer of National Workers” by All-China Federation of Trade Unions.

4. On 9 July 2021, the Bank won the “2021 Best Practice Award of Business Decision AI” at the World Artificial Intelligence Conference 2021 held in Shanghai.

5. On 13 August 2021, the Bank won the “Excellent Retail Bank of the Year” at the 2021 banking industry selection of china.com.cn held by China Internet News Center.

6. On 16 September 2021, the Bank was awarded the “2020 Best Market Maker for RMB Foreign Exchange Swaps” and “2020 Best Foreign Currency Pair Member” at the 2020 interbank foreign exchange selection held by China Foreign Exchange Trade System.

7. On 17 September 2021, the Bank won the “2021 Outstanding Private Bank”, and Everbright Wealth Management Co., Ltd. was selected as the “2021 Outstanding Wealth Management Banking Subsidiary”, and its product “Colorful Sunshine – Orange – Absolute Return Solution” was awarded the “2021 Most Popular Wealth Management Product” at the 2021 China Asset Management Annual Meeting organized by *21st Century Business Herald* and co-hosted by Shanghai Pudong Development Bank.

8. On 24 September 2021, the Bank won the “Top 10 Retail Banking Innovation Award” for its “All-Customer + All-Channel + All-Product” retail digital transformation case, and Everbright Wealth Management Co., Ltd. won the “Top 10 Financial Market Innovation Award” and “Top 10 Wealth Management Innovation Award” at the 2021 results announcement conference of China’s Financial Services Innovation Awards held by *The Chinese Banker*.

9. On 28 September 2021, the Bank was recognized as the “Trustworthy Wealth Management Bank” and “Trustworthy Private Bank” at the 2020-2021 Assets Management Summit & Trustworthy Financial Institution Ceremony organized by the newspaper *The Economic Observer*.

10. On 22 October 2021, Everbright Cloud Payment Technology Co., Ltd., the Bank’s Credit Card, and Beijing Sunshine Consumer Finance Co., Ltd were conferred the “Annual Excellent Fintech Company”, the “Annual Excellent Credit Card Award” and the “Annual Excellent Consumer Finance Company” respectively, at the ceremony of the 12th Golden Tripod Awards organized by *National Business Daily*.

11. On 29 October 2021, the Bank was conferred the "2021 Gamma Awards – Harmonious Investor Relations Bank" and "2021 Outstanding Banking Wealth Management Team" at the "2021 Banking Industry Annual Meeting and Gamma Award Ceremony held by *Securities Times*.

12. In November 2021, Chinese Financial Workers' Union awarded "National Finance May Day Labor Certificate" to Everbright Wealth Management Co., Ltd., CEB Chongqing Branch and CEB Changsha Branch Yuelu Sub-branch, and "National Financial Pioneer" to CEB H.O. E-cloud Banking Services Department and CEB Xiamen Branch banking department.

13. On 2 November 2021, the Bank won the "2021 Wealth Management Bank" and "2021 Asian Bank of Excellent Competitiveness" in the 2021 21st Century Asian Financial Competitiveness Case Study released by the 16th Annual Finance Summit of Asia.

14. On 25 November 2021, the Bank's personal mobile banking, its corporate online banking and the Bank won the "Best Personal Mobile Banking Award", the "Best Corporate Online Banking Award", and the "Best Digital Bank Award" respectively at the 2021 Banking Digital Momentum and Financial Innovation Summit hosted by China Financial Certification Authority (CFCA).

15. In November 2021, China Banking Association issued the *2021 List of 1,000 Civilized and Standardized Service Demonstration Institutions of Banking Outlets*, and 35 outlets of the Bank were among the list.

16. On 15 December 2021, the Bank was awarded the "Best Joint-stock Commercial Bank of the Year" and its "Everbright Cloud Fee Payment" platform was awarded the "2021 Most Influential Convenient Financial Service Platform" at the Gold Medal Award Ceremony of Chinese Financial Institutions – Gold Dragon Award 2021 organized by *Financial News*.

17. On 16 December 2021, the Bank won the "2021 Outstanding Retail Bank Award" at the ceremony of the 19th China's Financial Annual Champion Awards for listed companies and financial institutions held by Hexun.com.

18. On 21 December 2021, the Bank won the "Excellent Underwriter Award" at the 2021 annual working conference of underwriters and market makers of financial bonds convened by China Development Bank.

19. On 24 December 2021, the Bank won the "Outstanding Wealth Management Award", "Outstanding Wealth Management Banking Subsidiary Award" and "Outstanding Financial Brand Marketing Innovation Award", and CEB International Investment Corporation Limited won the "Outstanding Cross-border Asset Management Enterprise Award" at the 10th "GoldenWis" Award Ceremony of Navigation China held by JRJ.com.

20. On 27 December 2021, the Bank's CCTV brand communication case "Role Model of State-owned Enterprises" and the reputation risk management case won the "Annual China Finance Branding Award" and the "Annual Reputation Risk Management Case Award" respectively at the selection of the 4th China Finance Annual Branding Case Competition organized by *China Finance*.

FU Wanjun
President

Message from the President

The year of 2021 marked a monumental milestone in the history of both Communist Party of China (CPC) and the Chinese nation. During the past year, as we solemnly celebrated the centenary of the CPC and witnessed firsthand the realization of the First Centenary Goal, we fully implemented the guiding principles of the 6th Plenary Session of the 19th CPC Central Committee. Taking history as a mirror, we embarked on a new journey to create better future with uplifting spirits and vigorous power.

In the past year, carrying forward the "Spirit of the Ox", we diligently served the people, driven innovative development, and worked tirelessly. Responding to the needs of the country, we fully utilized our capabilities and strained every nerve to serve national strategies and real economy, seeing a significant increase in the medium and long-term loans to advanced manufacturing industry. We expanded both the coverage and scale of our financing support for private enterprises, and met the target of "Two No-less-thans" for green loans and clean energy loans. We took the lead in establishing Rural Revitalization Finance Department and rolled out the rural revitalization service plan, which shows we actively shouldered responsibilities with concrete actions taken in the new journey towards building a modern socialist country in all respects.

In the past year, we consolidated the role of corporate banking as a "ballast stone" in the transformation of wealth management. The number of active corporate customers amounted to 414,000, up 27.35% over the end of the previous year, bringing CEB to the forefront among comparable peers in terms of both increment and growth rate as our customer base became stronger. We advanced integrated operation of commercial banking, investment banking, asset management and transaction banking, and stepped up efforts to develop businesses such as brokerage, M&A, asset-backed securitization and structured financing, thus witnessing continuous growth in Finance Product Aggregate (FPA). We continued to develop the toolkit of transaction banking with a range of services such as payment, settlement, financing and guarantee, leading to a surge in the fee-based business income from transaction banking business. Not only did we win the bid to act as the exclusive bank for military assets managed under the dedicated financial account of central government, but also we became the only joint-stock commercial bank in China to win all the custodian bids for occupational annuity programs.

In the past year, we gave full play to the role of retail banking as an "energizer" in the transformation of wealth management. Our retail AUM exceeded the threshold of RMB2 trillion, up 10.68% over the end of the previous year; operating income from retail banking accounted for 41.33% of the total, up 0.24 percentage point year on year; the scale of wealth management business exceeded RMB1 trillion, up 27.67% over the end of the previous year; retail loans increased by 17.39% over the end of the previous year; agency fee-based business income from retail banking rose by 19.75%; the total number of retail clients exceeded 140 million, placing CEB at the forefront among comparable peers; the combined active monthly users of three CEB Apps including CEB Mobile Banking, Sunshine Life and Cloud Fee Payment exceeded 50 million. In particular, Cloud Fee Payment, the largest open-ended convenient fee payment platform in China, had over 100 million users directly connected to the platform, and it completed fee payments transactions worth over RMB500 billion.

In the past year, we upgraded the role of business coordination as a "propeller" in the transformation of wealth management. We advocated coordination and collaboration across different sectors and business lines. Through coordinated cooperation between corporate banking and retail banking, we expanded projects covering agency payroll, medical insurance and social security services. We continued to deepen collaboration between investment banking and bond underwriting, between investment banking and custody, and between domestic and overseas institutions in cross-border M&A, overseas IPO and overseas bond issue, leading to a growth of nearly 20% year on year in the bank-wide collaboration income. Leveraging on China Everbright Group's advantages in full financial licenses and the Wealth E-SBU's coordinated advantages, we achieved a total volume of over RMB1.8 trillion from business coordination, with operating income from business coordination nearly reaching RMB10 billion and the number of customer migration exceeding 2 million.

Message from the President

In the past year, we enhanced the role of fintech as a “catalyzer” in the transformation of wealth management. We increased tech input and introduced more IT talents with the proportion of IT personnel in total workforce exceeding 5% for the first time. To facilitate tech empowerment, we explored the mode of dispatching IT specialists to corporate banking, retail banking and digital banking departments. Focusing on the concept of “Three News and Three Transformations” (“Three News” refers to new experience, mode and integration, and “Three Transformations” refers to the transformation featured by agility, intelligence, and middle-center operation), we fully leveraged on fintech as the driving force to boost business innovation, strengthen scenario-based service capabilities, promote digital business operation, and accelerate the building of a digital Everbright. As a result, CEB was awarded the Golden Award for Special Innovation in the China Financial Digital Technology Innovation Competition and the second prize of the 1st Fintech Development Award in the financial sector.

As at the end of 2021, CEB’s total assets stood at RMB5.90 trillion, up 9.95% compared with the end of the previous year; operating income reached RMB153,366 million, up 7.40% year on year; net profit attributable to shareholders of the Bank registered RMB43,407 million, up 14.73% year on year. The NPLs, NPL ratio, special-mention loan ratio, and overdue loan ratio were all lowered down while the provision coverage ratio rose up, which demonstrates that the quality of assets not only remained sound but also kept improving. CEB, awarded as the “Best Joint-stock Commercial Bank of the Year” by *Financial News*, was ranked 32nd among the 2021 Top 1000 World Banks by The Banker, up three places from the previous year.

All these achievements are attributable to the following efforts. We have always adhered to the Party leadership; we earnestly renewed our focus on the basics of finance; we firmly hold on to the strategic vision of “building a first-class wealth management bank”; and we proactively facilitated the transformation towards extensive, authentic and new-type wealth management. Through active exploration, relentless practice and diligent work, we not only delivered excellent performance, but also gained competitive edges in the market.

This year 2022 marks the 30th anniversary of the founding of CEB. In the past three decades, the Bank has integrated itself into the national endeavor of reform and opening-up, and blazed a trail by riding on good momentum, rising up to challenges and striving for healthy and strong development, thus making positive contributions to economic and social development. Standing at the new starting point and advancing towards the Second Centenary Goal, the 30-year-old CEB will forge ahead with great vigor and vitality, live up to the expectations of customers and investors, and shoulder the corporate mission of “wealth management and livelihood services”. We will deliver more fruitful outcomes under the guidance of the Leap Development Plan, in a bid to celebrate the opening of the 20th CPC National Congress and write a brand-new chapter in building CEB into a “first-class wealth management bank”!

Summary of Accounting Data and Financial Indicators

I. KEY FINANCIAL DATA AND INDICATORS

Item	2021	2020 (restated)[8]	Change in 2021 over 2020 (%)	2019 (restated)[8]	2018 (restated)[8]	2017
Operating performance (RMB million)						
Net interest income	112,155	110,697	1.32	101,918	78,163	60,950
Net fee and commission income	27,314	24,409	11.90	23,219	19,775	30,774
Operating income	153,366	142,798	7.40	132,989	110,388	92,018
Operating expenses	(45,540)	(40,335)	12.90	(38,466)	(33,707)	(30,802)
Impairment losses on assets	(54,795)	(56,932)	(3.75)	(49,347)	(35,828)	(20,570)
Profit before tax	52,941	45,526	16.29	45,176	40,853	40,646
Net profit	43,639	37,928	15.06	37,450	33,722	31,611
Net profit attributable to shareholders of the Bank	43,407	37,835	14.73	37,359	33,660	31,545
Per share (in RMB)						
Net assets per share attributable to ordinary shareholders of the Bank[1]	6.99	6.45	8.37	6.10	5.55	5.24
Basic earnings per share[2]	0.71	0.68	4.41	0.68	0.61	0.64
Diluted earnings per share[3]	0.65	0.61	6.56	0.62	0.55	0.59
Scale indicators (RMB million)						
Total assets	5,902,069	5,368,163	9.95	4,733,490	4,357,334	4,088,243
Total loans and advances to customers	3,307,304	3,009,482	9.90	2,712,204	2,421,329	2,032,056
Provision for impairment of loans[4]	76,889	75,533	1.80	76,228	67,209	51,238
Total liabilities	5,417,703	4,913,123	10.27	4,347,417	4,034,850	3,782,807
Deposits from customers	3,675,743	3,480,642	5.61	3,017,875	2,571,951	2,272,665
Total equity	484,366	455,040	6.44	386,073	322,484	305,436
Total equity attributable to shareholders of the Bank	482,489	453,470	6.40	384,992	321,493	304,760
Share capital	54,032	54,032	–	52,489	52,489	52,489
Profitability indicators (%)						
Return on average total assets	0.77	0.75	+0.02percentage point	0.82	0.80	0.78
Return on weighted average equity[5]	10.64	10.72	-0.08percentage point	11.77	11.55	12.75
Net interest spread	2.07	2.20	-0.13percentage point	2.18	1.91	1.32
Net interest margin	2.16	2.29	-0.13percentage point	2.31	1.97	1.52
Proportion of fee and commission income in operating income	17.81	17.09	+0.72percentage point	17.46	17.91	33.44
Asset quality indicators (%)						
NPL ratio	1.25	1.38	-0.13percentage point	1.56	1.59	1.59
Provision coverage ratio[6]	187.02	182.71	+4.31percentage points	181.62	176.16	158.18
Provision-to-loan ratio[7]	2.34	2.53	-0.19percentage point	2.83	2.80	2.52

Summary of Accounting Data and Financial Indicators

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 declared to distribute total dividends of the preference shares of RMB2.960 billion (before tax) and interest of non-fixed-term capital bonds of RMB1.840 billion (before tax) for the year of 2021.

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 dilutive potential 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.

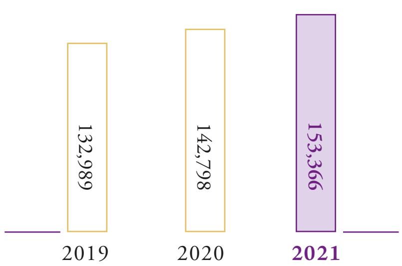
6. Provision coverage ratio = (provision for impairment of loans measured at amortized cost + provision for impairment of loans at fair value through other comprehensive income)/balance of non-performing loans (NPLs).

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.

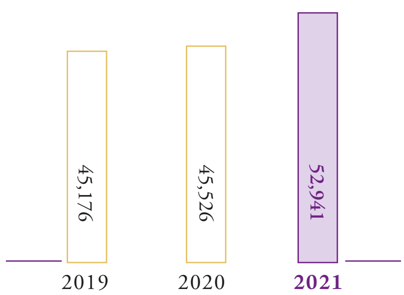
8. Please refer to "Significant Events" for details on a business combination under common control of the Group during the reporting period. The Group made retrospective adjustments to relevant items in the comparative financial statements, adding a "restated" note to the items after retrospective adjustments. The same below.

   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.

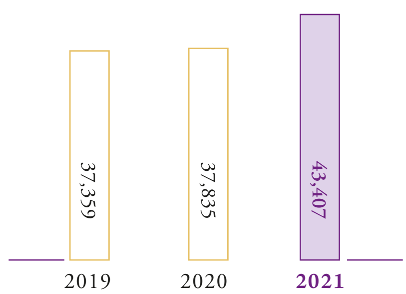
Operating income
Unit: RMB million



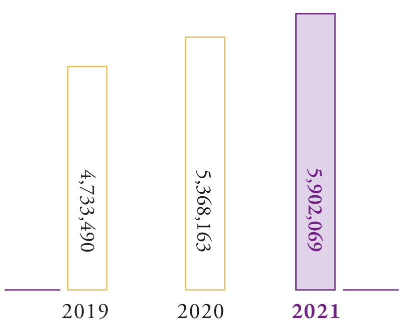
Profit before tax
Unit: RMB million



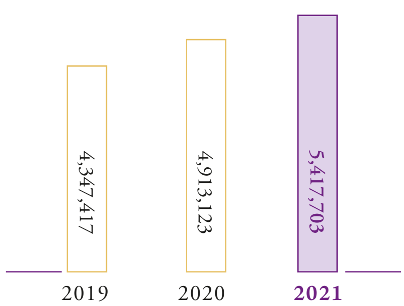
Net profit attributable to equity shareholders of the Bank
Unit: RMB million



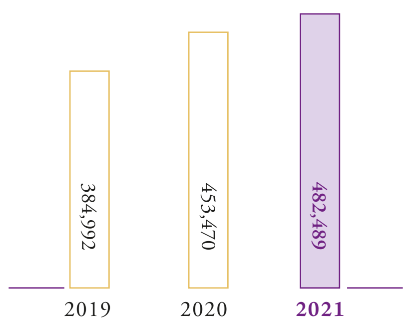
Total assets
Unit: RMB million



Total liabilities
Unit: RMB million



Equity attributable to equity shareholders of the Bank
Unit: RMB million



II. QUARTERLY OPERATING INDICATORS OF THE YEAR

Unit: RMB million

Item	Q1 (restated)	Q2 (restated)	Q3 (restated)	Q4
Operating income	38,798	38,407	39,867	36,294
Net profit attributable to shareholders of the Bank	11,522	10,923	12,640	8,322
Net cash flows from operating activities	(72,208)	(71,000)	(33,856)	64,822

III. SUPPLEMENTARY FINANCIAL INDICATORS

Unit: %

Item		Standard value	31 December 2021	31 December 2020	31 December 2019
Liquidity ratio	RMB	≥25	75.58	66.07	72.63
	Foreign currency	≥25	125.41	127.90	93.29
Percentage of loans to single largest customer		≤10	1.17	2.08	1.86
Percentage of loans to top ten customers		≤50	7.74	8.77	10.91

Note: The above indicators were calculated on non-consolidation 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 2021		31 December 2020		31 December 2019	
	Consolidated[1]	Non-consolidated	Consolidated[1]	Non-consolidated	Consolidated[1]	Non-consolidated
Net capital[2]	562,254	536,269	533,530	510,723	465,505	447,133
Common equity tier-1 capital	378,813	370,359	349,479	343,403	320,793	316,396
Common equity tier-1 capital deductions	(4,021)	(16,893)	(3,457)	(16,407)	(2,930)	(15,299)
Net common equity tier-1 capital[2]	374,792	353,466	346,022	326,996	317,863	301,097
Additional tier-1 capital	105,062	104,899	105,023	104,899	65,002	64,906
Additional tier-1 capital deductions	–	–	–	–	–	–
Net tier-1 capital[2]	479,854	458,365	451,045	431,895	382,865	366,003
Tier-2 capital	82,400	77,904	82,485	78,828	82,640	81,130
Tier-2 capital deductions	–	–	–	–	–	–
Credit risk-weighted assets	3,896,107	3,780,878	3,557,272	3,443,491	3,208,191	3,112,086
Market risk-weighted assets	41,485	41,833	39,705	38,193	38,523	36,770
Operational risk-weighted assets	267,141	258,913	240,512	235,050	209,340	205,952
Total risk-weighted assets	4,204,733	4,081,624	3,837,489	3,716,734	3,456,054	3,354,808
Common equity tier-1 CAR	8.91	8.66	9.02	8.80	9.20	8.98
Tier-1 CAR	11.41	11.23	11.75	11.62	11.08	10.91
CAR	13.37	13.14	13.90	13.74	13.47	13.33

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 at all tiers met the regulatory requirements for systemically important banks.

4. The Bank has disclosed the *2021 Capital Adequacy Ratio Report*. Please refer to the websites of SSE, HKEX 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:

Unit: RMB million, %

Item	31 December 2021	30 September 2021	30 June 2021	31 March 2021
Leverage ratio	7.00	7.15	6.85	7.03
Net tier-1 capital	479,854	471,920	460,402	460,669
Adjusted balance of on- and off-balance-sheet assets	6,857,297	6,601,587	6,719,012	6,556,825

Note: The Group's leverage ratio met the regulatory requirements for 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:

Unit: RMB million, %

Item	31 December 2021	30 September 2021	30 June 2021	31 March 2021
Liquidity coverage ratio	136.39	129.39	144.97	130.24
High quality liquid assets	838,986	771,985	789,952	736,236
Net cash outflow in the next 30 days	615,137	596,635	544,893	565,308

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.

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 2021	30 September 2021	30 June 2021	31 March 2021
Net stable funding ratio	104.94	104.41	104.90	104.16
Available stable funding	3,299,763	3,188,435	3,207,969	3,151,796
Required stable funding	3,144,463	3,053,897	3,058,248	3,025,821

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 Exposure of Commercial Banks* (Decree No. 1 of CBIRC in 2018) are as follows:

Unit: %

Item	31 December 2021		31 December 2020	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Percentage of loan balance of the single largest non-bank customer in net capital	1.17	1.22	2.08	2.18
Percentage of exposures of the single largest non-bank customer in net tier-1 capital	1.31	1.38	1.58	1.65
Percentage of exposures of the single largest non-bank group customer or economically interdependent customer in net tier-1 capital	4.34	4.55	3.69	3.86
Percentage of exposures of the single largest interbank customer in net tier-1 capital	4.04	4.23	6.87	7.18
Percentage of exposures of the single largest interbank group customer in net tier-1 capital	5.02	5.25	7.69	8.00

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

The year 2021 witnessed a sluggish world economic recovery and growth momentum amid more complicated and uncertain international environment with COVID-19 continuing to evolve. Countries around the world highly depended on fiscal and monetary stimulus policies to spur economic growth. Accompanied by more vulnerable finance, high inflationary pressure and continuously growing debt risks, the global economy continued to face downward pressure.

Acting on the general principle of pursuing progress while ensuring stability, the Chinese government applied new development philosophy in a comprehensive way and accelerated the construction of a new development paradigm while coordinating pandemic containment with economic and social growth. As a result, the national economy maintained good growth momentum, and the fundamentals characterized by strong resilience, long-term sustainability and high-quality growth remained unchanged.

PBOC stepped up its efforts in the cross-cyclical adjustment of macroeconomic policies and maintained consistent, stable and sustainable prudent monetary policy, providing strong support for pandemic containment and the growth of the real economy. The stabilizer function of macroeconomic policies was fully unleashed with productive results of Loan Prime Rate reform, more efficient transmission of monetary policies, steadily dropping of lending rates and stable RMB exchange rate featuring stronger resilience from two-way fluctuations.

CBIRC vigorously encouraged financial institutions to serve the real economy and implement the tasks aimed to ensure stability on six key fronts (including employment, financial operations, foreign trade, foreign investment, domestic investment, and expectations) and maintain security in six key areas (including job, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments). It also encouraged financial institutions to increase support for advanced manufacturing and strategic emerging industries and make a major push to develop inclusive finance and green finance, in order to drive high-quality economic growth with both RMB loans and insurance funds growing in a reasonable way. CBIRC made great efforts to forestall and defuse financial risks to strictly ensure no systemic risk occurred, continued to deepen reform and opening-up of the financial sector, and improved modern financial regulatory system, thus enhancing adaptability, competitiveness and inclusiveness of the financial system.

II. INDUSTRY LANDSCAPE AND STATUS OF THE BANK

In 2021, China's banking industry embraced a new stage of development and actively responded to new changes by guaranteeing financial services to support the steady recovery of the national economy. On one hand, banks optimized their credit structure, and vigorously supported the development of key areas and weak links such as manufacturing industry, green finance, and micro and small enterprises, facilitating the transformation and development of the real economy. They also deepened supply-side structural reform of the financial sector and guarded against and defused financial risks. Therefore, sound operating conditions were secured in general, the size of assets and liabilities was expanded steadily, and profits gradually increased. Moreover, banks improved their corporate governance mechanism, with risk-specific policies implemented to gradually defuse existing risks. By promoting the integration of finance and technology, they continued to enhance the capability of online services and significantly pushed forward digital, intelligent and intensive operation.

In 2021, new regulations and industrial policies carried out by the regulatory authorities had a certain impact on commercial banks. Specifically, the implementation of the *Ancillary Regulatory Provision for Systemically Important Banks (Trial)* and new regulations on capital management made it more difficult for banks to manage their capital and assets and liabilities.

The Bank remained committed to making progress amid stability, seeking opportunities amongst changes and pursuing innovation during progress. 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. It fully implemented national strategies, and fulfilled its responsibilities as a central enterprise, with its manufacturing loans, green loans, inclusive loans, agriculture-related loans, loans to private enterprises to growing faster than the average level of its total loans. It stepped up its wealth management bank building endeavors via coordination and cooperation within the Group and strengthened fintech-driven development, so as to give full play to its wealth management advantages and enhance its brand effect. It further reformed its systems and mechanisms on all fronts, strictly forestalled various risks, and enhanced the capability of high-quality development.

III. DEVELOPMENT STRATEGY OF THE BANK

i. Strategic vision

Committed to creating greater value for shareholders, customers, employees and the society, the Bank regards "building itself into a first-class wealth management bank" as its strategic vision.

ii. Strategy connotations

Being a resolute implementer of national strategies, the Bank proactively serves and integrated itself into the new development pattern. Leveraging on China Everbright Group's advantages in full range of financial licenses, collaboration between finance and industry, and between Hong Kong SAR and Chinese mainland, the Bank strengthens intra-group coordination, advances innovation-driven development, and fosters its advantages in wealth management.

The Bank aims to build itself into a wealth management bank that is characteristic of extensive, authentic and new-type wealth management. "Extensive" refers to providing a full range of financial products and services of all kinds via a large open platform to meet increasingly diversified demands of a wider customer base. "Authentic" means adapting to the trends of wealth management development by combining enterprise business operations and residents' consumption scenarios, in order to better the serve real economy and people's well-being. "New" refers to promoting product innovation and developing business model driven by fintech, so as to provide customers with better-quality and more convenient digital services and experience.

iii. Development strategy

During the reporting period, the Bank laid down the *2021-2025 Rolling Strategic Plan*, according to which, the "Leap Development Plan" will be implemented in 2021-2022 in order to enhance the Bank's feature in wealth management and further the Bank's operation and development to a new higher level.

First, the Bank aims to achieve leap development in profitability. The Bank will strengthen the concept of capital constraint, optimize business structure, and improve risk management and pricing capability, to promote endogenous growth of its capital.

Second, the Bank aims to achieve leap development in business scale. The Bank will pursue high-quality development by innovating products and optimizing services, consolidate corporate banking business, accelerate retail banking transformation, and give play to its advantages in financial market business, thereby expanding the Bank's market share.

Third, the Bank aims to achieve leap development in featured wealth management. The Bank will devote greater efforts in channel combination, customer operation, product marketing and procedure management, strengthen wealth integration and utilization capability for corporate customers, improve wealth preservation and appreciation capability for retail customers, and promote the building of wealth management V3.0.

Fourth, the Bank aims to achieve leap development in customer base. The Bank will enlarge the size of corporate customers by building platforms, expanding channels and strengthening coordination. It will enrich financial service scenarios through public-private sector business linkage, "debit card+credit card" linkage, collaborative migration and cross-selling, to explore the potential of the retail customer base.

Fifth, the Bank aims to achieve leap development in risk management and control. The Bank will optimize the five systems of strategic management and control, business management, incentives and constraints, sci-tech innovation and corporate culture, so as to boost governance capacity, enhance overall management of asset quality, and strictly forestall various risks.

iv. Strategy implementation

During the reporting period, the Bank focused on the optimization of resource allocation and promoted the implementation of "Leap Development Plan", thus significantly enhancing its profitability, achieving a rapid growth of business scale, highlighting its business features, consolidating its customer base and maintaining sound asset quality. All these achievements marked a major step forward for its leap development in five aspects.

1. Rooted in the real economy, the Bank enhanced its profitability. The Bank was committed to serving the real economy, and leveraging its strengths as a "national financial team" to support manufacturing industry, private sector, inclusive finance, green finance and rural revitalization. It actively expanded the scale of retail loans, optimized the allocation and pricing strategies of corporate assets, created a coordinated system connecting financial market sector with corporate banking business and custody services, so as to upgrade business model.

2. The Bank improved both the scale and quality, enhancing the quality of its deposits. With the development orientation of "improvement both in quality and scale", the Bank dynamically optimized its strategies in the operation and scale and quality management of its deposits, and clearly specified the goal of optimizing deposit cost. It drove the growth of liability through bond underwriting, payroll payment agency, settlement, custody and other businesses, and increased the stable deposits from the industrial chain of central enterprises and local industrial clusters. It increased the transaction volume on three online platforms, namely CEB Mobile Banking, Sunshine Life and Cloud Fee Payment, promoting the high-quality development of liability business.

3. The Bank promoted structural transformation to highlight its operation features. The Bank continued to foster its wealth management features, actively developed its Cloud Fee Payment platform, and strengthened the building of scenario ecosystem, boosting the development of fee-based business. By establishing open platforms to provide all sorts of financial products and services, the Bank met diversified financial needs of customers and obtain leap development in green fee-based income.

4. The Bank focused on customer operation to consolidate customer base. Under the "tiered, centralized and professional" marketing pattern, the Bank achieved a comprehensive increase in its seven financial customer groups and provided better services for customers. Retail finance regarded "tiered classification, data-driven, channel coordination, transaction conversion" as its core, and promoted the construction of unified operation system of retail customers, so as to comprehensively elevate the value contributions of customers. It improved the communication mechanism of FI customers, and established online and offline multi-tiered communication channels to introduce interbank customers in batch.

5. The Bank strengthened risk control and safeguarded the bottom line of risks. The Bank enhanced risk early warning capability and disposal capability of non-performing assets, cleaned up existing non-performing assets and strictly controlled the increase of non-performing assets. It sped up the establishment of risk management systems and mechanisms, adopted the risk manager dispatching mechanism and the risk embedding mechanism, and established a performance assessment mechanism for risk-related departments in branches. Moreover, it strengthened "early identification and compulsory response" to major risk projects and took multiple measures to deepen risk management and control.

IV. ANALYSIS ON CORE COMPETITIVENESS OF THE BANK

First, the Bank has distinguished background of shareholders engaged in diversified operation and coordinated development of both finance and industry with a full range of financial licenses. Controlling shareholder China Everbright Group is a large financial holding group directly under the administration of the central government, and also one of the Fortune Global 500 companies. Its business scope encompasses financial services and non-financial industries including environment, tourism, health and high-tech. With a global presence, especially in Hong Kong SAR and Chinese mainland, relying on the platform of China Everbright Group, the Bank could provide a full package of financial services and promote the coordinated development of finance and industry.

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, Auto Full Pass, Forfaiting Blockchain, Sunshine E-loan, Sunshine Salary Loan and Sunshine Exchange Gain.

Third, the Bank has an outstanding innovative gene. The Bank was established in the trends of competitive financial market in China, and grew stronger through exploration and innovation. Inspired by innovation awareness, it became the first bank that launched the RMB wealth management products, the first to be fully-licensed for running the national treasury business on an agency basis, and one of the first banks obtaining 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, launched and developed Wealth E-SBU, and achieved remarkable innovation results.

Fourth, the Bank has some business advantages. Devoting itself to building a first-class wealth management bank, the Bank has obtained strong comparative advantages in wealth management business. Its investment banking business as the pioneer in the industry is able to provide corporate customers with comprehensive investment banking services. Its digital banking business has focused on building an open service system by opening its platforms, which has developed into an industry-leading business model. Its financial market business maintained stable and compliant operation, and its trading strategies were highly recognized by the market. In addition, the Bank keeps improving its capabilities for value creation and high-quality development in retail business, which makes positive contributions to the stable and sustainable development of the Bank.

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

Sixth, the Bank promotes development driven by technological innovation. The Bank continues to 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. In the future, the Bank will keep investing more in technologies, improve technological governance, and enhance basic technological capabilities to empower business development.

V. REVIEW OF MAIN WORK OF THE BANK

i. Undertaking new responsibilities in serving national strategies

The Bank actively served the real economy and supported major national strategic areas such as the Beijing-Tianjin-Hebei region, the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area. It granted more medium- and long-term loans to the manufacturing sector and more loans to private enterprises, and allowed micro and small enterprises, individual owned businesses and micro and small enterprises owners to postpone the repayment of principal and interest in stages. It also vigorously developed inclusive finance, the growth rate of which is higher than that of other loans, and weighted average interest rates of newly granted loans decreased. Besides, the Bank launched the service brand of comprehensive finance for rural revitalization and issued the *Plan on Comprehensive Financial Services for Rural Revitalization*, so as to increase loans granted to agricultural-related fields and targeted poverty alleviation. Regarding the efforts to promote green finance, the Bank supported the development of green economy, low-carbon economy and circular economy, strengthened the identification of environmental and climate risks, and facilitated the adjustments of credit structure toward green development.

ii. Achieving fruitful results in promoting "Leap Development Plan"

Profitability of the Bank kept increasing. Specifically, the Bank's business scale, operating income and net profit maintained steady growth, and return on equity, net interest margin and per capita net profit all outperformed the targets set in the Leap Development Plan. The Bank consolidated customer base by promoting the establishment of a tiered, centralized and professionalized marketing pattern for corporate banking to significantly increase the number of active customers. Adhering to the concept of centering on customers, it deepened the marketing pattern of serving retail customers based on different tiers and groups, and the number of customers exceeded 140 million. Besides, the number of monthly active users of CEB Mobile Banking, Cloud Fee Payment and Sunshine Life App surpassed 50 million. Due to its intensified risk management and control, both the balance and ratio of non-performing loans decreased and provision coverage ratio increased. The Bank properly handled the risk of large customers and reduced the existing assets of wealth management. It strengthened the research on industry risks and promoted risk early warning mechanisms as well as the intelligent transformation of post-lending management.

iii. Making new breakthroughs in the transformation of wealth management

Retail AUM totaled RMB2,122,467 million, an increase of 10.68% from the end of the previous year. The scale of wealth management and retail credit increased significantly, the volume of agency mutual funds exceeded RMB100 billion, and the scale and proportion of net value-based agency privately-offered funds increased remarkably. In addition, the Bank became the exclusive custodian bank for military asset management under the central budget, and the only joint-stock commercial bank to win the bid to cooperate with organizations and units regarding preferential treatment certification for ex-servicemen and other entitled groups and win all custodian bids for the occupational annuity program. The Cloud Fee Payment offered a total of 12,300 service items and served 565 million active users, among which more than 100 million were directly-linked users. Leveraging on the synergy advantage, the Bank achieved continuous growth in E-SBU collaboration business volume within the Group, collaborative operating income and customer migration. It established a digital scenario operation system in a coordinated manner, created pilot mechanisms on outlet-specific scenarios and added 9 scaled scenarios.

iv. Releasing new vitality by deepening reforms in all respects

The Bank deepened the reform of organizational management system and established the Retail Credit Department to adapt to market changes. It took the lead among peers in setting up the Rural Revitalization Finance Department to promote the development of agriculture-related businesses. It established the organizational and structural management system, embedding risk management and dispatching technology personnel. It piloted a risk management-embedded system, explored model of dispatching technology personnel via technology empowerment. In addition, the Bank deepened the reform of performance assessment to closely connect to the "Leap Development Plan" indicator system. It optimized and adjusted the setting of indicators, assessment items and their weight, so as to better guide operation. It improved the comprehensive assessment plan for subsidies to encourage them to operate in compliance with regulations and speed up their development. By deepening the adjustments of business structure, the Bank broke through old patterns and explored a new development path in accordance with regulatory requirements and transformation needs. Moreover, it improved the scale and quality of deposits to significantly optimize customer quality.

VI. OVERALL OPERATIONS OF THE BANK

i. Business scale realized steady growth, and liability structure kept improving

As at the end of the reporting period, total assets of the Group posted RMB5,902,069 million, representing an increase of RMB533,906 million or 9.95% as compared with the end of the previous year. Total loans and advances to customers stood at RMB3,307,304 million, representing an increase of RMB297,822 million or 9.90% as compared with the end of the previous year. The balance of deposits reached RMB3,675,743 million, representing an increase of RMB195,101 million or 5.61% as compared with the end of the previous year.

During the reporting period, the Group optimized liability structure, increased the proportion of core deposits and strengthened liability cost control, with the average cost ratio of interest-bearing liabilities registering 2.35%, down 4 BPs year on year. Both the scale and quality of liabilities were improved, underpinning the scale increase and cost reduction of asset investment, and enhancing the capability to serve the real economy.

ii. Operating income increased rapidly, and profitability improved remarkably

The Group earnestly implemented the decisions on fee deductions and interest concessions of commercial banks made by the CPC Central Committee and the State Council. Fully performing its social responsibilities as a state-owned financial institution, the Group offered a series of preferential policies including lowering interest rates, reducing or exempting fees, and postponing the repayment of loan principal and interest. During the reporting period, operating income of the Group registered RMB153,366 million, a year-on-year increase of 7.40%. Specifically, net interest income posted RMB112,155 million, up 1.32% year on year; net fee and commission income posted RMB27,314 million, up 11.90% year on year.

The Group further pursued a prudent provisioning policy and increased its provision. During the reporting period, the Group sustained impairment losses on assets totaling RMB54,795 million, meeting the demands for risk management, and realized net profit of RMB43,639 million, a year-on-year increase of 15.06%, indicating remarkably improved profitability.

iii. Both NPL balance and ratio decreased for two consecutive years, and risk indicators improved

As at the end of the reporting period, the balance of the Group's non-performing loans (NPLs) amounted to RMB41,366 million, a decrease of RMB300 million as compared with the end of the previous year. The NPL ratio reported 1.25%, down 0.13 percentage point as compared with the end of the previous year. The ratio of special mention loans was 1.86%, a decrease of 0.29 percentage point as compared with the end of the previous year. The ratio of overdue loans stood at 1.99%, a decrease of 0.16 percentage point as compared with the end of the previous year. Provision coverage ratio reached 187.02%, up 4.31 percentage points over the end of the previous year.

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

As at the end of the reporting period, the Group's net capital registered RMB562,254 million, an increase of RMB28,724 million or 5.38% as compared with the end of the previous year. The CAR, tier-1 CAR and common equity tier-1 CAR was 13.37%, 11.41% and 8.91% respectively, all of which met the regulatory requirements.

VII. INCOME STATEMENT

i. Changes in items of income statement

Unit: RMB million

Item	2021	2020 (restated)	Change
Net interest income	112,155	110,697	1,458
Net fee and commission income	27,314	24,409	2,905
Net trading gains	2,193	484	1,709
Dividend income	24	15	9
Net gains arising from investment securities	10,092	5,203	4,889
Net gains on derecognition of financial assets measured at amortized cost	115	591	(476)
Net foreign exchange gains	3	310	(307)
Other net operating gains	1,470	1,089	381
Operating expenses	45,540	40,335	5,205
Impairment losses on credit assets	54,772	56,733	(1,961)
Impairment losses on other assets	23	199	(176)
Losses on investments of joint ventures	90	5	85
Profit before tax	52,941	45,526	7,415
Income tax	9,302	7,598	1,704
Net profit	43,639	37,928	5,711
Net profit attributable to shareholders of the Bank	**43,407**	**37,835**	**5,572**

ii. Operating income

During the reporting period, the Group incurred an operating income of RMB153,366 million, a year-on-year increase of RMB10,568 million or 7.40%. Net interest income accounted for 73.13%, down 4.39 percentage points year on year. Net fee and commission income accounted for 17.81%, up 0.72 percentage point year on year.

Unit: %

Item	2021	2020 (restated)
Proportion of net interest income	73.13	77.52
Proportion of net fee and commission income	17.81	17.09
Proportion of other income	9.06	5.39
Total operating income	**100.00**	**100.00**

iii. Net interest income

During the reporting period, the Group realized net interest income of RMB112,155 million, a year-on-year increase of RMB1,458 million or 1.32%.

The Group's net interest spread reported 2.07%, a year-on-year decrease of 13 BPs. Its net interest margin was 2.16%, down 13 BPs year on year. Such decrease occurred mainly because that the Bank implemented the national policies of fee deductions and interest concessions to ease financial pressure and cost and improve the quality and efficiency of serving the real economy, which made the average yield of loans and advances decreased by 26BPs year on year.

Unit: RMB million, %

Item	2021 Average balance	2021 Interest income/ expense	2021 Average yield/cost	2020 (restated) Average balance	2020 (restated) Interest income/ expense	2020 (restated) Average yield/cost
Interest-earning assets						
Loans and advances to customers	3,203,836	163,736	5.11	2,906,910	155,986	5.37
Finance lease receivables	109,473	6,358	5.81	93,822	5,524	5.89
Investments	1,403,509	52,273	3.72	1,304,175	52,229	4.00
Deposits with the central bank	327,307	4,800	1.47	352,519	5,073	1.44
Placements and deposits with banks and other financial institutions, and financial assets held under resale agreements	149,687	2,167	1.45	170,286	2,663	1.56
Total interest-earning assets	5,193,812	229,334	4.42	4,827,712	221,475	4.59
Interest income		**229,334**			**221,475**	
Interest-bearing liabilities						
Deposits from customers	3,486,521	77,558	2.22	3,383,811	77,688	2.30
Placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements	902,139	22,099	2.45	862,436	21,421	2.48
Debt securities issued	599,017	17,522	2.93	383,875	11,669	3.04
Total interest-bearing liabilities	4,987,677	117,179	2.35	4,630,122	110,778	2.39
Interest expenses		**117,179**			**110,778**	
Net interest income		**112,155**			**110,697**	
Net interest spread[1]			**2.07**			**2.20**
Net interest margin[2]			**2.16**			**2.29**

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.

Management Discussion and Analysis

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	15,933	(8,183)	7,750
Finance lease receivables	921	(87)	834
Investments	3,978	(3,934)	44
Deposits with the central bank	(363)	90	(273)
Placements and deposits with banks and other financial institutions, and financial assets held under resale agreements	(322)	(174)	(496)
Changes in interest income	**20,147**	**(12,288)**	**7,859**
Deposits from customers	2,358	(2,488)	(130)
Placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements	986	(308)	678
Debt securities issued	6,540	(687)	5,853
Changes in interest expenses	**9,884**	**(3,483)**	**6,401**
Net interest income	**10,263**	**(8,805)**	**1,458**

iv. Interest income

During the reporting period, the Group yielded an interest income of RMB229,334 million, a year-on-year increase of RMB7,859 million or 3.55%. Such increase was mainly attributed 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 RMB163,736 million, a year-on-year increase of RMB7,750 million or 4.97%. Such increase was mainly due to the expanding loan scale.

Unit: RMB million, %

Item	2021			2020 (restated)		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
Corporate loans	1,765,900	77,042	4.36	1,626,436	76,214	4.69
Personal loans	1,358,655	84,417	6.21	1,199,467	77,477	6.46
Discounted bills	79,281	2,277	2.87	81,007	2,295	2.83
Loans and advances to customers	**3,203,836**	**163,736**	**5.11**	**2,906,910**	**155,986**	**5.37**

2. Interest income from investments

During the reporting period, the Group's interest income from investments amounted to RMB52,273 million, a year-on-year increase of RMB44 million or 0.08%. 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 RMB2,167 million, a year-on-year decrease of RMB496 million or 18.63%. The drop was mainly attributed to the decrease of both the scale and yield of placements, deposits with banks and other financial institutions as well as financial assets held under resale agreements.

v. Interest expenses

During the reporting period, the Group's interest expenses amounted to RMB117,179 million, representing a year-on-year increase of RMB6,401 million or 5.78%. Such increase was mainly due to the growing scale of bond issue.

1. Interest expenses on deposits from customers

During the reporting period, the Group's interest expenses on deposits from customers amounted to RMB77,558 million, a year-on-year decrease of RMB130 million or 0.17%. Such decrease was mainly due to the decreasing interest rate of deposits from customers.

Unit: RMB million, %

Item	2021			2020 (restated)		
	Average balance	Interest expenses	Average cost ratio	Average balance	Interest expenses	Average cost ratio
Corporate deposits	2,680,063	57,786	2.16	2,613,792	58,045	2.22
Demand deposits	849,964	7,564	0.89	824,883	6,715	0.81
Time deposits	1,830,099	50,222	2.74	1,788,909	51,330	2.87
Personal deposits	806,458	19,772	2.45	770,019	19,643	2.55
Demand deposits	234,932	1,005	0.43	226,701	939	0.41
Time deposits	571,526	18,767	3.28	543,318	18,704	3.44
Total deposits from customers	**3,486,521**	**77,558**	**2.22**	**3,383,811**	**77,688**	**2.30**

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 RMB22,099 million, representing an increase of RMB678 million or 3.17% year on year. Such increase was mainly due to the increasing interest expenses on placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements.

3. Interest expenses on debt securities issued

During the reporting period, the Group's interest expenses on debt securities issued totaled RMB17,522 million, a year-on-year increase of RMB5,853 million or 50.16%. Such decrease was mainly due to the increase of the scale of debt securities issued.

Management Discussion and Analysis

vi. Net fee and commission income

During the reporting period, net fee and commission income of the Group was RMB27,314 million, a year-on-year increase of RMB2,905 million or 11.90%. Such rise was mainly due to the increase in wealth management service fees, which grew by RMB1,458 million or 57.90% year on year.

Unit: RMB million

Item	2021	2020 (restated)
Fee and commission income	**30,131**	**27,009**
Underwriting and advisory fees	1,412	1,626
Bank card service fees	13,084	12,245
Settlement and clearing fees	1,916	1,706
Wealth management service fees	3,976	2,518
Acceptance and guarantee fees	1,500	1,529
Agency services fees	3,725	3,288
Custody and other fiduciary business fees	1,872	1,614
Others	2,646	2,483
Fee and commission expenses	**(2,817)**	**(2,600)**
Net fee and commission income	**27,314**	**24,409**

Column 1: Focusing on fee-based business to improve featured wealth management business

Focusing on fee-based business, the Bank gave priority to enhancing value creation capabilities through financial services to meet the wealth management demands of enterprises and individuals. It constantly optimized income structure, improved the sustainability of income growth and promoted extensive development and asset-light transformation. During the reporting period, the Bank's fee-based business showcased good momentum and the highlights of fee-based income growth were prominent.

I. Improving the scale and structure of fee-based income

First, the scale of fee-based income increased rapidly. Specifically, net fee and commission income registered RMB27,314 million, up RMB2,905 million or 11.90% year on year, with the growth rate higher than that of overall operating income by 4.50 percentage points. Net fee and commission income accounted for 17.81% of total income, up 0.72 percentage point year on year, with the indicator ranking high among peers.

Second, the internal structure of fee-based income was improved. The development of fee-based businesses fully demonstrated the capital-intensive orientation, with the income coming more from businesses not occupying the Bank's credit assets such as asset management, agency services, custody services and settlement services. During the reporting period, the fee-based income of green businesses was RMB10,871 million, up RMB2,222 million or 25.69% year on year; the increase accounted for 76.49% of the total growth of fee-based income, 13.79 percentage points higher than the total growth of fee-based income.

II. Highlighting distinctive features in wealth management

Concerning the efforts in building a first-class wealth management bank, the Bank focused on the development of asset management, agency services and other businesses. First, it actively cultivated new drivers of wealth management to facilitate its transformation and increase the value of retail channels. Second, it implemented the new rules on asset management, expedited the transformation of individual wealth management, and constantly diversified the "Colorful Sunshine" net-asset-value (NAV) product system. Third, it propelled the construction of Wealth E-SBU for individual customers and gave full play to China Everbright Group's collaboration advantages. During the reporting period, the Bank's wealth management business showed a strong momentum of growth, with fee-based income from asset management and agency services increasing by 57.90% and 13.29%, respectively, becoming the most powerful driver in the overall fee-based income growth.

III. Consolidating the foundation of fee-based income

The growth of AUM of customers was considered as the primary foundation for the development of fee-based businesses including asset management and agency services. By taking multiple measures such as innovating products, expanding channels, enriching scenarios and strengthening marketing, the Bank improved the management of customers' total assets and increased AUM level. As at the end of the reporting period, AUM totaled RMB2,122,467 million, an increase of RMB204,825 million or 10.68% as compared with the end of the previous year.

IV. Keeping development strategies up with the times

First, the Bank established a wealth management value chain. To be specific, the Bank established the value chain from retail customers to corporate and institutional customers by linking commercial banking, investment banking, asset management, custody services and other businesses, and increased the business value of agency sales, custody services and asset management to increase the comprehensive contributions of wealth management business.

Second, the Bank innovated the models of customer acquisition and retention. The Bank further classified customer management and services into different tiers and groups, and provided comprehensive solutions for corporate customers and diversified financial products for retail customers, thus increasing customer stickiness with diversified product lines and targeted services.

Third, the Bank changed its thinking model from the seller-end to the buyer-end, competed for the position as the first option for customers' wealth management, and shifted itself from a seller of single product to an investment advisor. It made coordinated efforts in asset management and seized the preemptive opportunities in equity and other assets allocation.

Fourth, the Bank shifted itself from sale orientation to customer value orientation, so as to consolidate its retail customer base, and spread its reach of wealth management services to long tail customers. It constantly strengthened the integrated development of corporate and retail banking to enlarge the size of basic customer base. By self-built scenarios, scenario cooperation, construction of open platforms and other measures, the Bank created its features with scenario ecosystem and scenario marketing.

Management Discussion and Analysis

vii. Other income

During the reporting period, the Group's other income stood at RMB13,897 million, representing a year-on-year increase of RMB6,205 million. The increase was mainly due to the increase of net gains arising from investment securities.

Unit: RMB million

Item	2021	2020 (restated)
Net trading gains	2,193	484
Dividend income	24	15
Net gains arising from investment securities	10,092	5,203
Gains from derecognition of financial assets at amortized cost	115	591
Net foreign exchange gains	3	310
Other operating income	1,470	1,089
Total	**13,897**	**7,692**

viii. Operating expenses

During the reporting period, the Group incurred operating expenses of RMB45,540 million, an increase of RMB5,205 million or 12.90% year on year. Cost-to-income ratio stood at 28.64%, up 1.43 percentage points year on year. The increase was mainly attributable to that during the reporting period, the operating income and profitability of the Group continue to rise, contributing more to China Everbright Group. In addition, due to the transformation need of the Group, China Everbright Group strengthened the support to the Group, enhanced coordinated empowerment, helped the Group attract fintech, wealth management, risk management talents urgently needed in the market, and optimized remuneration incentive and restraint mechanisms.

Unit: RMB million

Item	2021	2020 (restated)
Staff costs	21,990	19,266
Premises and equipment expenses	6,743	6,158
Tax and surcharges	1,620	1,483
Others	15,187	13,428
Total operating expenses	**45,540**	**40,335**

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 resistance. It sustained impairment losses on assets totaling RMB54,795 million, representing a year-on-year decrease of RMB2,137 million or 3.75%.

Unit: RMB million

Item	2021	2020
Impairment losses on loans and advances to customers	50,646	53,353
Loans and advances to customers measured at amortized cost	50,766	53,197
Loans and advances to customers at fair value through other comprehensive income	(120)	156
Impairment losses on debt instruments at fair value through other comprehensive income	233	(334)
Impairment losses on financial investments measured at amortized cost	5,229	772
Impairment losses on finance lease receivables	619	973
Others	(1,932)	2,168
Total impairment losses on assets	**54,795**	**56,932**

x. Income tax

During the reporting period, the Group incurred an income tax of RMB9,302 million, an increase of RMB1,704 million or 22.43% year on year, mainly due to the increase in taxable income.

VIII. BALANCE SHEET ANALYSIS

i. Assets

As at the end of the reporting period, the Group's total assets reached RMB5,902,069 million, an increase of RMB533,906 million or 9.95% 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 2021 Balance	31 December 2021 Percentage	31 December 2020 (restated) Balance	31 December 2020 (restated) Percentage
Total loans and advances to customers	3,307,304		3,009,482	
Loan interest receivable	8,981		8,486	
Provision for impairment of loans[Note]	(76,889)		(75,533)	
Net loans and advances to customers	3,239,396	54.89	2,942,435	54.81
Finance lease receivables	109,053	1.85	100,788	1.88
Deposits with banks and other financial institutions	51,189	0.87	46,059	0.86
Cash and deposits with the central bank	378,263	6.41	360,287	6.71
Investment in securities and other financial assets	1,849,721	31.34	1,695,679	31.59
Precious metals	6,426	0.11	9,353	0.17
Placements with banks and other financial institutions, and financial assets held under resale agreements	169,513	2.87	112,882	2.10
Long-term equity investment	256	0.00	257	0.00
Fixed assets	25,155	0.43	23,304	0.43
Right-of-use assets	10,953	0.19	11,178	0.21
Goodwill	1,281	0.02	1,281	0.03
Deferred tax assets	19,895	0.34	19,587	0.37
Other assets	40,968	0.68	45,073	0.84
Total assets	**5,902,069**	**100.00**	**5,368,163**	**100.00**

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

1. Loans and advances to customers

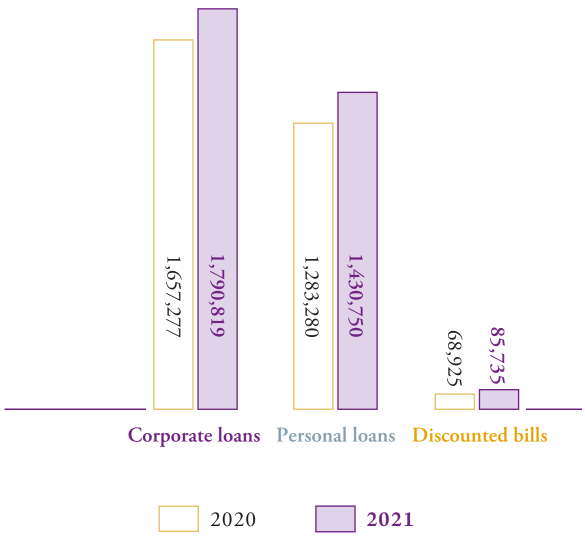
As at the end of the reporting period, the Group's total loans and advances to customers were RMB3,307,304 million, an increase of RMB297,822 million or 9.90% as compared with the end of the previous year. The proportion of net loans and advances to customers in total assets was 54.89%, an increase of 0.08 percentage point as compared with the end of the previous year.

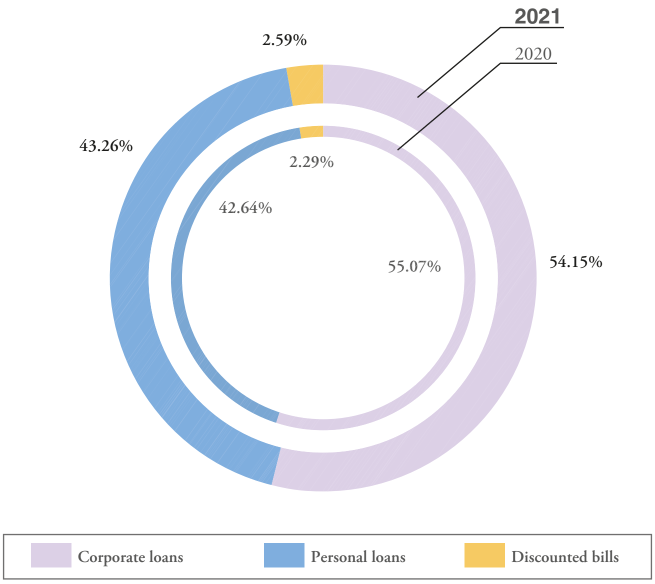
Unit: RMB million, %

Item	31 December 2021 Balance	31 December 2021 Percentage	31 December 2020 Balance	31 December 2020 Percentage
Corporate loans	1,790,819	54.15	1,657,277	55.07
Personal loans	1,430,750	43.26	1,283,280	42.64
Discounted bills	85,735	2.59	68,925	2.29
Total loans and advances to customers	**3,307,304**	**100.00**	**3,009,482**	**100.00**

As at the end of the reporting period, the major components of the Group's loans and advances

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 RMB1,849,721 million, an increase of RMB154,042 million as compared with the end of the previous year, accounting for 31.34% of total assets, down 0.25 percentage point as compared with the end of the previous year.

Unit: RMB million, %

Item	31 December 2021		31 December 2020	
	Balance	Percentage	Balance	Percentage
Debt securities at fair value through profit or loss	383,666	20.74	304,908	17.98
Derivative financial assets	13,705	0.74	25,264	1.49
Debt instruments at fair value through other comprehensive income	325,695	17.61	222,807	13.14
Financial investments measured at amortized cost	1,125,530	60.85	1,141,825	67.34
Equity instruments at fair value through other comprehensive income	1,125	0.06	875	0.05
Total investments in securities and other financial assets	**1,849,721**	**100.00**	**1,695,679**	**100.00**

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 RMB577,779 million, up RMB102,351 million over the end of the previous year. Of these, the financial bonds measured at amortized cost occupied a proportion of 71.33% in the total.

Unit: RMB million, %

Item	31 December 2021 Balance	31 December 2021 Percentage	31 December 2020 (restated) Balance	31 December 2020 (restated) Percentage
Financial assets at fair value through profit or loss	51,395	8.90	30,562	6.43
Financial investments measured at amortized cost	412,129	71.33	356,838	75.05
Debt instruments at fair value through other comprehensive income	114,255	19.77	88,028	18.52
Total financial bonds held	**577,779**	**100.00**	**475,428**	**100.00**

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	20,850	4.04	2027-04-10	–
Bond 2	17,600	4.24	2027-08-24	–
Bond 3	16,510	3.05	2026-08-25	–
Bond 4	15,900	4.98	2025-01-12	–
Bond 5	14,630	4.39	2027-09-08	–
Bond 6	12,790	3.18	2026-04-05	–
Bond 7	12,480	3.86	2029-05-20	–
Bond 8	12,280	4.65	2028-05-11	–
Bond 9	11,920	4.04	2028-07-06	–
Bond 10	11,750	3.74	2025-09-10	–

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 reported RMB4,738 million, and the book value of goodwill registered RMB1,281 million, the same as that at the end of the previous year.

6. As at the end of the reporting period, there was no seizure, attachment, freezing, mortgage or pledge of the Bank's principal assets.

ii. Liabilities

During the reporting period, the Bank formulated the *Management Measures for Liability Quality (Trial)* in accordance with relevant regulatory requirements and its actual operating conditions, 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 functional 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 the indicators relating to liability quality management. Through these efforts, in 2021, it recorded a steady growth in total liabilities with a diversified and reasonable structure and a steady decrease in liability cost, and the implementation of the six elements of liability quality condition and liability quality management was sound in general.

As at the end of the reporting period, the Group's total liabilities reached RMB5,417,703 million, an increase of RMB504,580 million or 10.27% as compared with the end of the previous year, mainly due to the increase in debt securities payable and deposits from customers.

Unit: RMB million, %

Item	31 December 2021 Balance	31 December 2021 Percentage	31 December 2020 (restated) Balance	31 December 2020 (restated) Percentage
Due to the central bank	101,180	1.87	241,110	4.91
Deposits from customers	3,675,743	67.85	3,480,642	70.84
Deposits from banks and other financial institutions	526,259	9.71	469,345	9.56
Placement from banks and other financial institutions	179,626	3.32	161,879	3.29
Financial liabilities at fair value through other comprehensive income	67	0.00	4	0.00
Derivative financial liabilities	13,337	0.25	25,778	0.52
Financial assets sold under repurchase agreements	80,600	1.49	14,182	0.29
Accrued staff costs	16,777	0.31	15,175	0.31
Taxes payable	6,535	0.12	8,772	0.18
Lease liabilities	10,736	0.20	10,807	0.22
Debt securities payable	763,532	14.09	440,870	8.97
Other liabilities	43,311	0.79	44,559	0.91
Total liabilities	**5,417, 703**	**100.00**	**4,913,123**	**100.00**

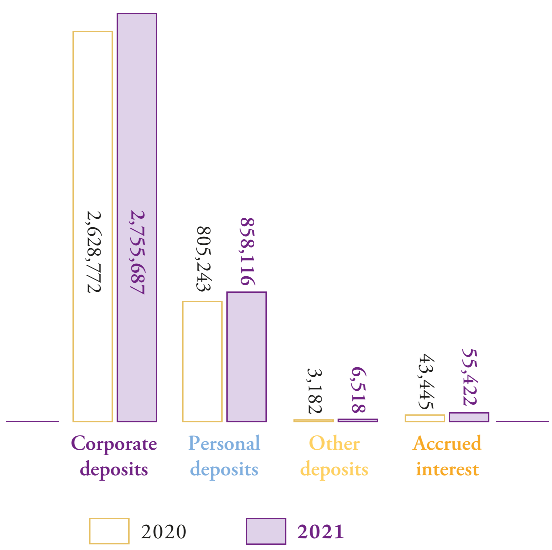
As at the end of the reporting period, the balance of the Group's deposits from customers reached RMB3,675,743 million, representing an increase of RMB195,101 million or 5.61%, as compared with the end of the previous year.

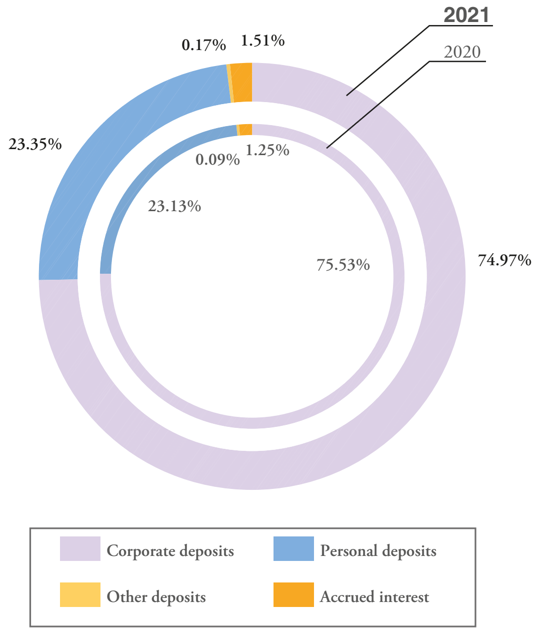
Unit: RMB million, %

Item	31 December 2021 Balance	31 December 2021 Percentage	31 December 2020 (restated) Balance	31 December 2020 (restated) Percentage
Corporate deposits	2,755,687	74.97	2,628,772	75.53
Demand deposits	1,149,318	31.27	850,356	24.43
Time deposits	1,606,369	43.70	1,778,416	51.10
Personal deposits	858,116	23.35	805,243	23.13
Demand deposits	255,458	6.95	278,518	8.00
Time deposits	602,658	16.40	526,725	15.13
Other deposits	6,518	0.17	3,182	0.09
Accrued interest	55,422	1.51	43,445	1.25
Total deposits from customers	**3,675,743**	**100.00**	**3,480,642**	**100.00**

As at end of the reporting period, the components of the Group's deposits

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 RMB482,489 million, representing a net increase of RMB29,019 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, general risk reserve and the revaluation of equity assets at fair value.

Unit: RMB million

Item	31 December 2021	31 December 2020 (restated)
Share capital	54,032	54,032
Other equity instruments	109,062	109,062
Capital reserve	58,434	58,434
Other comprehensive income	3,152	1,393
Surplus reserve	26,245	26,245
General risk reserve	75,596	67,702
Retained earnings	155,968	136,602
Total equity attributable to shareholders of the Bank	482,489	453,470
Non-controlling interests	1,877	1,570
Total equity	**484,366**	**455,040**

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 RMB1,369,604 million, a decrease of RMB106,942 million as compared with the end of the previous year.

Unit: RMB million

Item	31 December 2021	31 December 2020
Loan and credit card commitments	361,385	351,996
Bank's acceptance bills	669,088	769,458
Letters of guarantee	121,565	130,425
Letters of credit	217,381	224,482
Guarantees	185	185
Total credit commitments	**1,369,604**	**1,476,546**

IX. CASH FLOWS

The Group's net cash outflows from operating activities amounted to RMB112,242 million. Specifically, cash inflows generated from operating activities reported RMB66,050 million, cash outflows arising from changes in operating assets stood at RMB368,268 million, and cash inflows arising from changes in operating liabilities totaled RMB189,976 million.

The Group's net cash outflows from investing activities amounted to RMB93,410 million, of which cash inflows generated from disposal and redemption of investments reported RMB690,317 million and cash outflows arising from acquisition of investments amounted to RMB839,181 million.

The Group's net cash inflows from financing activities were RMB286,039 million, of which net proceeds from bond issuance posted RMB638,113 million and cash inflows generated from payment of debt securities principal registered RMB316,574 million.

X. LOAN QUALITY

i. Distribution of loans by industry

Unit: RMB million, %

Industry	31 December 2021 Balance	31 December 2021 Percentage	31 December 2020 Balance	31 December 2020 Percentage
Manufacturing	331,050	18.49	313,427	18.91
Water, environment and public utility management	316,576	17.68	294,595	17.78
Leasing and commercial services	242,545	13.55	189,785	11.46
Real estate	197,503	11.03	224,450	13.54
Wholesale and retail trade	149,726	8.36	127,522	7.69
Construction	131,822	7.36	107,987	6.52
Transportation, storage and postal service	95,893	5.35	88,535	5.34
Finance	76,557	4.27	97,132	5.86
Agriculture, forestry, animal husbandry and fishery	63,098	3.52	54,100	3.26
Production and supply of power, gas and water	55,328	3.09	45,532	2.75
Others Note	130,721	7.30	114,212	6.89
Subtotal of corporate loans	**1,790,819**	**100.00**	**1,657,277**	**100.00**
Personal loans	**1,430,750**		**1,283,280**	
Discounted bills	**85,735**		**68,925**	
Total loans and advances to customers	**3,307,304**		**3,009,482**	

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 2021 Balance	31 December 2021 Percentage	31 December 2020 Balance	31 December 2020 Percentage
Yangtze River Delta	750,167	22.68	652,565	21.69
Central China	578,837	17.50	532,348	17.69
Pearl River Delta	455,150	13.76	396,086	13.16
Western China	431,443	13.05	373,595	12.41
Bohai Rim	429,285	12.98	387,332	12.87
Northeastern China	107,845	3.26	117,580	3.91
Head Office	447,812	13.54	451,157	14.99
Overseas	106,765	3.23	98,819	3.28
Total loans and advances to customers	**3,307,304**	**100.00**	**3,009,482**	**100.00**

iii. Types of loans by collateral and their proportions

Unit: RMB million, %

Type	31 December 2021 Balance	31 December 2021 Percentage	31 December 2020 Balance	31 December 2020 Percentage
Unsecured loans	1,076,478	32.55	941,130	31.27
Guaranteed loans	765,976	23.16	710,746	23.62
Mortgage loans	1,117,183	33.78	1,017,960	33.83
Pledged loans	347,667	10.51	339,646	11.28
Total loans and advances to customers	**3,307,304**	**100.00**	**3,009,482**	**100.00**

iv. Top ten loan customers

Unit: RMB million, %

Name	Industry	Balance of principal of loans and advances as at 31 December 2021	Proportion in total loans and advances	Proportion in net capital[1]
Borrower 1	Manufacturing	6,550	0.20	1.17
Borrower 2	Leasing and commercial services	4,917	0.15	0.87
Borrower 3	Manufacturing	4,800	0.15	0.85
Borrower 4[2]	Leasing and commercial services	4,700	0.14	0.84
Borrower 5	Manufacturing	4,462	0.13	0.79
Borrower 6	Mining	4,170	0.13	0.74
Borrower 7	Information transmission, computer services and software	3,659	0.11	0.65
Borrower 8[2]	Leasing and commercial services	3,600	0.11	0.64
Borrower 9	Water, environment and public utility management	3,366	0.10	0.60
Borrower 10	Manufacturing	3,313	0.10	0.59
Total		**43,537**	**1.32**	**7.74**

Notes:

1. The proportion of the balance of loans in net capital is calculated according to the requirements of the CBIRC.

2. Borrower 4 and 8 are related parties of the Bank and has constituted a related party transaction with the Bank.

v. Five-category loan classification

Unit: RMB million, %

Type	31 December 2021 Balance	31 December 2021 Percentage	31 December 2020 Balance	31 December 2020 Percentage
Pass	3,204,469	96.89	2,903,043	96.47
Special mention	61,469	1.86	64,773	2.15
Substandard	23,012	0.70	19,795	0.66
Doubtful	12,513	0.37	11,604	0.38
Loss	5,841	0.18	10,267	0.34
Total loans and advances to customers	**3,307,304**	**100.00**	**3,009,482**	**100.00**
Performing loans	3,265,938	98.75	2,967,816	98.62
Non-performing loans	41,366	1.25	41,666	1.38

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 2021	31 December 2020	Change from the end of 2020 to 2021	31 December 2019
Migration ratio of pass loans	2.22	3.35	-1.13 percentage points	2.57
Migration ratio of special mention loans	49.40	43.43	+5.97 percentage points	42.83
Migration ratio of substandard loans	76.00	83.11	-7.11 percentage points	86.04
Migration ratio of doubtful loans	74.64	67.65	+6.99 percentage points	66.74

vii. Restructured loans and overdue loans

1. Restructured loans

Unit: RMB million, %

Type	31 December 2021		31 December 2020	
	Balance	Proportion of loans and advances in total principal	Balance	Proportion of loans and advances in total principal
Restructured loans and advances to customers	4,634	0.14	7,659	0.25
Of which: Restructured loans and advances to customers overdue for more than 90 days	70	0.00	245	0.01

2. Overdue loans

Unit: RMB million, %

Type	31 December 2021		31 December 2020	
	Balance	Percentage	Balance	Percentage
Overdue for less than 3 months	29,839	45.41	31,349	48.53
Overdue for between 3 months and 1 year	24,339	37.04	21,773	33.71
Overdue for between 1 year and 3 years	10,139	15.43	9,475	14.67
Overdue for more than 3 years	1,387	2.12	1,999	3.09
Total principal of overdue loans	**65,704**	**100.00**	**64,596**	**100.00**

viii. NPLs by business type

Unit: RMB million, %

Type	31 December 2021		31 December 2020	
	Balance	Percentage	Balance	Percentage
Corporate loans	25,846	62.48	26,354	63.25
Personal loans	15,520	37.52	15,312	36.75
Discounted bills	–	–	–	–
Total NPLs	**41,366**	**100.00**	**41,666**	**100.00**

ix. Distribution of NPLs by region

Unit: RMB million, %

Region	31 December 2021		31 December 2020	
	Balance	Percentage	Balance	Percentage
Pearl River Delta	9,845	23.80	4,699	11.28
Northeastern China	5,867	14.18	7,396	17.75
Bohai Rim	4,992	12.07	6,160	14.78
Yangtze River Delta	4,734	11.45	5,383	12.92
Central China	4,148	10.03	5,225	12.54
Western China	3,497	8.45	3,365	8.08
Head Office	8,275	20.00	9,430	22.63
Overseas	8	0.02	8	0.0
Total NPLs	**41,366**	**100.00**	**41,666**	**100.00**

x. Distribution of NPLs by industry

Unit: RMB million, %

Industry	31 December 2021		31 December 2020	
	Balance	Percentage	Balance	Percentage
Manufacturing	10,935	26.44	13,608	32.66
Wholesale and retail trade	2,887	6.98	3,897	9.35
Real estate	2,436	5.89	1,629	3.91
Construction	2,152	5.20	1,039	2.49
Leasing and commercial services	2,105	5.09	1,554	3.73
Accommodation and catering	1,350	3.26	1,724	4.14
Transportation, storage and postal service	704	1.70	377	0.90
Mining	605	1.46	864	2.07
Production and supply of power, gas and water	558	1.35	561	1.35
Information transmission, computer services and software	84	0.20	133	0.32
Others [Note]	2,030	4.91	968	2.33
Subtotal of corporate loans	**25,846**	**62.48**	**26,354**	**63.25**
Personal loans	**15,520**	**37.52**	**15,312**	**36.75**
Discounted bills	–	–	–	–
Total NPLs	**41,366**	**100.00**	**41,666**	**100.00**

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 2021		31 December 2020	
	Balance	Percentage	Balance	Percentage
Unsecured loans	12,546	30.33	15,140	36.34
Guaranteed loans	7,352	17.77	10,425	25.01
Mortgage loans	19,045	46.04	14,852	35.65
Pledged loans	2,423	5.86	1,249	3.00
Total NPLs	**41,366**	**100.00**	**41,666**	**100.00**

Management Discussion and Analysis

xii. Repossessed assets and provision for impairment

Unit: RMB million

Item	31 December 2021	31 December 2020
Repossessed assets	529	581
Of which: Land, buildings and structures	529	581
Less: Provision for impairment	(202)	(191)
Net value of repossessed assets	327	390

xiii. Provision for loan impairment losses and write-off

After conducting credit risk test on 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 profit or loss for the current period.

Unit: RMB million

Item	As at 31 December 2021	As at 31 December 2020
Balance at the beginning of the year[1]	75,533	76,228
Charge for the year[2]	50,766	53,197
Recoveries due to written-off loans and advances for the year	5,757	3,202
Unwinding of discount[3]	(907)	(767)
Write-offs and disposal during the year	(54,253)	(56,323)
Others	(7)	(4)
Balance at the end of the year[1]	**76,889**	**75,533**

Notes:

1. It excludes provision for impairment of discounted bills and domestic forfaiting 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 improved the unified mechanism for the preservation of non-performing assets, strengthened coordinated management, focused on the collection and resolution of key projects, and accelerated the disposal of repossessed assets, hence vigorously improving the cash collection capability. Taking advantages of technological means, the Bank continued to optimize the functions of the Special Asset Resolution and Management Platform. It also improved the incentive and assessment mechanism, enhanced the refined and intelligent management of non-performing assets. Furthermore, the Bank intensified its efforts in the write-off of non-performing assets, implemented regulatory policies, improved relevant systems and procedures to ensure maximum write-off. Sticking to the principle of keeping record of the written-off assets and exercising creditor's rights for asset recovery, the Bank reinforced the collection 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 RMB57,969 million, a decrease of RMB2,753 million over the previous year. Specifically, the Bank wrote off bad debts of RMB38,524 million and completed the transfer of creditor's rights with principal amounting to RMB2,269 million, the conversion of bonds to shares valuing RMB3,631 million and the asset securitization of RMB13,545 million. Besides, the Bank collected RMB16,557 million in cash through asset preservation.

XI. CAR ANALYSIS

Please refer to "Summary of Accounting Data and Financial Indicators" and *Capital Adequacy Ratio Report 2021* publicly disclosed by the Bank for details.

XII. SEGMENT PERFORMANCE

i. Performance by regional segment

Unit: RMB million

Region	2021 Operating income	2021 Profit before tax	2020 (restated) Operating income	2020 (restated) Profit before tax
Yangtze River Delta	27,675	12,869	27,558	13,277
Bohai Rim	26,509	10,017	23,186	9,246
Central China	25,794	11,306	24,855	7,917
Pearl River Delta	20,719	3,270	19,917	4,603
Western China	19,756	6,455	17,214	3,178
Northeastern China	5,999	(2,813)	6,042	(4,473)
Head Office	24,193	10,346	21,384	10,119
Overseas	2,721	1,491	2,642	1,659
Total	**153,366**	**52,941**	**142,798**	**45,526**

ii. Performance by business segment

Unit: RMB million

Type	2021 Operating income	2021 Profit before tax	2020 (restated) Operating income	2020 (restated) Profit before tax
Corporate banking	59,693	19,672	59,722	20,679
Retail banking	63,380	10,598	58,682	2,929
Financial market business	29,953	22,563	24,225	21,922
Other business	340	108	169	(4)
Total	**153,366**	**52,941**	**142,798**	**45,526**

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

XIII. OTHERS

i. Changes in major financial indicators and reasons

Unit: RMB million, %

Item	31 December 2021	31 December 2020 (restated)	Increase/ Decrease	Major reasons for change
Precious metals	6,426	9,353	-31.29	Decrease in the business scale of precious metals
Placements with banks and other financial institutions	138,349	69,290	99.67	Increase in the scale of placements with banks and other financial institutions
Derivative financial assets	13,705	25,264	-45.75	Decrease in derivative financial assets relating to exchange rate
Debt instruments at fair value through other comprehensive income	325,695	222,807	46.18	Increase in bond assets at fair value through other comprehensive income
Due to the central bank	101,180	241,110	-58.04	Decrease in due to the central bank
Derivative financial liabilities	13,337	25,778	-48.26	Decrease in derivative financial liabilities relating to exchange rate
Financial assets sold under repurchase agreements	80,600	14,182	468.33	Increase in the financial assets sold under repurchase agreements
Debt securities payable	763,532	440,870	73.19	Increased in the scale of debt securities payable
Other comprehensive income	3,152	1,393	126.27	Increase in the scale and valuation of financial assets at fair value through other comprehensive income

Item	2021	2020 (restated)	Increase/ Decrease	Major reasons for change
Net trading gains	2,193	484	353.10	Increase in net trading gains
Net gains arising from investment securities	10,092	5,203	93.97	Increase in the net gains arising from investment securities
Other net operating gains	1,470	1,089	34.99	Increase in other net operating gains

ii. Overdue and outstanding debts

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

iii. Provisioning 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	36,064	228,544	225,708	38,900

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

2. Provisioning of allowance for bad debts of interest receivable

Unit: RMB million

Item	31 December 2021	31 December 2020	Increase/ Decrease
Balance of allowance for bad debts of interest receivable	3	3	–

iv. Other receivables and provisioning of allowance for bad debts related

1. Change in other receivables

Unit: RMB million

Item	31 December 2021	31 December 2020	Increase/ Decrease
Other receivables	25,750	31,598	(5,848)

2. Provisioning of allowance for bad debts of other receivables

Unit: RMB million

Item	31 December 2021	31 December 2020	Increase/ Decrease
Balance of allowance for bad debts of other receivables	692	694	(2)

XIV. PERFORMANCE OF BUSINESS SEGMENTS

i. Corporate banking

The corporate banking line of the Bank accelerated the building of a new marketing pattern that was tiered, centralized and professionalized, vigorously pressed ahead with the strategic transformation towards a combination of commercial banking, investment banking, asset management and transaction banking to foster new competitive edges of integrating investment banking and commercial banking and build into the first-class corporate banking with high quality and distinctive wealth management features. The Bank also actively served national strategies, implemented the strategy of "peaking carbon emissions and achieving carbon neutrality", and made contributions to building China's strengths in manufacturing industry. In addition, it supported the development of private enterprises, intensified efforts to support micro and small enterprises, and provided financial services in pandemic containment, flood prevention and disaster relief, and ensuring coal and electricity supply. What's more, technology empowerment was enhanced and innovative products were created, thus raising the financial value of corporate banking. During the reporting period, the Bank's corporate banking registered an operating income of RMB59,693 million, a decrease of RMB29 million or 0.05% compared with the same period of the prior year, accounting for 38.92% of the Bank's total operating income. As at the end of the reporting period, the number of corporate customers reached 882,800, an increase of 99,900 or 12.76% over the end of the previous year, where the number of active corporate customers was 414,000, up 88,900 or 27.35% over the end of the previous year.

1. Corporate deposits and loans

The Bank proactively integrated itself into the new development paradigm featuring dual circulation, in which domestic and overseas markets reinforce each other, with the domestic market as the mainstay, and continued to increase support for key areas and weak links of the real economy, and cut financing costs for enterprises. In addition, with the development orientation of "improvement in both quality and scale", the Bank made active efforts to create new driving forces for business growth. Focusing on demands deposits, scenarios and customer flow, the Bank promoted deposit growth via multiple channels, steadily improved the quality and scale of loans, thus enlarging the Finance Product Aggregate (FPA) and optimizing its structure. Besides, the Bank promoted digitalization and cultivate featured fintech, so as to enable customer potential exploration, business expansion and product innovation through efficient management. It stuck to the risk bottom line and enhanced risk prevention across the Bank, thus maintaining the stable quality of loans. As at the end of the reporting period, the balance of corporate deposits (including the corporate business-related portion in other deposits) amounted to RMB2,762,019 million, representing an increase of RMB130,315 million or 4.95% over the end of the previous year. Among the above, the balance of core corporate deposits increased by RMB98,813 million or 4.45%; the balance of corporate loans was RMB1,790,819 million, an increase of RMB133,542 million or 8.06% over the end of the previous year.

2. Inclusive finance

In pursuit of meeting the financing needs of micro and small enterprises, the Bank increased its efforts in providing services and fostering the endogenous driving force for micro and small enterprises to become confident, willing, qualified and able to apply for loans, and actively carried out the policy of temporarily postponing principal and interest repayment on loans, to release policy dividends. In 2021, over 22,000 inclusive micro and small enterprises, self-employed households and owners of micro and small enterprises were allowed to postpone the repayment of loan principal totaling RMB14,895 million and 19,500 of those enterprises and owners were allowed to postpone the repayment of loan interest totaling RMB716 million. Besides, the Bank facilitated the iteration and upgrade of industry chain and product chain, gave major push to the "Sunshine Government Procurement Loan", expanded inclusive ecosystem chain and online business, to continuously improve its service capability. It also developed and launched the inclusive business process management system, accelerated the digital transformation of inclusive business, and initially built its inclusive IT architecture and system featuring "an open front center for customer acquisition + a unified middle center for business operation + an intelligent middle center for data management". As at the end of the reporting period, under the latest regulatory requirements, the balance of inclusive finance loans subject to a deduction of discount stood at RMB237,001 million, an increase of RMB49,981 million or 26.72% from the end of the previous year, which was higher than the average growth rate of all loans of the Bank. The number of customers was 392,100, an increase of 18,900 from the end of the previous year. The weighted average interest rate of new loans fell by 36 BPs on a yearly basis to 4.90%, and the NPL ratio was 0.68%.

3. Investment banking

In line with the philosophy of "combining commercial banking, investment banking, asset management and transaction banking", the Bank integrated resources from the perspective of broader investment banking, placed emphasis upon the building of FPA product line, and put in place such innovative projects relating to carbon neutrality, rural revitalization and urban renewal bonds, to support the development of the real economy. Empowered by the technology, it launched the asset-based securitization system of online loans and credit card. During the reporting period, the Bank led the underwriting of 760 bonds totaling RMB511,856 million; newly issued and granted M&A loans amounting to RMB20,794 million; it issued 4 securitization projects with an amount of RMB13,545 million.

4. Transaction banking

The Bank kept enriching its toolkit of cash management products and continued to expand the application of featured functions in scenarios. Built on the credit of core enterprises along the industrial chain and based on the real transaction conditions as well as logistics, information and fund flows, the Bank provided credit support for enterprises along the industrial chain, and leveraged on online channels such as "Sunshine E-financing Chain" and "Sunshine Supply Chain Cloud Platform" to boost up service quality and efficiency of supply chain. It also improved the "Sunshine Wages" financial services to safeguard the legitimate rights and interests of migrant workers and support the development of the real economy. Besides, it actively participated in the new development pattern featuring "dual circulation", put in place financial service policies to stabilize foreign trade and foreign investment, provided financial services for enterprises shifting from exporting products to domestic sales and strengthened the coordinated development of free trade zones (ports), to facilitate the development of cross-border RMB business under international settlement. As at the end of the reporting period, the overall balance of the on- and off-balance-sheet trade finance increased by 5.59% over the end of the previous year.

Column 2: Deepening the transformation of corporate banking business and accelerating the creation of new competitive advantages in the integration of investment banking and commercial banking

Centering on the strategic vision of "building itself into a first-class wealth management bank", the Bank accelerated the building of a new marketing pattern that was tiered, centralized and professionalized, fostered new competitive advantages in the integration of investment banking and commercial banking and develop the first-class corporate banking business with high quality and distinctive wealth management features.

I. Building a comprehensive financial service system based on a customer-oriented approach

The Bank actively facilitated the new marketing pattern that was tiered, centralized and professionalized, boosted the continued growth of corporate banking customer base and enhanced its professional capability in wealth management, in order to provide customers with full life-cycle financial products, and serve a wider range of customers with more diversified products. As at the end of the reporting period, the number of strategic customer registered 3,521 accounts, that of public sector customer increased by 6,994, compared to the end of the previous year, with 223 new quotas and 90 new special accounts; the number of active settlement customer under transaction banking registered 228,200, up 46,000 compared with the end of the previous year; the number of its inclusive corporate loan customer increased by 3,167 compared with the end of the previous year; the number of its bond underwriting customer recorded 510 and that of its M&A customer increased by 104; the number of corporate customer base of the Bank's overseas institutions increased by 1,062. The value creation and synergy of the seven corporate banking customer bases continued to improve, and the operating income of corporate banking business accounted for nearly 40% of the Bank's total operating income.

II. Integrating funding resources to spur investment banking development in multiple dimensions

With asset allocation, resource integration and intelligent financing as its core competitiveness, the Bank's investment banking was driven by a multi-dimensional businesses including bond financing, M&A financing, structured financing, equity financing and matching transactions. The Bank issued innovative bonds or notes such as equity contribution-based notes, carbon neutrality bonds, rural revitalization bonds, panda bonds, urban renewal bonds and consolidated ABNs. The Bank underwrote 760 bonds with a scale of RMB511,856 million; it cumulatively granted over RMB20 billion of M&A loans; the turnover of credit asset-backed securitization assets exceeded RMB10 billion; the scale of brokering was RMB10,944 million. In addition, it also participated and provided whole-process and high-quality financial services for over 500 projects of local governments special bonds in selection, issuance, underwriting, investment, supporting financing and fund supervision.

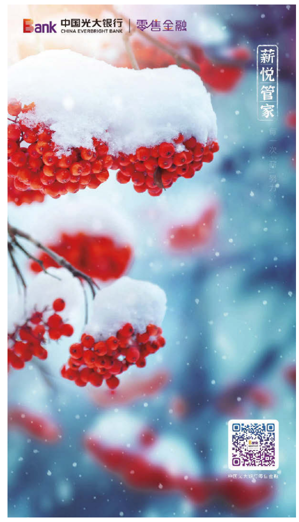
III. Enhancing technology application to empower the coordination of diversified transaction banking businesses

The Bank further transformed its corporate banking and wealth management, and made further efforts towards structural optimization and adjustment. With technology empowerment, transaction banking further integrated cash management, supply chain finance, trade financing, cross-border finance and other businesses with advantages. Besides, the Bank accelerated business transformation towards online operation, and continuously enriched its transaction banking product system. Focusing on customers' needs in cross-border transaction scenarios and trade and investment facilitation, the Bank registered over 10,000 international settlement customers, with a settlement volume of USD154 billion, representing an increase of 22.42% year on year. In addition, focusing on industrial chains, supply chains and specific business scenarios, the Bank developed 2,328 core, upstream and downstream supply chain customers, representing an increase of 200 customers over the end of the previous year.

IV. Focusing on three parts of FPA to expand FPA ecosystem

The Bank continued to speed up the strategic transformation towards the combination of commercial banking, investment banking, asset management and transaction banking, and built its new competitive advantages of integrating investment banking and commercial banking. With FPA as its engine for transformation, the Bank intensified its efforts to enlarge customer financing aggregate. In the meantime, it optimized the financing structure, and created a target structure in the FPA consisting of three parts: traditional credit, bond financing and non-credit and non-bond business. Relying on China Everbright Group's "integrated livelihood" ecosystem centering on environmental protection, tourism and health, and the "extensive wealth management" ecosystem centering on wealth management, investment and investment banking, the Bank promoted the connectivity and mutual sharing of customer resources, product resources and service resources. For example, the Bank supported a large group in its meeting financing needs with various financial instruments, including issuing ultra-short-term financing bonds and senior perpetual bonds, and successfully launched the targeted asset-backed notes (carbon neutrality bonds), cooperation with a subsidiary of China Everbright Group. These efforts not only realized the Group's synergy in supporting innovative business development, but also enhanced customer stickiness. At the end of the reporting period, the Bank's total scale of FPA exceeded RMB4.27 trillion, representing an increase of over RMB150 billion over the end of the previous year.

ii. Retail banking



Focusing on building the digital retail banking and following the guideline of customer-oriented philosophy, the Bank made innovations in technology application to promote the digital transformation of retail banking covering all customers, all channels and all products, and built a marketing model with all chains, covering full life-cycle of customers. In addition, it deepened the model of retail customer acquisition and tiered management, which increased the total number and improved the quality and optimized the structure of retail customers. It also intensified efforts in the structural adjustments on the liability side based on the orientation of "improvement in both quality and scale", resulting in the stable increase, structural optimization and cost reduction of retail deposits. On the asset side, the Bank advocated the principle of "quality and efficiency enhancement", advanced the transformation of retail banking business and cultivated its hit products of Sunshine retail loan, witnessing rapid growth in retail loan scale and stable asset quality. Continuously exploring its new position in wealth management business, the Bank enhanced its product supply capacity, increased the value of retail channels and facilitated the formation of Wealth E-SBU for individual customers, with its featured advantages in wealth management becoming more prominent. During the reporting period, operating income from retail banking business stood at RMB63,380 million, up RMB4,698 million or 8.01% over the same period of the previous year, accounting for 41.33% of the total operating income of the Bank. Specifically, net interest income from retail banking was RMB44,746 million, up 6.07% from the same period of last year, accounting for 39.90% of the total net interest income of the Bank. Net non-interest income from retail banking reached RMB18,634 million, up 12.96% from the same period of the previous year, accounting for 45.22% of the total net non-interest income of the Bank.

1. Retail customers and AUM

The Bank established a retail customer management committee to ensure that relevant mechanisms and systems fully play their roles, and promote the building of an integrated retail customer management system that is tiered, grouped and data-driven with channel coordination and transaction transformation as the core. It vigorously built a new "1+2+C" data-based infrastructure for retail banking, with 1 smart brain for retail banking to deepen and penetrate into 2 intelligent marketing patterns of bulk precision marketing and real-time journey marketing, and open up multiple channels to keep expanding the base of new customers and digging the values of existing customers, to improve the comprehensive contributions of customers. As at the end of the reporting period, the Bank had 140,039,500 retail customers (including holders of both credit and debit cards). Medium and high-end customers who hold at least RMB500,000 of daily average assets per month grew by 11.29% from the end of the previous year, indicating further improvement in customer structure and quality. There were 198,613,900 users of CEB Mobile Banking, "Sunshine Life" and "Cloud Fee Payment" in total, up 50.34% from the end of the previous year. Among these users, the number of monthly active users (MAU) was 51,158,400, up 32.97% from the end of the previous year. The balance of retail AUM totaled RMB2,122,467 million, up 10.68% from the end of the previous year.

2. Retail deposit business

Adhering to the philosophy of "improvement in both quality and scale", the Bank strengthened customer-oriented integrated operations, promoted the growth and optimized the structure of deposits and constantly improved cost effectiveness. It gave full play to the role of projects in acquiring customers in batch through expanding channels and scenarios relating to social security and people's livelihood, health and medical care, business district management, community property, transportation, culture and education, tourism, consumption payment and internet innovation platform. Furthermore, it further developed its batch payroll agency business by improving "Payroll Manager", a payroll-based integrated financial service platform, and launched targeted marketing towards payroll customers". In addition, the Bank promoted channel coordination and increased transaction volume on the online platform by expanding the quick payment business of connecting card to the third-party, thus retaining settlement funds. Adhering to differentiated product marketing strategies, it conducted digital precision marketing to increase customers' comprehensive contributions. 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 RMB858,302 million, representing an increase of RMB52,809 million or 6.56% over the end of the previous year.

3. Retail Loan

During the reporting period, the Bank established the Retail Credit Department, improved the organizational structure and coordinated the retail credit business of the Bank. It actively fulfilled its responsibilities in inclusive retail banking, vigorously supported the operation of private micro and small enterprises, and developed the "Sunshine Business Support Loan" to serve rural revitalization. It implemented the macro-regulation policy on real estate, and acted on the principle that "houses are for living in, not for speculation" and "implementing city-specific policies". In addition, by closely following national strategic plans, the Bank actively integrated itself into the new development pattern. Oriented at transformation featuring standardized, intensive, online, intelligent and agile development, the Bank aimed to improve the whole-process synergy. Moreover, the Bank promoted the development of retail credit projects, and strengthened technology empowerment to achieve industry-technology integration and enhance agile response. It conducted business in compliance with regulations, strictly implemented the regulatory requirements for rectification over online loans, and continuously strengthened the whole-process risk control capability, in a bid to balance the development of retail loans in terms of scale, price and quality. As at the end of the reporting period, the balance of retail loans (excluding credit card business) amounted to RMB982,964 million, representing an increase of 17.39% over the end of the previous year.

4. Wealth management

The Bank actively fostered new driving forces for the wealth management business, deepened the transformation of wealth management, enriched the professional wealth manager team, improved the online operation system, and accelerated scenario-based operation and marketing innovation, thus continuously expanding the scale of wealth management business. It actively implemented the new rules on asset management, sped up the transformation of personal wealth management and enriched the wealth management product system. As at the end of the reporting period, the size of transformative wealth management products grew by 75.66% over the end of the previous year. The Bank vigorously promoted the development of the individual customer ecosphere of Wealth E-SBU focusing on five scenarios of "Charming Travel", "Health and Elderly Care", "One-stop Wealth Management Services", "Private Banking & Investment Banking +" and "Cloud Livelihood Services", and leveraged on the coordination advantages of China Everbright Group to provide individuals with a full package of financial solutions. During the reporting period, net fee income from personal wealth management stood at RMB7,944 million, up 23.09% year on year. Specifically, income from agency funds and trust grew by 37.92% and 49.41% year on year, respectively.

5. Private banking

Private banking of the Bank has made great strides in such aspects as customer group management, wealth management and E-SBU coordination. It provided support for serving the real economy and facilitated common prosperity with the holding scale of agency insurance, mutual funds and private-offered funds products totaling RMB310,043 million. The DSC customer group management model featuring data-based customer guiding, scenario-based customer acquisition and whole-journey companion (DSC) generated initial results, and the Bank witnessed continued high growth in the number of private banking customers. As at the end of the reporting period, the Bank owned 50,021 private banking customers, an increase of 9,909 or 24.70% over the end of the previous year. The annual increment of customers was 1.25 times that of last year. The AUM amounted to RMB501,128 million, representing an increase of RMB63,952 million or 14.63% over the end of the previous year. With an endeavor to accelerate the net value-based transformation of agency retail business, the Bank was applauded for its channel value and realized a year-on-year increase of 19.75% to RMB3,047 million in fee-based business income of agency sales of mutual funds, privately-offered funds and insurance, ranking forefront among peers. To be specific, the Bank's agency mutual funds reached RMB102,102 million, up 35.68% year on year; it realized a year-on-year increase of 13.14% in regular premium as an insurance agency. Meanwhile, the Bank optimized its structure of agency privately-offered funds, reduced and transformed old private-offered funds products totaling RMB59,847 million, with the proportion of private-offered funds net worth products increased from 47.11% at the end of the previous year to 81.85%. Moreover, the Bank was in full collaboration with China Everbright Group in banking, securities, trust, insurance and fund businesses, and made solid efforts in scenario-based marketing and customer migration, attracting 1,857 more high net worth customers over the previous year-end. The Bank also enriched the "life + finance" scenario of Cloud Fee Payment and launched products such as "90%-off Fund", built a platform for the rights and benefits of Everbright's high net worth customers, which integrates the Group's tourism, health and pension services and other livelihood services. In addition, the Bank intensified technology empowerment to significantly improve its digital and intelligent operation, launched a special version for private banking on CEB Mobile Banking featuring new highlight and functions. It also launched "Wealth AI+" online platform to build a one-stop intelligent trading journey for various privately-offered products. Moreover, the Bank launched "Sunshine Consultant", a WeChat mini-program, to act as an pocket assistant for wealth managers in asset allocation. It also upgraded and launched the private banking brand "To The Bright" to serve customers with a new image and meet the integrated investment and financing needs of private banking customers.

6. Credit card business

The Bank continued to optimize its customer structure, expedited the process of introducing younger consumer groups with stable income, and launched products such as UnionPay Wu JIE Card, Car Owner's Card and Salary Card based on the needs of target customer groups, with the percentage of quality customers among new ones increasing by over 30 percentage points compared to the end of the previous year. Meanwhile, it accelerated the transformation towards online customer management, enhanced online management capabilities along the whole process from card usage scenarios, payment channels, to rights and benefits, etc., lifting online transactions by 41.22% year on year. With the professionalization of installment operations, the Bank newly launched products such as full-amount installment, head e-commerce platform cooperation scenarios and car-related installment, built an installment channel system covering mainstream payment platforms, improved the installment system and strengthened systematical support. In addition, the Bank released the credit card APP of CEB 6.0 with new functions of business district section, intelligent service assistant, senior-friendly version, etc., capturing 14,593,200 monthly active users and ranking among the top three in credit card Apps. The risk control system was fully optimized to strengthen the verification of new customer qualifications and enable active management of existing customers, and compliance management was conducted and consumer rights were protected to achieve an overall reduction in the non-performing ratio, non-performing balance and non-performing loan formation rate compared to the end of the previous year, showing significant improvement in asset quality. What's more, the Bank further enhanced its digital capabilities, launched the project of Next-Generation Credit-Card Integrated Business Systems (NGCC-IBS), and established an agile organization and working mechanism featuring "operation + technology + risk management". During the reporting period, about 6.8399 million new credit cards were issued by the Bank, with a total transaction volume of RMB2,749,741 million, up 0.94% year on year. The overdraft balance at the end of the reporting period (excluding the payment adjustment to transitional account) amounted to RMB449,872 million, up 0.62% over the end of the previous year. The Bank generated a business income of RMB44,150 million during the reporting period.

7. Digital banking

Grounded on the positioning of "connecting external flow, building internal platform and incubating innovation", the Bank advanced the building of digital banking and made new breakthroughs in online operation, and was awarded the "Best Digital Bank" by China Financial Certification Authority (CFCA) for eight consecutive years. It optimized the scenario-based finance ecosystem and delivered integrated service solutions covering logistics, second-hand housing, catering and other industry scenarios. Besides, the Bank gave full play to the advantages of "Wonderful Shopping" e-commerce platform to open up online market for distinctive rural businesses, and helped sell agricultural commodities worth RMB50.87 million, with total sales exceeding RMB134 million. It also optimized services for the elderly and disabled, opened a direct service hotline for the elderly and provided sign language video services for the disabled. As at the end of the reporting period, 98.88% of counter transactions were handled through electronic channels; personal Mobile Banking V9.0 was launched, with 52,519,600 registered users and 18,780,400 monthly active users, and 5,378,000 users newly added in 2021, up 40.13% over the previous year end. Registered users of corporate online banking amounted 866,300, with the transaction volume up 14.98% to RMB44.85 trillion.

8. Cloud Fee Payment

With a vision of building the Cloud Fee Payment platform to serve people's well-being and solve their problems, the Bank's fee payment business showcased rapid growth momentum. It continued to maintain its leading edges as China's largest open-ended and convenient fee payment platform, kept providing more fee payment services, enhanced the capabilities to offer convenient online fee payment services, and focused on extending individual fee payment services from provinces to cities, counties and townships, with broader coverage of government affairs and social security agency services throughout the country. In addition, the Bank stepped up efforts to expand cooperation with other banks, large internet platforms and government institutions to broaden service channels of Cloud Fee Payment. Moreover, it strengthened user traffic management, accelerated the establishment of in-house channels for Cloud Fee Payment focusing on tourism, medical care, community and other life scenarios. With its brand reputation further elevated, the Bank was invited to participate in the 2021 Financial Street Forum and launched the *2021 Convenient Fee Payment Industry Report of China* It was also invited to make exhibition at the 2021 China International Fair for Trade in Services, the national financial technology demonstration achievement exhibition and other events, was incorporated into the case collection of the *AFCA Fintech Practice Report* and the 2nd Global FinTech Innovation Case by the National Institution for Finance & Development (NIFD). As at the end of the reporting period, the platform offered 12,263 fee payment services in total, an increase of 2,223 or 22.14% in the year. Free payment services were exported to 668 platforms, an increase of 93 or 16.17% over last year. The total number of direct users of Cloud Fee Payment was 106 million, marking an increase of 55,399,200 or 110.09% over last year. The number of monthly active directly-linked users reached 17,784,800, marking an increase of 5,382,600 or 43.40% over last year. The platform served 565 million payment users in 2021, up 11% year on year. It processed 2,132 million transactions, up 14.32% year on year, with total payments reaching RMB552,439 million, up 36.82% year on year.

Column 3: Advancing retail banking transformation to achieve featured leap development in wealth management

Focusing on the strategic vision of building a first-class wealth management bank, the Bank put emphasis on highlighting the two main features of wealth management and fintech, and advanced four business pillars of "wealth management, retail deposits, retail credit and credit card". Based on a customer-oriented approach, the Bank continuously expanded its customer groups and improved its comprehensive management capabilities to add more value to the retail banking business continuously.

I. Tiered and grouped customer management was enhanced to consolidate retail customer base

The Bank actively promoted the building of an integrated retail customer management system that is tiered, grouped and data-driven with channel coordination and transaction transformation as the core. Built on the identification of five major tiered customers, including general customers, wealth management customers, private banking customers, retail credit customers and credit card customers, the Bank further defined eight key customer groups, such as payroll agency service customers, women, the elderly, and customers in the education sector, to formulate differentiated marketing strategies according to the behavioral characteristics of those customers, create a micro-ecosystem for them, and dig deep into the potential value of tiered customers and key customer groups, thus realizing the improvement both in structure and scale of customers. As at the end of the reporting period, the Bank's total number of retail customers (including holders of credit and debit cards) exceeded 140 million. The number of wealth management customers who held RMB500 thousand-RMB6 million of daily average assets per month exceeded 1 million with corresponding AUM exceeding RMB1 trillion. The number of wealth management customers who held at least RMB6 million grew by 24.70% from the end of the previous year to 50,000. CEB Mobile Banking, Sunshine Life and Cloud Fee Payment saw rapid growth of MAU, with AUM exceeding RMB2 trillion.

II. Integrating online and offline channels to strengthen wealth management capability

The Bank formulated a new integrated development model featuring "dual curves". It promoted the in-depth development of offline "first curve" to build a competent wealth manager team and improve the service efficiency of outlets, and an expanded online "second curve" to enhance content operation and realize online customer acquisition in batch, with more diversified fee-based income of retail banking and significantly enhanced wealth management capability. During the reporting period, the "Colorful Sunshine" wealth management product series was further enriched, Sunshine Gold and Sunshine Orange products recorded impressive performance in the market. The sales of "Colorful Sunshine" net asset-value (NAV) product reached RMB503.2 billion with the holding scale rising 184.58% year on year. The holding scale of agency funds exceeded RMB100 billion, and the fee-based income of agency installment insurance premium and agency privately-offered funds maintained relatively rapid growth.

III. Wealth management platform ecosystem was built to enhance the capability to attract customers and funds

The Cloud Fee Payment platform maintained its leading edges as China's largest open-ended platform for fee payment, actively played the role of scenarios empowerment to cultivate an inclusive "life + finance" wealth management platform. CEB Mobile Banking adopted the guidelines of "increasing online traffic flows, strengthening online operation system and optimizing the scenario-based financial ecosystem", and realized the integration of financial service functions and diversified scenarios including such special scenarios as logistics, medical care, education and tourism, to increase customers' value contributions. The Bank also deepened the all-rounded coordination of banking, securities, trust, insurance and funds centering on the Wealth E-SBU development, promoted the connectivity of five elements including China Everbright Group's high-net-worth customers, products, services, systems and teams, and promoted the total wealth management scale to a higher level.

IV. Building digital retail banking and intensifying the application of fintech

First, the Bank witnessed the continuing improvement of digital and intelligent development of retail banking. It developed digital hit products and empowered business operations with the Customer Rewards Access (Quan Yi Tong). It kept improving the intelligent services of "Xiao Xuan", an AI-powered digital customer service assistance. It released CEB Mobile Banking V9.0, optimized wealth management, funds, private-offered funds, and insurance, and expanded the open-ended ecosystem. It promoted Wealth AI+ in a comprehensive way, and launched the functions of AI qualified investor identification, AI-powered product explanation and AI-powered intelligent video authentication. Second, the Bank vigorously bolstered the infrastructure construction for retail banking to consolidate business support, and formulated and implemented a new "1+2+C" data-based infrastructure for retail banking. Third, the Bank developed digital marketing tools for retail banking to empower business operations. In addition, it deepened the promotion and application of Cloud Studio in WeCom, to act as the primary platform for retail customer management in the private domain.

iii. Financial market business

The Bank's financial market business followed regulatory guidance, supported the development of the real economy, improved the investment and trading business, to facilitate the high-quality development of its financial market business in sharing a common stake with the real economy. In enhancing the quality and efficiency of its interbank business, the Bank also optimized the structure of interbank assets, and controlled the cost of interbank liabilities by leveraging on market fluctuations. Furthermore, the Bank gave full play to its strengths of custodian platform to integrate resources along the broader wealth management ecosystem chain, drove the scale of custodian products rising to over RMB100 billion through the custodian matchmaking business, and fostered a new brand image featuring wealth management. In addition, the Bank successfully completed the disposal of existing wealth management products, deepened the coordination of wealth management businesses and continued to enrich the "Colorful Sunshine" product series. During the reporting period, the Bank's financial market business registered an operating income of RMB29,953 million, representing a year-on-year increase of RMB5,728 million or 23.64%, accounting for 19.53% of the Bank's total operating income.

1. Treasury business

The Bank focused on the essence of finance, rode the tide of national development, to improve the quality and efficiency of serving the real economy. It also continued to improve its asset and liability structure, refined specific management, and improved capital operation efficiency, to ensure liquidity safety. Moreover, the Bank made greater efforts to conduct research on macroeconomic landscape, scaled up the size of bond investment, increased investment portfolio income through laying emphasis on treasury bonds, local government bonds, policy financial bonds and high-grade credit bonds. The Bank increased business coordination between the Head Office and branches, and gave full play to its comprehensive role for profit generation and value creation. Based on the Sunshine series brand, it actively promoted the hit product "Sunshine Cai Hui Ying", demonstrated the features of its wealth management, strengthened the capability to manage customer groups, and increased the proportion of income from trading and franchise business. In line with the compliance operation, the Bank improved the comprehensive risk management system to ensure the treasury business conducted in an orderly and compliant way. As at the end of the reporting period, the balance of bonds in proprietary account amounted to RMB1,030,921 million, accounting for 17.47% of the Bank's total assets, 47.15% of which were treasury bonds and local government bonds.

2. Interbank business

The Bank stringently implemented regulatory requirements, strengthened the management of specialized interbank business, and maintained an appropriate scale of interbank business to ensure compliance and prudence in its operation. It closely followed national strategies and focused on wealth management and value creation, and supported the development of the real economy. In addition, the Bank conducted market research and analysis and moved faster in business transformation to continuously optimize asset structure. It 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, stepped up monitoring and early warning of credit risks, and maintained asset quality stability. Moreover, the Bank improved the ecosystem of interbank customers, strengthened customer base and expanded business cooperation. As at the end of the reporting period, the balance of interbank deposits stood at RMB526,259 million.

3. Asset management business

The Bank built a product container featuring "one main body and two wings", with Sunshine Gold "Fixed Income+" and Sunshine Orange All-weather product as the main body, and Sunshine Green cash management products, Sunshine Red direct equity investment & Sunshine Purple alternative investment as the two wings, in a bid to build the "Colorful Sunshine" product series spectrum with "smiling" curves. It launched the first e-CNY denominated wealth management products, the first REIT product, the first batch of pension wealth management products, the first direct equity investment product, and being one of the first batch of banks investing in specialized, refinement, differential, and innovation enterprises listed in Beijing Stock Exchange. In addition, it issued a number of products themed on anti-inflation, innovation and entrepreneurship, quantitative hedging, rural revitalization and carbon neutrality. Around a systematic structure of product-research-investment, the Bank reinforced its multi-assets and all-weather investment platform and services by enhancing the professional capabilities of different sectors and leveraging on the full-spectrum investment and financing instruments, thus bringing sustainable returns for investors. As at the end of the reporting period, the Bank's non-principal-guaranteed wealth management products within the scope of consolidated management had a balance of RMB1,067,709 million, an increase of RMB231,436 million or 27.67% over the end of the previous year. Among which, the balance of NAV wealth management products stood at RMB1,001,948 million, accounting for 93.84%. Throughout the year, the Bank cumulatively issued RMB4.10 trillion of non-principal-guaranteed wealth management products. All products under "Sunshine Wealth Management" brand were duly honored at maturity.

4. Asset custody business

The Bank enhanced internal and external coordination, continued to scale up the size of custodian business and generated profitability, witnessing relatively rapid growth in income from securities investment fund custody, banking wealth management custody and QDII product custody, and significant increase in income from pension custody and insurance asset custody. It won all the 33 custodian bids for occupational annuity program, taking the lead among joint-stock commercial banks and setting up the brand image of "Sunshine Occupational Annuity". It also enhanced technology empowerment and optimized the "E-custody" system, promoted the application of the project management system and the digital transformation of the custody business. Moreover, the Bank took solid measures to manage and control risks, completed the rectification over rules and regulations, and improved the emergency recovery system to ensure safe and compliant operations. As at the end of the reporting period, the Bank's income after tax from custody business amounted to RMB1,641 million, and RMB7,055,899 million of assets were under the Bank's custody.

XV. BUSINESS INNOVATION

Giving full play to the advantage of special funds for fintech innovation, the Bank improved the innovation management mechanism, stimulated the core driving forces of innovation, and actively explored innovation models. As at the end of the reporting period, the Bank initiated 78 innovation projects, of which 23 have achieved phased results. It also developed digital products covering multiple fields such as financial business, cutting-edge technologies, smart marketing and channel upgrading, to improve business operation and social services capabilities. Everbright Cloud Hospital fostered a full-cycle ecosphere featuring "internet+health care". Mobile banking provided 32 convenient services for people's livelihood including pandemic-specific sectors and social security services. Innovative projects such as Smart Transportation, China Southern Airlines E-Wallet and Catering Express (Can Yin Tong) provided intelligent and convenient services for residents. The Logistics Express (Wu Liu Tong) supported the development of internet-based freight transport, and the annuity block chain platform contributed to the establishment of a multi-tiered and multi-pillar pension insurance system. In addition, the Sunshine Public Welfare Cloud helped public welfare organizations make transformation toward online operation, and the "Internet + Smart Fitness" platform improved the fund management of sports projects designed to deliver benefits to the people.

XVI. INFORMATION TECHNOLOGY

The Bank held steadfast to its blueprint and accelerated the building of the "123+N" digital banking development system. With the continuing empowerment of "One smart brain", the Bank developed over 800 training algorithm models and over 2,100 customer labels, and realized the cross application of multi-modal bio-metrics identification covering over 500 scenarios, doubling the number of the previous year. "Two technological platforms" accelerated the innovation and application of technologies as well as the automatic and controllable operation of the cloud computing platform 3.0, with nearly 90% of the whole bank's application systems moving onto the cloud. The total amount of data on the big data platform exceeded 9 PB, an increase of 149% over the same period of the previous year. "Three service capabilities" focused on mobilized, open-ended and ecological development, created new online service models and opened new channels, and established a digitalized ecological service system with Everbright features. The number of "N (numerous) digital hit products" increased to 24, and provided convenient online financial services through products such as Cloud Fee Payment, Cloud Payment, Sunshine Digital Loan, Logistics Express (Wu Liu Tong), Overseas Finance Cloud and Sunshine Financing E-chain.

The Bank promoted the new phase of technology strategic planning, emphasized the construction and development of application middle center, and set out the "Three New Highlights and Three Transformation" development goal that focused on new experience, new model and new integration, and transformation towards agility, intelligence, and middle-center operation. Empowered by fintech development, the Bank dispatched technological personnel to corporate banking, retail banking and digital banking sectors, established an integrated business operation pattern that combines operation, technology and risk control, and sped up the integration of technologies and businesses to respond agilely to business demand. It made greater efforts in independent innovation and R&D, achieving fruitful results in scientific and technological projects. During the reporting period, it achieved 52 scientific and technological patents or software copyright, including "Full Stack Cloud" (Quan Zhan Yun). Moreover, 5 technological projects, including the "Establishment of Intelligent Data Asset Management Platform and Data Asset Valuation Practice", won Fintech Development Award of the Central Bank, and the *White Paper on Commercial Bank Data Asset Valuation* was the first of its kind developed to build the data asset valuation system of the banking industry.

The Bank built a 24/7 safe operation command center, upgraded the information security operation and condition awareness platform, and carried out network security parade, network security check, technological mines-weeping, model switch and emergency drill and other activities, so as to safeguard network information security and ensure the smooth operation of information systems.

The Bank continued to invest more in technology and put more efforts in building a talent team. As at the end of the reporting period, the Bank invested RMB5.786 billion in technology development, an increase of RMB636 million or 12.35% over the previous year, accounting for 3.77% of the operating income. The number of IT personnel across the Bank was 2,361, an increase of 396 over the previous year-end, accounting for 5.11% of the total employees. By educational background, the number of employees having a junior college degree or below was 37, accounting for 1.57% of the total employees; bachelor's degree, 1,313, accounting for 55.61%; and master's degree or above, 1,011, accounting for 42.82%. By age, 579 employees were under the age of 30, accounting for 24.52% of the total employees; 1,695 were aged 30 to 50, accounting for 71.79%; and 87 were over the age of 50, accounting for 3.69%.

XVII. HUMAN RESOURCES MANAGEMENT

The Bank attached great importance to the leadership building and the management and supervision of cadre, kept an open mind in personnel selection and appointment, optimized the leadership structure, and constantly strengthened the supervision over cadre, which enhanced cadre' abilities to perform duties, intensified cadre exchanges and communication and improved relevant mechanisms. It also carried out research on outstanding young cadre and provided young cadre with work opportunities at the primary level and in rotated positions. It established a sound personnel cultivation and development mechanism, consolidated management base and sped up the building of professional talent pool. It upgraded the management system of training and planning, and took seriously the cultivation of inter-disciplinary talents specializing in wealth management, fintech and other sectors, in a bid to boost business development through knowledge empowerment. It promoted the construction of talent teams and allocated human resources in a science-based way, and strengthened the building of a technological personnel team and a full-time wealth manager team. It applied sound management policies, highlighted the orientation of value creation, and built an agile, flexible and efficient organizational structure. Moreover, by refining the performance evaluation and remuneration management system, the Bank attached great importance to the performance and the requirements put forward by wealth management transformation, gave full play to the role of incentives and constraints, and significantly improved the quality and efficiency of human resource management.

XVIII. INVESTMENT ANALYSIS

i. As at the end of the reporting period, the balance of the Bank's long-term equity investments amounted to RMB13,233 million, representing an increase of RMB250 million or 1.93% as compared with the end of previous year.

ii. Material Equity Investments

Unit: RMB ten thousand, ten thousand 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	150,681	Hubei Port Group Co., Ltd., Wuhan Rail Transit Construction Co., Ltd.
Everbright Wealth Management Co., Ltd.	Wealth management	500,000	–	100	158,643	Nil
Beijing Sunshine Consumer Finance Co., Ltd.	Personal consumer finance	60,000	60,000	60	10,782	China CYTS Tours Holding Co., Ltd., O-Bank Co., Ltd.
CEB International Investment Corporation Limited	Investment banking	HKD2.6 billion	–	100	-HKD460 million	Nil
China Everbright Bank (Europe) S.A.	Full-licensed banking business	EUR20 million	–	100	EUR40,000	Nil
Shaoshan Everbright Rural Bank Co., Ltd.	Commercial banking	10,500	10,500	70	711	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	62	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	717	Ruijin Cultural Tourism Development and Investment Co. Ltd., Ruijin Hongdu Aquatic Product Food Co. Ltd., Ruijin Lvyexuan Forestry Co., Ltd., Ruijin Tiancheng Agricultural Products Co., Ltd.
China UnionPay Co., Ltd.	Bank card clearing	9,750	7,500	2.56	1,233,600	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:

1. All the above-mentioned major equity investments were made with unquoted equity.

2. All the above-mentioned major equity investments were long-term investments.

3. All the above-mentioned equity investments were not subject to any litigation.

iii. During the reporting period, the Bank had no material non-equity investment and conducted bond investment in the ordinary course of its business. Please refer to the afore-mentioned 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 course of its business. Please refer to "Notes to the Consolidated Financial Statements" for details.

XIX. DURING THE REPORTING PERIOD, THERE WAS NO MATERIAL DISPOSAL OF EQUITY INTEREST OR ASSETS 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 related to national economy and people's well-being, such as public utilities, infrastructure construction and urbanization as well as national strategic emerging industries such as new materials, new energy and high-end manufacturing. By now, it has formed certain brand advantages in aviation equipment, vehicle equipment and new energy, and is expanding business in shipping vehicle rental, forming a nationwide business network. As at the end of the reporting period, its total assets and net assets were RMB130,140 million and RMB11,625 million, respectively. It realized a net profit of RMB1,507 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 mutual funds wealth management products, the issuance of privately-offered wealth management products, wealth management advisory and consultation. It was registered in Qingdao City, Shandong Province with a registered capital of RMB5 billion. During the reporting period, through diversified products and professional abilities of assets allocation, the company provided comprehensive asset appreciation services for investors. As at the end of the reporting period, its total assets under management, total assets and net assets were RMB1,067,709 million, RMB7,475 billion and RMB7,019 million, respectively. It realized a net profit of RMB1,586 million for the reporting period.

iii. Beijing Sunshine Consumer Finance Co., Ltd.

Founded in August 2020, the company specializes in business related to personal consumer loans. It was incorporated in Beijing with a registered capital of RMB1.0 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 RMB11,873 million and RMB1,012 million, respectively. It realized a negative net profit of RMB108 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, financial 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 HKD11,728 million and HKD2,229 million, respectively. It registered a loss of HKD460 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, loan lending, bill and bond issuance and any other businesses that can be conducted by credit institutions according to laws in Luxembourg. During the reporting period, it focused its efforts on developing risk participation buying and other credit businesses. As at the end of the reporting period, its total assets and net assets were EUR152 million and EUR13.52 million, respectively. It realized a net profit of EUR40,000 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 loan lending. It was registered in Shaoshan City, Hunan Province with a registered capital of RMB150 million. During the reporting period, focusing on serving rural residents, agriculture and rural areas as well as Shaoshan, it developed businesses for micro and small enterprises and helped boost the growth of county economy by exploring 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 RMB816 million and RMB228 million, respectively. It realized a net profit of RMB7.11 million for the reporting period.

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

Incorporated in February 2013, the rural bank engages in commercial banking services including deposit taking and loan lending. It was registered in Huai'an City, Jiangsu Province with a registered capital of RMB100 million. During the reporting period, it served rural residents, agriculture and rural areas, expanded businesses for micro and small enterprises, and achieved steady growth. As at the end of the reporting period, its total assets and net assets were RMB1,162 million and RMB137 million, respectively. It realized a net profit of RMB620,000 for the reporting period.

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

Incorporated in November 2018, the rural bank engages in commercial banking services including deposit taking and loan lending. It was registered in Ruijin City, Jiangxi Province with a registered capital of RMB150 million. During the reporting period, it explored services for rural residents, agriculture and rural areas, and developed businesses for micro, small and medium enterprises. As at the end of the reporting period, its total assets and net assets were RMB729 million and RMB168 million, respectively. It realized a net profit of RMB7.17 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.

XXII. RISK MANAGEMENT

i. Credit risk management

The Bank sorted out and modified not only the approval mechanism at both the Bank and Group level, but also the responsibilities of relevant committees, and strengthened the centralized management of businesses, procedures and institutions by the risk line of the second line of defense. It implemented the risk embedded a dispatch mechanism in the risk management of retail business line, improved risk management system for retail banking and promoted retail banking transformation. It also deepened the unified credit management, improved the credit approval procedures for low-risk corporate businesses, facilitated system improvement, optimized management and control procedures, and enhanced data governance. Sticking to the requirement of "strict loan governance according to law", the Bank enhanced the management of key risk management personnel. It also intensified the corporate governance of its subsidiaries, improved consolidated balance sheet management, and improved the mechanism for both reporting material risk events and monitoring asset quality. Furthermore, the Bank intensified efforts in credit-related industrial research and management to amplify the guiding function of risk management policies. It also applied big data, artificial intelligence, blockchain and other fintech means to transform traditional risk control technologies so as to upgrade the digitalized and intelligent level of risk management.

Taking serving the new development pattern and boosting domestic demand as its starting point, the Bank bolstered business in strategic emerging industries, advanced manufacturing industries and modern service industries and granted more medium and long-term loans as well as loans to private enterprises. It made due contributions to realizing the goal of achieving "peak carbon emissions and carbon neutrality" by formulating marketing guidelines for green finance, energy conservation and environmental protection, and increasing investment in green finance. Moreover, the Bank fully supported inclusive finance, and further implemented the policies of deferring the principal repayment of inclusive loans to micro and small enterprises and increasing support for unsecured loans. It also allocated more credit resources to micro and small businesses, rural residents, agriculture and rural areas, increasing the proportion of first loans to micro and small businesses and the proportion of medium and long-term loans in the total.

The Bank classified assets in an accurate manner so as to disclose risk profile dynamically and objectively. It pursued a prudent and sound provision policy, performing impairment test 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.

ii. Liquidity risk management

The Bank persisted on a prudent and sound concept for liquidity risk management and adopted a proactive liquidity management strategy, in a bid to maintain liquidity at a sound and adequate level and stick to the liquidity safety bottom line. In response to changes in economic and financial situations, the Bank made forward-looking liquidity management planning, and conducted stress testing and emergency plan assessment. It strictly controlled liquidity risk limits to properly balance liquidity, security and benefit. Besides, the Bank also further improved its consolidated management governance system, and enhanced the risk resistance capacity for both the Bank and the Group.

Please refer to "Notes to the Consolidated Financial Statements" for further details.

iii. Market risk management

The Bank continued to improve its market risk management system, and put all consolidated businesses and products that are associated with market risks under limit control. It closely followed the fluctuations of both domestic and foreign markets, stepped up efforts to predict and analyze interest rate and exchange rate risks and debenture market, and prevented extreme market risks that may be caused by emergencies. Meanwhile, the Bank emphasized the management of derivative market risk and counterparty risk, carried out regular market risk stress tests, and improved stress test procedures and result application mechanism. It also pressed ahead with the implementation of the new standardized approaches for market risks under Basel III and initiated consultation and system building programs.

Please refer to the "Notes to the Consolidated Financial Statements" for further details.

iv. Large risk exposures management

Strictly implementing regulatory requirements, the Bank formulated management rules for large exposures, and established an organizational structure and management system for large exposures management. Besides, it promoted the development of relevant information systems, measured and dynamically monitored changes in large exposures, and thus effectively controlled customer concentration risk. As at the end of 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 risk exposures.

v. Country risk management

Strictly implementing regulatory requirements, the Bank incorporated country risk management into its comprehensive risk management system, imposed strict management on country/region access, set country risk limits, and guided business to low-risk countries. It established a country risk management system that is suitable to its risk profile and complexity, checked and detected country risk exposures on a regular basis, conducted country risk stress tests, and regularly reported relevant information to the senior management and regulators. As at the end of the reporting period, the Bank's assets under the influence of country risk exposures were small in amount and within the limit. It also accrued adequate country risk provisions in accordance with regulatory requirements.

vi. Operational risk management

Adhering to a risk-oriented approach, the Bank broadened risk management towards multiple dimensions with more monitoring and analysis tools developed, strengthened the collection and application of historical loss data, and paid close attention to operational risk in key areas. It conducted analysis on regulatory penalties, drew conclusion on key areas of penalties and specific violations, focused on high-frequency and high-risk business areas, and enhanced compliance management and control. It reported typical risk cases, increased monitoring, early warnings and notifications on recurring problems as well as incipient and regular risks. Furthermore, the Bank made effective use of the three major tools for operational risk management on risk identification, monitoring, assessment and reporting, therefore improving management efficiency.

Please refer to "Notes to the Consolidated Financial Statements" for further details.

vii. Compliance risk management

The Bank kept strengthening its compliance risk management, organized and launched the "Year for Internal Control and Compliance Management" campaign, carried out in-depth self-examination and self-correction, strictly prevented against recurring problems and major cases, and constructed two major platforms for internal control and compliance respectively, thus strengthening the network of internal control and compliance. Through timely following changes in external laws and regulations and optimizing internal rules and regulations, the Bank enhanced its corporate governance capacity. By standardizing the responsibilities, system, classification and contents of its policy management, the Bank built a regular review mechanism that promotes "lawfulness, compliance, simplicity, effectiveness, and easy implementation". It also improved the whole-process management and control of compliance risk, and standardized the management of special authorization, temporary authorization and authorization transfer procedures. Moreover, it persisted in unannounced inspections and investigations of abnormal transactions of employees, enhanced the management of employee behaviors, and enforced strict responsibility and accountability policies, so as to ensure the thorough implementation of internal and external rules and regulations.

viii. Reputational risk management

In accordance with the latest requirements of the *Measures for the Reputational Risk Management of Banking and Insurance Institutions (Provisional)* issued by CBIRC, the Bank revised all its rules related to reputational risk management, and incorporated reputational risk management into its comprehensive risk management system, thus realizing full coverage on all business lines, branches, subsidiaries, all departments, positions, personnel and products, as well as the entire management process ranging from decision-making to implementation and supervision. The Bank upheld the management strategy of "early warning, in-depth research, and proper resolution" and the reputational risk management concept of "prevention first", and established a science-based, reasonable, timely and efficient mechanism for risk prevention, response and resolution. In addition, the Bank conducted regular emergency drills and management training for reputational risk as well as investigation and troubleshooting for hidden risk, continuously improving the management of its reputational risk management and the capabilities of its working team.

During the reporting period, the Bank did not incur any material reputational risk event that could seriously endanger the reputation of the Bank.

ix. Anti-money laundering (AML) management

The Bank aimed to improve the quality and efficiency of AML work. On the basis of implementing rectifications in all respects, the Bank incorporated money-laundering risk management into its overall strategic plan, and upgraded the AML risk assessment mechanism. It improved customer and transaction data quality at its source, and strengthened the effectiveness of AML monitoring and reporting. The Bank optimized tiered risk management for customers, and built a long-term mechanism for customer due diligence. It intensified the management of high-risk customers, and launched money laundering risk investigations on illegal virtual currency transactions and on transactions through self-service machines. In addition, the Bank carried out more AML training and inspections.

x. Credit policies for key fields

The Bank implemented the ecological conservation strategy, and intensified its support for green finance pursuant to the goals of achieving peak carbon emissions and carbon neutrality. It upgraded its climate risk management system and carried out climate risk stress tests. What's more, it formulated environmental, social and governance risk management policies, and optimized green finance classification and management in a bid to building a green finance service system. The Bank supported industries in the fields of clean energy, energy conservation and environmental protection, promoted the green transformation and upgrade of traditional industries, and advanced the innovation of green technologies. It also strictly implemented the "one-vote veto system for green credit", and limited the credit granted to energy-gobbling enterprises.

In the real estate sector, the Bank adhered to the overall principle of "housing is for living in, not for speculation", and strictly implemented the regulatory requirements on the concentration ratio of real estate businesses. In addition to the list-based management of real estate developers, the Bank gave priority to supporting residential development loan lending projects that focus on rigid demand housing, and supported M&A financing for high-quality leading real estate enterprises that meet regulatory requirements. Following the principle of "selecting the top best", the Bank strictly reviewed on both project capital and compliance documents. Meanwhile, the Bank strengthened the monitoring of loan usages and the tracking of project sales, and intensified the closed-loop management of funds.

XXIII. OUTLOOK OF THE BANK

i. Landscape and development trend of the industry

In 2022, China's banking industry will continue to operate with sound momentum. The scale of assets will keep growing steadily, and the asset structure will be optimized based on major credit business, real economy and consumer demand. In the short term, the asset quality might come under the influence of downward pressure on economic growth, but the overall credit risk remains controllable. Impacted by macro policies and market orientation, the liability structure will see increasingly intense competition in obtaining source funds and increasing demand deposits. Meanwhile, operation differentiation among banks will increase further on account of domestic economic restructuring as well as different degrees of progress and effectiveness in commercial banks' reform and transformation.

ii. Business plan

In 2022, the Bank will focus on operating income growth, maintain an active asset and liability allocation strategy within the scope defined by capital, liquidity and other market risk regulatory indicators, and make business structure and income structure optimization the key point for improving operation quality and efficiency. Under the circumstance that there is no significant change 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 planning and stress testing results. Based on its actual conditions, the Bank will replenish capital via both internal and external channels, further consolidating its capital basis. Moreover, it will implement counter-cyclical capital management to address the influence of economic fluctuations and changes in regulatory policy changes, so as to ensure long-term sustainable development.

iv. Potential risk and countermeasures

In 2022, internationally speaking, as the impact of the COVID-19 pandemic continues, both global inflation pressure and fiscal deficits remain high. International financial market remains unstable, and world economy lacks the momentum for recovery. The Russia-Ukraine conflict has raised inflation expectations, aggravated the volatility of global capital markets, increased short-term instability and uncertainties, and dampened the global economic recovery. From the domestic perspective, with robust resilience, China maintains a leading position in economic development and COVID-19 response, and sees no change in the fundamentals underpinning its long-term growth. However, China also faces demand contraction, supply shocks and weakening expectations at the same time. Along with fiercer competition in the banking industry, rapid fintech development, deepened interest rate market reform, heavier downward pressure on deposit and loan spreads and the implementation of new rules on asset management all give rise to the difficulties in bank asset and liability management, and the business philosophy and model of traditional commercial banks face major challenges.

The Bank will adhere to the general principle of “prioritizing stability, pursuing progress while ensuring stability, and seeking excellence in progress”. By ensuring overall “stability”, the Bank will continue to “progress” in pursuit of “excellence”. Focusing on the strategic goal of “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 enter into a new stage of development and further promote the implementation of the “Leap Development Plan”. Third, the Bank will focus more on innovation and leverage on the role of technology to empower development. Last but not least, the Bank will focus more on customer services to safeguard the rights and interests of consumers.

阳光财富

点亮美好生活

综合金融服务，助企业成就未来

中国光大银行
CHINA EVERBRIGHT BANK

95595 www.cebbank.com

光大银行官网

Environmental and Social Responsibilities

I. PURPOSE AND PHILOSOPHY OF SOCIAL RESPONSIBILITY FULFILLMENT

The Bank formulated the *Three-Year Development Plan for Corporate Social Responsibility (2020-2022)* as an action guideline for fulfilling its corporate social responsibilities (CSR), and fully integrated CSR fulfillment into all levels and all aspects of its work. 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 and sunshine development". Guided by the new development philosophy of "innovation, coordination, green, openness and sharing", the Bank proposed 16 actions under seven CSR modules of CSR management, capacity building, CSR practice, CSR dissemination, CSR coordination, market communication and CSR research, and promoted the comprehensive CSR fulfillment through six-sphere measures in terms of organization, mechanisms, plans, capacity, supervision and funding.

II. GREEN FINANCE POLICY

The Bank implemented in depth the work plan of the CPC Central Committee and the State Council for "peaking carbon emissions and achieving carbon neutrality" as well as relevant policy requirements of the financial regulators on green finance, integrated green and low-carbon development into the overall strategy of "building a first-class wealth management bank", put into practice the green development philosophy, and pushed forward green finance work, thereby serving the goals of "peaking carbon emissions by 2030 and achieving carbon neutrality by 2060". During the reporting period, the Bank improved the organizational structure and institutional mechanisms regarding "peaking carbon emissions and achieving carbon neutrality" step by step, and made coordinated efforts in pressing ahead with its green finance business, environmental and climate risk management, and low-carbon transition. The Bank also increased resource allocation and pricing support for green development and low-carbon transition, and maintained a rapid growth in green loans and loans to such key areas of carbon emission reduction as clean energy industries. Meanwhile, it enriched the variety of its green finance products, upgraded green finance service measures, proactively participated in green bond underwriting, reasonably arranged green bond investments, and facilitated green bond issuance in an orderly manner. The Bank strengthened the role of green finance to support micro and small enterprises and rural revitalization, promoted the development of green economy, low-carbon economy and circular economy in a bid to realize the goals of "peaking carbon emissions and achieving carbon neutrality". As at the end of the reporting period, the growth rates of both green loans and clean energy loans were higher than the average of all loans of the Bank, meeting the target of "Two No-less-thans", namely the growth rate of loans to micro and small enterprises should be no less than the average of all loans, and the increment no less than that of the same period in the previous year.

III. PAIRED ASSISTANCE AND RURAL REVITALIZATION

The Bank carried out paired assistance in an orderly manner to consolidate the achievements of the fight against poverty and promote rural revitalization on all fronts. During the reporting period, it took the lead among joint-stock commercial banks in establishing the Rural Revitalization Finance Department to enhance the quality and efficiency of financial services for rural revitalization. The Bank also adjusted the responsibilities of the Leading Group for CSR Work, and consolidated and expanded the achievements of the fight against poverty, thus stepping up efforts on rural revitalization. Furthermore, the Bank formulated and issued its *2021 Paired Assistance Work Plan* to pinpoint its direction and objectives, and achieved sound progress in paired-up assistance donation, rural revitalization loans, poverty alleviation through consumption, featured assistance projects and e-commerce training. The Bank launched the *Comprehensive Financial Service Plan for Rural Revitalization*, covering 10 service sub-plans, 10 product categories and 6 differentiated policies, built a product library for rural revitalization, and established the "Sunshine Agricultural Revitalization" service brand. It also developed the function of "one-stop account-opening from remote counters", and accelerated technology empowerment and application in agriculture-related fields.

As at the end of the reporting period, the Bank had met all regulatory indicators for rural revitalization, with a balance of RMB390.16 billion in agriculture-related loans, an increase of RMB13.294 billion over the year beginning. The balance of inclusive agriculture-related loans stood at RMB15.259 billion, up RMB3.454 billion and 29.25% over the year beginning, higher than the average of all loans. Targeted assistance loans reached RMB29.433 billion, up RMB4.619 billion over the year beginning. The Bank's "Wonderful E-Shopping" platform helped 116 rural enterprises in 107 former national-level impoverished counties of 19 provinces, launching nearly 700 agricultural products, and realizing a total sale of 2.0457 million items or RMB134 million, among which the sales of RMB50.8679 million were completed in 2021.

Environmental and Social Responsibilities

Column 4: Promoting rural revitalization and striding towards common prosperity

The Bank actively implemented the strategic plans of the CPC Central Committee and the State Council for rural revitalization and strictly complied with regulatory requirements, took the lead among joint-stock commercial banks in establishing the Rural Revitalization Finance Department for the overall management of the Bank's rural revitalization work, released the "Sunshine Agricultural Revitalization" service brand, and launched the *Comprehensive Financial Service Plan for Rural Revitalization*, thereby contributing its due share to rural revitalization.

I. Consolidating achievements in poverty eradication

The Bank implemented the requirements of no loosening responsibilities, policies, assistance and regulations even when the impoverished regions have shaken off poverty, extended financial support policies for the industrial development and population in regions out of poverty. It maintained its role of supporting and assisting population in regions out of poverty to help them increase income and become better-off through developing local featured industries. The Bank strengthened its financial support to its paired counties (Xinhua, Xintian and Guzhang counties), and expanded the scope of financial services. As at the end of the reporting period, the balance of the Bank's targeted assistance loans stood at RMB29.433 billion, an increase of RMB4.619 billion over the beginning of the year.

II. Improving rural financing environment

The Bank appropriately tilted more financial resources to county-level regions, deployed more outlets, ATMs and POS terminals, and continued to improve the rural payment service environment. As at the end of the reporting period, the Bank's total number of county-level outlets reached 86, covering 83 counties (including cities and banners) nationwide. Three Sub-branches were established in the Bank's paired assistance region of Yongzhou, Loudi and Xiangxi cities in Hunan Province, two county-level Sub-branches in Xintian and Xinhua counties, and Guzhang County covered by Xiangxi Branch, thus achieving full institutional coverage in paired assistance counties. Cumulatively, the Bank installed 204 self-service equipments in counties. During the reporting period, 8.41 million payment transactions were made at the county level and below.

III. Innovating financial solutions

The Bank built its product library for rural revitalization by innovatively launching exclusive products, including "Sunshine Golden Seed Loan", "Sunshine Golden Grain Loan", "Sunshine Anhui Fruit Loan", "Sunshine Agriculture and Fishery Loan", "Sunshine Greenhouse Loan" and "Sunshine Homestay Loan". The Bank introduced a rural-revitalization-themed debit card to meet the basic payment and settlement needs of rural residents. It also issued 116 "1 Yuan Wealth Management" products, and matched suitable wealth management products for out-of-poverty population and farmers by lowering the initial purchase amount and understanding customers' needs. The Bank also issued rural revitalization notes of "2021 SCP (Rural Revitalization) (Tranche IV) of Guangxi Communications Investment Group Corporation Ltd.", and used the funds raised for five highway projects along former impoverished cities of Baise, Hechi, Hezhou and Chongzuo in Guangxi province, in a bid to further consolidate the results of poverty eradication.

IV. Advancing technology empowerment

The Bank utilized its "one-stop account-opening from remote counters" function to facilitate corporate account opening and resolve the issue of insufficient county outlets. It leveraged on the openness and convenience of the "Cloud Fee Payment" platform to fortify life services in rural areas. Moreover, through the "Wonderful Shopping" e-commerce platform, the Bank assisted with rural e-commerce and broadened sale channels for agricultural products, with sales exceeding RMB50 million during the reporting period. It also promoted whole-process Mobile Integrated Terminal through remote banking, online banking and other online channels.

IV. PROTECTION OF SHAREHOLDERS' RIGHTS AND INTERESTS

The Bank adhered to the principle of fairly treating all investors, and established an independent corporate governance mechanism with effective checks and balances. The Shareholders' General Meetings, meetings of the Board of Directors and of the Board of Supervisors were convened and held in a lawful and compliant manner. The Bank followed relevant procedures in making major decisions, Independent Non-executive Directors carefully supervised the compliance of material matters and expressed 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 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 to undermine the Bank and other shareholders' legitimate rights and interests.

The Bank disclosed material information in a timely and fair manner, and ensured true, accurate, complete, concise, clear and understandable information disclosure, so as to protect every shareholder's right to know material matters of the Bank.

V. CONSUMER RIGHTS & INTERESTS PROTECTION

During the reporting period, the Bank adhered to the requirements of "focusing on customer services and safeguarding consumer rights and interests". Surrounding its brand building of "Sunshine Consumer Protection" and "Sunshine Service", it laid emphasis on consumer protection review, deepened complaint management, optimized education and publicity, and refined consumer protection evaluation. The Board of Directors, the Board of Supervisors and the Senior Management actively performed their duties, regularly reviewed and heard consumer protection reports, and provided guidance. The Bank organized and held special meetings on consumer protection, made relevant arrangements, improved the work mechanism for the whole process ranging from ex ante coordination, interim management and control to ex post supervision in terms of consumer protection review, education and publicity, complaint management and assessment and evaluation, incorporating consumer protection into every aspect of operation and management. In addition, the Bank implemented new consumer protection requirements of regulatory authorities, revised its rules and regulations, and upgraded its policy system with consumer protection management as the outline and other supporting rules as the standards. The Bank organized and carried out special work in "actively responding to complaints and improving customer care", facilitated complaint dealing channels, optimized the complaint handling process, diversified customer dispute resolution, and optimized customers' experience. During the reporting period, the Bank handled 132,972 complaints from customers. Geographically, complaints were concentrated in Beijing Municipality, Guangdong Province and Henan Province. By business segment, complaints mainly involved bank cards, debt collection and loan business.

VI. PROTECTION OF EMPLOYEES' RIGHTS AND INTERESTS

The Bank focused on improving employee remuneration and benefits, gave full play to the incentive effect of remuneration and benefits to stimulate the employees' enthusiasm of work and career, and encouraged them to serve in the long term, to work together for the Bank's growth and to share the fruits of development. It enhanced attendance and leave management while taking both humanity and fairness into consideration. The Bank encouraged employees to make reasonable work arrangements, and ensured that they enjoy statutory public holidays and paid leave. Furthermore, it extended its multi-pillar endowment system by introducing a supplementary endowment insurance apart from participating in the basic pension system in accordance with law, and optimized the structure of fee payment to better balance employees' current income and retirement benefits. The Bank established and improved a supplementary medical insurance system to fully meet employees' individualized medical support needs. It also revised its employee position system to further expand their channels for career development.

VII. ENVIRONMENT INFORMATION

The Bank made vigorous efforts to develop green finance, supported the development of energy-saving and eco-friendly industries, engaged in green operation and undertook environment-friendly public welfare activities. The Bank was not on the list of key pollutant discharging enterprises announced by the national environmental protection authority, and was not imposed any administrative penalties due to environment-related issues.

VIII. OTHERS

The Bank has disclosed the full text of its *2021 Corporate Social Responsibility Report* on the websites of SSE, HKEX 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 principle, specific policies and procedures of consideration stipulated in the *Articles of Association* of the Bank, the Bank shall prioritize cash dividends in profit distribution. Except for special situations, the profit to be distributed in cash each year shall be no less than 10% of the distributable profit of the year if both the profit for the year and the accumulated undistributed profit are positive.

ii. Profit Distribution Plan for 2021

According to the audited 2021 financial statements, the net profit attributable to the shareholders of the Bank in the consolidated statement registered RMB43,407 million. Deducting the total dividend of RMB2,960 million of Everbright P1, Everbright P2 and Everbright P3 in 2021 and the interest on perpetual bonds of RMB1,840 million, the net profit attributable to the bank's ordinary shareholders in the consolidated statement stood at RMB38,607 million, of which the net profit available for distribution to ordinary shareholders was RMB36,423 million.

Taking into account the interests of all shareholders, sustainable development of the Bank's business and the requirements of regulators on capital adequacy ratios, and pursuant to the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China* and relevant requirements of the *Articles of Association* of the Bank, the Bank hereby formulates its 2021 profit distribution plan as follows:

1. As at the end of the reporting period, the Bank appropriated accumulative 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 did not need to appropriate statutory surplus reserve this time.

2. According to the *Management Measures for Provision of Reserves by Financial Institutions* promulgated by the MOF, a general reserve of RMB6,806 million was appropriated at a 1.5% difference of risk assets.

3. Cash dividends were distributed to all shareholders of ordinary shares at RMB2.01 (before tax) per 10 shares. Based on the Bank's share capital of 54,032 million as at the disclosure date of the Report, the total cash dividends amounted to RMB10,860 million, accounting for 28.13% of the net profit attributable to ordinary shareholders of the Bank on consolidation basis. As the convertible bonds issued by the Bank are in the conversion period, if the total share capital changes before the equity distribution registration date, the Bank will keep the total amount of cash dividends to be distributed unchanged and accordingly adjust the dividends to be distributed per share based on the latest total amount of share capital. Specific adjustments will be announced separately. 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 the approval of the 2021 Annual General Meeting.

Significant Events

The profit distribution plan for 2021 did not make any adjustment or amendments to the existing cash dividend policy of the Bank. The profit distribution plan complied with the *Articles of Association* of the Bank, reflecting clear and definite standards and proportion 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 the ordinary shareholders including minority shareholders have the right to participate in and express their views and appeals. The Annual General Meeting of the Bank shall open online voting, when the votes of minority shareholders in relation to the profit distribution plan will 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 dividend distribution announcement.

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

Unit: RMB100 million, %

Item	2021	2020	2019
Cash dividends	108.60	113.47	112.33
Proportion to net profit attributable to ordinary shareholders of the Bank	28.13	32.71	31.97

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 the Bank can effectively implement remedy measures in relation to the public issuance of convertible bonds and 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 work duty-related consumption shall be under restriction in strict compliance with relevant requirements at the national, local and the Bank level, and they shall refrain from over-consumption, extravagance and waste;

3. They shall never utilize the Bank's assets in 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 remuneration policy which is linked to the implementation of remedy measures for the return by the Bank;

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 remedy measures for the return.

As at the end of the reporting period, there had been no violation of the commitments above 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 and Overseas Chinese Town Holdings Company respectively undertook that the H shares they subscribed from this issuance shall not be transferred within 60 months since the issuance ended.**

On 22 December 2017, the Bank issued 4.2 billion H shares to Overseas Chinese Town Holdings Company and 1.61 billion H shares to China Everbright Group. As at the end of the reporting period, there was no breach of undertakings committed by neither of the aforesaid two companies.

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

III. RESERVE

Please refer to "Consolidated Statement of Changes in Equity" for details about 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 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 the retirement and benefits provided by the Bank to 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 audit opinion on it. The special audit opinion was disclosed in public on the websites of SSE, HKEX and the Bank.

X. CHANGES IN ACCOUNTING POLICIES

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

XI. APPOINTMENT AND RESIGNATION OF ACCOUNTING FIRM

i. Appointment of accounting firm for auditing the financial statements

On 29 June 2021, the Bank convened the 2020 Annual General Meeting, deciding to engage EY Hua Ming as the accounting firm in charge of the Bank's domestic audit for 2021 (Xu Xuming, Hong Xiaodong as certified public accountants for signature) and to engage EY as the accounting firm in charge of the Bank's overseas audit for 2021 (Choi Kam Cheong, Geoffrey as certified public accountant for signature). The audit fees payable to the two firms amounted to RMB9 million (inclusive of reimbursement and value-added tax). Both of the two accounting firms have provided audit services for the Bank for six consecutive years.

ii. Engagement of accounting firm for internal control audit

On 29 June 2021, the Bank convened the 2020 Annual General Meeting, deciding to engage EY Hua Ming as its internal control auditor for 2021, and the audit fees payable stood at RMB0.9 million (inclusive of reimbursement and value-added tax).

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 in its regular course of business, most of which were initiated by the Bank for the purpose of collecting non-performing loans. 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 593 sued litigation and arbitration cases pending final judgment, which involved about RMB674 million. The above litigation and arbitration cases would not have a 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 was subject to any compulsory measures according to law.

ii. During the reporting period, the Bank and its 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 by other competent authorities for suspected violation of laws and regulations.

v. During the reporting period, the Bank and its controlling shareholder, de facto controller, Directors, Supervisors or Senior Management were not subject to any administrative and regulatory measures by CSRC, or disciplinary action by any stock exchange.

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

During the reporting period, the Bank, its controlling shareholder and de facto controller did not fail to comply with the obligations specified in effective court judgments or repay 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 which have occurred in the year ended on 31 December 2021 of the Bank 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 announcements disclosed by the Bank on the websites of the HKEX and the Bank.

i. Non-exempt connected transactions

1. Continuing connected transactions

(1) Approval of transaction amount of non-performing assets acquisition for connected legal person

On 20 June 2019, the Bank entered into an agreement with Everbright Jin'ou Asset Management Limited ("Everbright Jin'ou"), pursuant to which, Everbright Jin'ou may acquire the non-performing assets under management of the Bank for commercial purposes under the premise of reasonable pricing and valuation.

Main terms and conditions of the agreement are listed as below:

Based on different project types, under the premise of consensus of negotiation and true and complete risk transfer between the Bank and Everbright Jin'ou, Everbright Jin'ou may entrust the Bank to assist with the disposal of non-performing assets or dispose as an agent, or Everbright Jin'ou shall collect the assets on its own.

The transactions contemplated under the Agreement shall be conducted on normal commercial terms and the rates shall be no less than the rates charged by the Bank to the independent third parties for comparable transactions. The disposal of non-performing assets by the Bank is conducted under the principle of marketization and legalization and in the mode of invitation tender. Qualified companies will be invited to make sealed bidding or open bidding. The Bank determines the transfer plan based on the circumstances such as the valuation of non-performing assets, and determines the counterparty and trading price on the prime principle. Everbright Jin'ou should participate in the bidding process on equal terms as that for other bidders to purchase the non-performing assets of the Bank.

The Bank approved a cumulative transaction amount of non-performing assets of RMB4 billion in aggregate to Everbright Jin'ou, with a single transaction in an amount not exceeding RMB2 billion. The validity period of the amount is three years and the annual cap is RMB4 billion.

Significant Events

Everbright Jin'ou is a subsidiary of China Everbright Group, the controlling shareholder of the Bank, thus Everbright Jin'ou is an associate of China Everbright Group and therefore a connected person of the Bank in accordance with the *Hong Kong Listing Rules*.

During the reporting period, the annual cap for the continuing connected transaction is RMB4 billion, and no transaction occurred in 2021.

(2) Approval of bond underwriting amount for connected legal person

On 6 September 2019, the Bank entered into an agreement with China Everbright Group, pursuant to which, the Bank agreed to provide bond underwriting service for China Everbright Group.

Main terms and conditions of the agreement are listed as below:

The Bank approved the bond underwriting amount of RMB5 billion for China Everbright Group. The underwriting amount is based on the balance management system and is valid for two years with an annual balance cap of RMB5 billion. The annual cap of the underwriting fee is RMB90 million. The issuance factors such as the current underwriting coupon rate under the business will be applied in accordance with the current underwriting approval process, and the guarantee form of the business is credit.

The Bank implemented stand-by underwriting for China Everbright Group within the amount of RMB5 billion according to the principle of fair price, and the purchase price shall be no less favorable than that of the bonds with similar terms underwritten by the Bank for comparable independent third parties of the same period. The transactions contemplated under the agreement shall be conducted on normal commercial terms and the rates shall be no less favorable than the rates charged by the Bank to the independent third parties for comparable transactions.

China Everbright Group is the controlling shareholder of the Bank and constitutes a connected person of the Bank in accordance with the *Hong Kong Listing Rules*.

During the reporting period, the annual cap for the bond underwriting amount of the continuing connected transaction was RMB5 billion, and the cumulative amounts actually occurred were RMB5.5 billion, with no balance at the end of the year; the annual cap of the underwriting fee was RMB90 million, and the amounts actually occurred were RMB18.3883 million.

(3) 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 listed as below:

Everbright Technology will provide technology services to the Bank, including providing technology services in both mature and emerging technology service fields, as well as human resources outsourcing field. The agreement is valid from 1 January 2021 to 31 December 2023 (both dates inclusive), and the total transaction amounts shall not exceed RMB400 million, RMB500 million and RMB600 million respectively as at 31 December 2021, 31 December 2022 and 31 December 2023. 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 China Everbright Group, the Bank's controlling shareholder, and thus constitutes a connected person of the Bank according to the *Hong Kong Listing Rules*.

The annual cap of the continuing connected transactions for 2021 was RMB400 million, and the amounts actually incurred were RMB64.31 million during the reporting period.

(4) Provision of services or products from/to connected legal persons

On 15 December 2021, the Bank and China Everbright Group entered into a comprehensive services 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 to each other between the Bank and China Everbright Group and/or its associates. Main terms and conditions of the agreement are listed as below:

China Everbright Group and/or its associates provide the Bank with product management services, comprehensive services, sales of 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 to China Everbright Group and/or its associates.

China Everbright Group is the controlling shareholder of the Bank, so China Everbright Group and its associates constitute connected persons of the Bank under the *Hong Kong Listing Rules*.

During the reporting period, the annual caps and amounts actually incurred of services or products provided to each other between the Bank and China Everbright Group and/or its associates under the comprehensive services framework agreement are listed as below:

Unit: RMB100 million

	Annual cap	Actual amount incurred
Services provided by China Everbright Group and/or its associates to the Bank		
Product management services	5.73	0.9
Comprehensive services	3.98	2.3469
Supplementary medical insurance	1.9845	1.5696
Technology services	4.6	0.6431
Joint marketing services	6.07	1.674
Cloud fee payment services	0.98	0.8553
Channel business services	4.5	1.576
Securitization product investment services	12.75	0
Services provided by the Bank to China Everbright Group and/or its associates		
Asset custody services	3.2	1.8
Agency sales services	11.05	2.2184
Comprehensive services	1.15	0.3
Securitization product investment services	0.47	0.168

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 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 or not, the terms of such transactions are not less favorable than the same as those granted by the Bank to an independent third party; 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 has engaged an external auditor to report on 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 has issued an unqualified opinion letter containing the verification results of the above continuing connected transactions in accordance with Article 14A.56 of the *Hong Kong Listing Rules*. The Bank has submitted a copy of this letter to the HKEX.

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

(1) The auditor did not notice any matter convincing the auditor that the disclosed continuing connected transactions had not been approved by the Board of Directors of the Bank.

(2) In respect of continuing connected transactions conducted by the Bank, the auditor did not notice any matter convincing the auditor that the transactions had not been conducted in accordance with the pricing policy of the Bank in all material respects.

(3) The auditor did not notice any matter convincing the auditor that the transactions had not been conducted in accordance with the relevant agreements regulating the transactions in all material respects.

(4) In respect of the total amount of each continuing connected transaction disclosed above, the auditor did not notice any matter convincing the auditor that the amount of such continuing connected transaction exceeded the annual cap set by the Bank.

4. Connected transactions

(1) Signing of aircraft sale and purchase agreements with connected legal person China Aircraft Leasing Group Holdings Limited ("CALC")

To effectively expand the aviation assets and customer base, enhance the quality and income of its aviation assets, and realize diversified customers of the Bank's affiliate Everbright Financial Leasing Co., Ltd. ("Everbright Financial Leasing"), on 9 April 2021, Everbright Financial Leasing as the Purchaser (through its two wholly-owned Special Purpose Vehicles) entered into aircraft sale and purchase agreements with CALC as the Vendor (through its two wholly-owned Special Purpose Vehicles), pursuant to which CALC agreed to transfer the ownership of two Airbus A320 aircraft together with the rights and obligations under the leasing agreements to Everbright Financial Leasing. The respective consideration of the aircraft will be paid with self-owned funds of the Purchaser upon completion of each of the aircraft sale and purchase agreements. The market appraise value of the aircraft is made by an independent appraiser and is approximately USD102.4 million (equivalent to approximately HKD799 million).

The Bank has applied to the HKEX for, and the HKEX has granted, exemption from strict compliance with (i) the Rules 14.58(4) and 14.58(7) of the *Hong Kong Listing Rules* regarding the disclosure of the transaction consideration and the net profit attributable to the assets; (ii) the Rule 14.58(6) of the *Hong Kong Listing Rules* regarding the net book value of the Subject of Transfer; and (iii) the Rule 14A.68(5) of the *Hong Kong Listing Rules* regarding the original cost of the Vendor's initial purchase of the Subject of Transfer.

CALC is a legal person indirectly controlled by China Everbright Group, the controlling shareholder of the Bank, and constitutes a connected person of the Bank. As the highest applicable percentage ratio (as defined under the *Hong Kong Listing Rules*) in respect of the transactions contemplated under the aircraft sale and purchase agreements is more than 0.1% but less than 5%, the transactions are subject to the reporting and announcement requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the *Hong Kong Listing Rules*.

For details about the transactions under the aircraft sale and purchase agreements, please refer to the Bank's announcement dated 9 April 2021.

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 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 of material custody, contracting or leasing assets of other companies, or other companies' material custody, contracting or leasing assets of the Bank

Except for routine business, during the reporting period, there was no significant events in relation to any material arrangement for custody, contracting and leasing of assets by or to the Bank.

ii. Significant guarantee

The provision of guarantee is in the ordinary course of business of the Bank. During the reporting period, the Bank did not enter into any significant guarantee which needed 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.

iii. Explanatory notes and independent opinion of Independent Non-executive Directors concerning the provision of guarantee 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 guarantee provided by the Bank on a just, fair and objective basis and issued their 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 China Everbright Group, which was backed by counter guarantee provided by China Everbright Group with its 67.50 million shares of a 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 the risk management of guarantee business, the Bank formulated specific business management measures and operating procedures, and effectively monitored and prevented risks in the guarantee business by on-site and off-site inspections. During the reporting period, no business in violation of the above-mentioned regulations took place in the Bank.

iv. Significant authorization relating to wealth management

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

v. Other material contracts

During the reporting period, the Bank had no other material contracts, and all contracts regarding operations of ordinary business were duly performed.

XVIII. OTHER SIGNIFICANT EVENTS

i. Issuance of tier-2 capital bonds

On 29 June 2021, the 2020 Annual General Meeting of the Bank reviewed and approved the *Proposal on Issuance of Tier-2 Capital Bonds*, and planned to issue tier-2 capital bonds of no more than RMB60 billion or equivalent in foreign currencies. As at the end of the reporting period, this matter was in progress.

ii. Progress of the establishment of CEB Macao Branch

On 12 November 2020, the Bank's application for establishing CEB Macao Branch was approved by CBIRC. As at the end of the reporting period, the preparation was in progress.

iii. Incorporation of Everbright Cloud Payment Technology Co., Ltd. into consolidated statements of the Group

On 29 June 2021, the 28th Meeting of the Eighth Session of the Board of Directors of the Bank considered and approved the proposal on the equity investment in Everbright Cloud Payment Technology Co., Ltd. by CEB International Investment Corporation Limited, a subsidiary of the Bank. On 18 September 2021, Everbright Cloud Payment Technology Co., Ltd. completed the change of industrial and commercial registration after the restructuring. CEB International Investment Corporation Limited holds 51% shares of Everbright Cloud Payment Technology Co., Ltd. which has been included into the consolidated financial statements of the Group.

XIX. SIGNIFICANT EVENTS OF SUBSIDIARIES

i. Everbright Financial Leasing Co., Ltd.

In May 2021, the company distributed cash dividends of RMB200 million to all its shareholders. During the reporting period, the company purchased the asset package of its related legal person China Aircraft Leasing Group Holdings Limited at a total price of about HKD799 million. The company did not involve in any material litigation or arbitration, acquisition and disposal of major assets, material contract, judicial or administrative investigation or administrative penalty. It engaged EY Hua Ming to audit its annual financial report.

ii. Everbright Wealth Management Co., Ltd.

In June 2021, the company distributed cash dividends of RMB226 million to all its shareholders. During the reporting period, the company invested in the ABS products of its related legal person Everbright Financial Holding Asset Management Co., Ltd., with a transaction amount of RMB10 billion, granted a credit line of RMB3 billion to the over-the-counter options of its related legal person Everbright Photon Investment Management Co., Ltd., and approved a wealth management interbank loan with a limit of RMB20 billion for the related legal person China Cinda Asset Management Co., Ltd. During the reporting period, the company did not get involved in any material litigation or arbitration, acquisition and disposal of major assets, material contract, judicial or administrative investigation or administrative 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 neither made profit distribution nor got involved in any material litigation or arbitration, acquisition and disposal of major assets, material related party transaction, material contract, judicial or administrative investigation or administrative penalty. It engaged EY Hua Ming to audit its annual financial report.

iv. CEB International Investment Corporation Limited

In September 2021, the company completed the equity investment in its related legal person Everbright Cloud Payment Technology Co., Ltd., with a shareholding percentage of 51%. During the reporting period, the company neither made profit distribution nor got involved in any material litigation or arbitration, disposal of major assets, material contract, judicial or administrative investigation or administrative penalty. It engaged EY to audit its financial report.

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

During the reporting period, the company neither made profit distribution nor got involved in any material litigation or arbitration, acquisition and disposal of major assets, material related party transaction, material contract, judicial or administrative investigation or administrative penalty. It engaged EY to audit its financial report.

vi. Shaoshan Everbright Rural Bank Co., Ltd.

During the reporting period, the rural bank neither made profit distribution nor got involved in any material litigation or arbitration, acquisition and disposal of major assets, material related party transaction, material contract, judicial or administrative investigation or administrative penalty. It engaged Hunan Zhengde United Accounting Firm to audit its financial report.

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

During the reporting period, the rural bank's shareholder Jiangsu Taihua Pharmacy Co., Ltd. transferred all the shares it held in the rural bank to Huai'an Honghuai Agricultural Industry Development Co. Ltd., the shareholding percentage of which increased from 2.5% to 7.5%. The rural bank neither made profit distribution nor got involved in any material litigation or arbitration, acquisition and disposal of major assets, material related party transaction, material contract, judicial or administrative investigation or administrative 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 neither made profit distribution nor got involved in any material litigation or arbitration, acquisition and disposal of major assets, material related party transaction, material contract, judicial or administrative investigation or administrative penalty. It engaged Ganzhou Zhonghao Accounting Firm to audit its annual financial report.

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

During the reporting period, the Bank established a professional liability insurance system for the 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, and such insurance policies shall cover relevant liabilities of the insured parties and indemnify relevant fees resulted from possible litigation in accordance with provisions thereunder.

XXI. SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

The Bank had no material subsequent event after the reporting period.

XXII. REVIEW OF ANNUAL RESULTS

EY Hua Ming and EY respectively audited the Bank's financial statements, which were prepared according to the PRC GAAP and IFRS respectively, and issued the standard unqualified auditor's reports. The Board of Directors and its Audit Committee have reviewed the annual results and financial statements of the Bank for 2021.

XXIII. PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENTS

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

Changes in Ordinary Share Capital and Shareholders

I. CHANGES IN SHARES

Unit: Share, %

		Before change		Changes during the reporting period	After change	
		Number	Percentage	Conversion of convertible bonds	Number	Percentage
I.	Shares subject to restrictions on sales	5,810,000,000	10.75	–	5,810,000,000	10.75
	Shares held by state-owned legal persons	5,810,000,000	10.75	–	5,810,000,000	10.75
II.	Shares not subject to restrictions on sales	48,221,908,979	89.25	9,216	48,221,918,195	89.25
	1. RMB-denominated ordinary shares	41,353,173,479	76.54	9,216	41,353,182,695	76.54
	2. Overseas listed foreign shares	6,868,735,500	12.71	–	6,868,735,500	12.71
III.	Total shares	54,031,908,979	100.00	9,216	54,031,918,195	100.00

II. SECURITIES ISSUANCE AND LISTING

i. Securities issuance

During the reporting period, a total of RMB34,000 A-share convertible bonds were converted to A-share ordinary shares of the Bank, and the number of shares converted was 9,216. As at the end of the reporting period, the total shares of the Bank stood at 54,031,918,195 shares, including 41,353,182,695 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 as a result of bonus issue, capitalization of capital reserves, rights issue, issue of new shares, issue of shares to specific targets, exercise of warrants, exercise of share 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

Unit: Shareholder

	A Shares	H Shares
Total number of shareholders as at the end of the reporting period	223,694	854
Total number of shareholders as at the end of the month prior to the disclosure date of this report	219,355	853

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	-5,447,881,000	H shares	5,615,925,380	10.39	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	-560,838,600	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	–
Yunnan Hehe (Group) Co., Ltd.	State-owned legal person	–	A shares	626,063,556	1.16	–

Shareholding of top 10 holders of shares not subject to restrictions on sales

Name of shareholder	Change in the reporting period (+, -)	Number of shares held not subject to restrictions on sales	Class and number of shares	
			Class of shares	Number of shares held
China Everbright Group Ltd.	–	23,532,374,561	A shares	23,359,409,561
			H shares	172,965,000
Hong Kong Securities Clearing Company Nominees Limited	-5,447,881,000	5,615,925,380	H shares	5,615,925,380
China Everbright Limited	–	1,572,735,868	A shares	1,572,735,868
China Life Reinsurance Company Ltd.	–	1,530,397,000	H shares	1,530,397,000
China Securities Finance Corporation Limited	-560,838,600	989,377,094	A shares	989,377,094
China Reinsurance (Group) Corporation	–	789,487,619	A shares	413,094,619
			H shares	376,393,000
Shenergy (Group) Co., Ltd.	–	766,002,403	A shares	766,002,403
COSCO Shipping (Shanghai) Investment Management Co., Ltd.	–	723,999,875	A shares	723,999,875
Yunnan Hehe (Group) Co., Ltd.	–	626,063,556	A shares	626,063,556
Hong Kong Securities Clearing Company Ltd.	-100,727,996	622,349,828	A shares	622,349,828

Notes:

1. As at the end of the reporting period, 1,610 million H shares held by China Everbright Group and 4,200 million H shares held by Overseas Chinese Town Holdings Company were subject to restrictions on sales. Besides them, all other ordinary shares were not subject to restrictions on sales.

2. 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 5,615,925,380 H shares as at the end of the reporting period. Among them, 1,605,286,000, 376,393,000, 282,684,000 and 172,965,000 H shares of the Bank were held by Ocean Fortune Investment Limited, China Reinsurance (Group) Corporation, China Life Reinsurance Company Ltd. and China Everbright Group respectively. The number of remaining H shares of the Bank held under it was 3,178,597,380 H shares. Hong Kong Securities Clearing Company Nominees Limited no longer held the 4,200,000,000 and 1,247,713,000 H shares of the Bank for Overseas Chinese Town Holdings Company and China Life Reinsurance Company Ltd., respectively.

3. The Bank was aware that as at the end of the reporting period, China Everbright Limited is a subsidiary indirectly controlled by China Everbright Group. 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.

4. Shenergy (Group) Co., Ltd. carried out sub-financing business during the reporting period, and had no outstanding sub-financing loan at the end of the reporting period.

5. The Bank neither had special repurchase account nor involved in delegation/entrustment of voting rights or abstention of voting rights. No strategic investors or general legal persons became the top ten shareholders due to the placement of new shares. There was no difference in voting right arrangement.

V. DATE OF TRADING FOR SHARES SUBJECT TO RESTRICTIONS ON SALES

Unit: Share

Date	Number of shares available for listing and trading upon the expiration of restrictions on sales	Remaining shares subject to restrictions on sales	Remaining shares not subject to restrictions on sales
22 December 2022	5,810,000,000	5,810,000,000	48,221,918,195

VI. SHAREHOLDING OF TOP TEN HOLDERS OF SHARES SUBJECT TO RESTRICTIONS ON SALES AND SPECIFIC TERMS OF RESTRICTIONS

Unit: Share

Name of shareholder subject to restrictions on sales	Number of shares subject to restrictions on sales	Date for trading	Number of shares newly available for listing and trading	Specific terms of restrictions
Overseas Chinese Town Holdings Company	4,200,000,000	22 December 2022	–	H-share lock-up period
China Everbright Group Ltd.	1,610,000,000	22 December 2022	–	H-share lock-up period

VII. CONFIRMATION OF COMPLIANCE WITH 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 the end of the reporting period, the Bank had maintained the minimum public float as required by the *Hong Kong Listing Rules* and the waiver granted by HKEX.

VIII. SUBSTANTIAL SHAREHOLDERS

i. Controlling shareholder

1. Basic information

Company name:	China Everbright Group Ltd.
Legal representative:	Li Xiaopeng
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. (Business activities shall be carried out based on the company's free choice according to law; business activities which are subject to relevant approval in accordance with applicable laws shall be carried out only after obtaining such approvals granted by competent regulatory authorities; and no business activities in the prohibited and restricted categories of local industry policies of Beijing shall be carried out.)

2. Shareholding in other domestic and overseas listed companies

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

Unit: %

Company name	Stock exchanges for listing	Shareholding Percentage (%)
Everbright Securities Co., Ltd.	SSE, HKEX	45.98
China Everbright Limited	HKEX	49.74
China Everbright Environment Group Limited	HKEX	43.08
China CYTS Tours Holding Co., Ltd.	SSE	21.99
Cachet Pharmaceutical Company Limited	SZSE	28.47
Everbright Grand China Assets Limited	HKEX	74.99
Shenwan Hongyuan Group Co., Ltd.	SZSE, HKEX	3.99

3. The controlling shareholder of China Everbright Group is CHI with a shareholding percentage of 63.16%.

4. Shareholding relationship between China Everbright Group and the Bank:

5. There is no pledge, marking or freezing of China Everbright Group's equity.

Changes in Ordinary Share Capital and Shareholders

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

Overseas Chinese Town Holdings Company 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 the shareholding percentage of 90%. The company was established in December 1987, with a registered capital of RMB12 billion, and its legal representative is Mr. Duan Xiannian. It mainly engages in investment in tourism and related cultural industries (including performing arts, entertainment and its 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 is no pledge, marking or freezing of the company's equity.

iii. Other substantial shareholders under regulatory standards

In accordance with the *Interim Measures for Equity Management of Commercial Banks* (Decree No.1 of CBRC in 2018), other substantial shareholders of the Bank 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 the shareholding percentage of 90%. Established in February 2016 with a registered capital of RMB11 billion and legal representative of Mr. Wan Min, COSCO Shipping mainly engages in the auxiliary business of international shipping and sea transportation; 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 is no pledge, marking or freezing of the company's equity.

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 the shareholding percentage of 71.56%. Established in August 1996, with a registered capital of RMB42,479.80 million and its legal representative of Mr. Yuan Linjiang, China Reinsurance (Group) Corporation mainly engages in the establishment of insurance enterprises through investment, investment business and domestic and international reinsurance business permitted by national laws and regulations. There is no pledge, marking or freezing of the company's equity.

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 the shareholding percentage of 100%. Established in November 1996, with a registered capital of RMB20 billion and its legal representative of Mr. Huang Di'nan, the company mainly engages in the investment, development and management of fundamental electricity and energy industries, investment in natural gas resources and urban gas pipe network, investment in and management of real estate and high-tech industries, industry investment, asset management and domestic trade (unless otherwise stipulated in special provisions). There is no pledge, marking or freezing of the company's equity.

iv. Related party transactions with the substantial shareholders

The Bank had treated more than 2,600 enterprises including the above-mentioned substantial shareholders and their controlling shareholders, de facto controllers, related parties, persons acting in concert and ultimate beneficiaries as the Bank's related parties. During the reporting period, the Bank incurred 77 related party transactions with 63 related parties, involving a total amount of RMB169,092 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 purpose in accordance with related procedures.

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

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

As at the end of the reporting period, as far as the 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 required to be kept under Section 336 of the *Securities and Futures Ordinance of Hong Kong* ("HKSFO"), 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 relevant shares in issue (%)[4,5]	Percentage of the total issued shares (%)[4,5]
China COSCO Shipping Corporation Limited[1]	H shares	Interest of controlled corporation	Long	1,605,286,000	12.66	2.97
China Shipping (Group) Company[1]	H shares	Interest of controlled corporation	Long	1,605,286,000	12.66	2.97
COSCO Shipping Financial Holdings Co., Limited[1]	H shares	Interest of controlled corporation	Long	1,605,286,000	12.66	2.97
Ocean Fortune Investment Limited[1]	H shares	Beneficial owner	Long	1,605,286,000	12.66	2.97
Central Huijin Investment Ltd.[2]	H shares	Interest of controlled corporation	Long	3,773,385,000	29.76	6.98
China Everbright Group Ltd.[2]	H shares	Beneficial owner/ Interest of controlled corporation	Long	1,866,595,000	14.72	3.45
China Reinsurance (Group) Corporation[2]	H shares	Beneficial owner/ Interest of controlled corporation	Long	1,906,790,000	15.04	3.53
China Life Reinsurance Company Ltd.[2]	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.[3]	A shares	Beneficial owner/ Interest of controlled corporation	Long	25,922,412,492	62.69	47.98
Central Huijin Investment Ltd.[3]	A shares	Interest of controlled corporation	Long	26,965,200,411	65.21	49.91

Notes:

1. Ocean Fortune Investment Limited holds a long position in 1,605,286,000 H shares of the Bank directly. As far as the Bank is aware, Ocean Fortune Investment Limited is wholly-owned by COSCO Shipping Financial Holdings Co., Limited, which is wholly-owned by China Shipping (Group) Company. China Shipping (Group) Company is wholly-owned by China COSCO Shipping Corporation Limited. In accordance with the HKSFO, 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.

Changes in Ordinary Share Capital and Shareholders

2. China Life Reinsurance Company Ltd. holds a long position in 1,530,397,000 H shares of the Bank directly. China Reinsurance (Group) Corporation holds a long position in 376,393,000 H shares of the Bank directly. China Everbright Group directly holds a long position in 1,782,965,000 H shares of the Bank. China Everbright Holdings Company Limited holds a long position in 83,630,000 H shares of the Bank directly. As far as the Bank is 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 China Everbright Group, while 63.16% of the issued share capital of China Everbright Group is held by CHI. In accordance with the HKSFO, 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 have interests in a total of 3,773,385,000 H shares of the Bank indirectly.

3. China Everbright Group 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, China Everbright Group 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 629,693,300 A shares of the Bank, respectively. As far as the Bank is aware, 100% of the issued share capital of Central Huijin Asset Management Ltd., 71.56% of the issued share capital of China Reinsurance (Group) Corporation and 63.16% of the issued share capital of China Everbright Group are held by CHI respectively. In accordance with the HKSFO, CHI is deemed to hold a long position in 629,693,300 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 China Everbright Group. Therefore, CHI indirectly holds a long position of 26,965,200,411 A shares of the Bank in total.

4. As at 31 December 2021, the issued share capital of the Bank was 54,031,918,195 shares, including 41,353,182,695 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 HKEX 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 persons 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 the provisions of Divisions 2 and 3 of Part XV of the HKSFO, or which were recorded in the register required to be kept by the Bank under Section 336 of the HKSFO.

XI. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN 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 the directors and supervisors of the Bank were aware, none of the 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 associated corporations (as defined in the HKSFO) which were recorded in the register required to be kept by the Bank under Section 352 of the HKSFO, or which were required to be notified to the Bank and HKEX under the provisions of Divisions 7 and 8 of Part XV of the HKSFO, or which were required to be notified to the Bank and HKEX pursuant to the *Model Code*. Nor had they been granted the right to acquire any interests in shares or debentures of the Bank or any of its associated corporations.

Changes in Preference Share Capital and Shareholders

I. ISSUANCE AND LISTING OF PREFERENCE SHARES

Unit: RMB Yuan, %, Ten Thousand 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

i. Everbright P1 (Code 360013)

Unit: Share, %, Shareholder

Number of shareholders as at the end of the reporting period				20		
Number of shareholders as at the end of the month prior to the disclosure date of this report				20		
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
Hwabao Trust Co., Ltd.	Others	31,430,000	32,400,000	16.20	Domestic preference shares	–
Everbright Securities Asset Management Co., Ltd.	Others	26,700,000	26,700,000	13.35	Domestic preference shares	–
Bosera Asset Management Co., Limited	Others	7,750,000	15,500,000	7.75	Domestic preference shares	–
BOCOM Schroders Asset Management Co., Ltd.	Others	7,300,000	15,500,000	7.75	Domestic preference shares	–
BOC International (China) Co., Ltd.	Others	–	15,500,000	7.75	Domestic preference shares	–
Jiangsu International Trust Corporation Limited	Others	11,640,000	11,640,000	5.82	Domestic preference shares	–
CITIC Securities Co., Ltd.	Others	10,030,000	10,320,000	5.17	Domestic preference shares	–
CCB Trust Co., 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	–
Ping An Life Insurance Company of China, Ltd.	Others	–	10,000,000	5.00	Domestic preference shares	–

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

Changes in Preference Share Capital and Shareholders

ii. Everbright P2 (Code 360022)

Unit: Share, %, Shareholder

Number of shareholders as at the end of the reporting period					21	
Number of shareholders as at the end of the month prior to the disclosure date of this report					20	
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
TruValue Asset Management Co., Ltd.	Others	13,270,000	13,270,000	13.27	Domestic preference shares	–
Ping An Wealth Management Co., Ltd.	Others	12,190,000	12,190,000	12.19	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	–
CITIC Securities Co., Ltd.	Others	7,450,000	7,450,000	7.45	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	6,540,000	6.54	Domestic preference shares	–
Jiangsu International Trust Corporation Limited	Others	5,800,000	5,800,000	5.80	Domestic preference shares	–
Bosera Asset Management Co., Limited	Others	1,300,000	5,210,000	5.21	Domestic preference shares	–
Shenwan Hongyuan Securities Co., Ltd.	Others	3,900,000	3,900,000	3.90	Domestic preference shares	–

Note: China Everbright Group is the controlling shareholder of the Bank. Shenwan Hongyuan Securities Co., Ltd and China Everbright Group constitute related party relationship. Save for the above, the Bank is not aware of any related party relationship or concerted actions among the above holders of preference shares, as well as between the above preference shareholders and the top ten ordinary shareholders.

iii. Everbright P3 (Code 360034)

Unit: Share, %, Shareholder

Number of shareholders as at the end of the reporting period					24	
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	–
CCB Trust Co., Ltd.	Others	–	31,810,000	9.09	Domestic preference shares	–
BOCOM Schroder Fund Management Co., Ltd.	Others	–	27,270,000	7.79	Domestic preference shares	–
New China Life Insurance Company Ltd.	Others	–	27,270,000	7.79	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	11,630,000	11,880,000	3.40	Domestic preference shares	–
Bank of Beijing Co., Ltd.	Others	–	9,090,000	2.60	Domestic preference shares	–
Guotai Junan Securities Asset Management Co., Ltd.	Others	–	9,090,000	2.60	Domestic preference shares	–
Taiping Life Insurance Co., Ltd.	Others	–	9,090,000	2.60	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 is not aware of any related party relationship or concerted actions among the above holders of preference share, as well as between the above preference shareholders and the top ten ordinary shareholders.

IV. PROFIT DISTRIBUTION FOR PREFERENCE SHARES

1. Policy on profit distribution 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 rate shall remain unchanged for the first five years commencing from the issuance date. Subsequently, the coupon rate shall be adjusted once every five years, and remain unchanged for each new period. Through market consultation, the first coupon rate for the Everbright P1, Everbright P2 and Everbright P3 was 5.30%, 3.90% and 4.80% respectively. Of these, on 25 June 2020 and 11 August 2021, the coupon rates for the Everbright P1 and Everbright P2 were adjusted to the second coupon rates of 4.45% and 4.01% respectively, as their first coupon rates had been applied for five years.

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 of or all of the dividend payment of the preference shares, the undistributed dividends shall not be carried forward to the following dividend period. The preference shareholders are not entitled to the distribution of the remaining profit along with ordinary shareholders after receiving dividends at the agreed rate.

2. Scheme on profit distribution for preference shares

The Bank distributed the dividends for Everbright P1 on 25 June 2021 at a dividend rate of 4.45% (before tax). The dividends for the Everbright P2 was distributed on 11 August 2021 at a dividend rate of 3.90% (before tax). The dividends for the Everbright P3 was distributed on 19 April 2021 at a dividend rate of 4.80% (before tax). All the above distribution plans were executed.

As agreed, the dividends on the 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 the Everbright P1 (i.e. 27 June 2022) and the Everbright P2 (i.e. 11 August 2022) to consider issues relating to the dividend payment.

The dividends for Everbright P3 is distributed once every fiscal year. The Bank will implement the dividend distribution plan within 15 working days after review and approval by the Board of Directors.

3. Amount and proportion of the distributed dividends on preference shares in last three years

Unit: RMB million, %

Item	2021	2020	2019
Dividend amount	2,960	2,219	1,450
Proportion of distribution	100.00	100.00	100.00

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

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 OF 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 some RMB29,923 million after deducting the issuance expense. The proceeds were used in business development, which could replenish core tier-1 capital after conversion. On 5 April 2017, the above-mentioned A share convertible bonds were listed on SSE (bond name: Everbright Convertible Bonds, stock code: 113011).

II. HOLDERS OF CONVERTIBLE BONDS AND GUARANTORS

Unit: RMB, %, Shareholder

Convertible bond holders as at the end of the reporting period	6,700	
Guarantors of convertible bonds of the Bank	Nil	
Top ten convertible bond holders	**Par value of bond held at the end of the reporting period**	**Percentage of bonds held**
Specific account for collateralized bond repurchase in the securities depository and clearing system (Industrial and Commercial Bank of China)	4,499,656,000	18.59
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)	2,332,413,000	9.64
Specific account for collateralized bond repurchase in the securities depository and clearing system (Bank of China)	1,755,846,000	7.26
Specific account for collateralized bond repurchase in the securities depository and clearing system (Bank of Communications)	820,702,000	3.39
Specific account for collateralized bond repurchase in the securities depository and clearing system (Agricultural Bank of China)	741,983,000	3.07
Specific account for collateralized bond repurchase in the securities depository and clearing system (China Merchants Bank)	714,716,000	2.95
Specific account for collateralized bond repurchase in the securities depository and clearing system (China Minsheng Bank)	544,222,000	2.25
Specific account for collateralized bond repurchase in the securities depository and clearing system (Shanghai Pudong Development Bank)	521,909,000	2.16
Specific account for collateralized bond repurchase in the securities depository and clearing system (Bank of Beijing)	475,956,000	1.97

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 RMB5,801,120,000 "Everbright Convertible Bonds" were converted into A shares of the Bank, and the number of accumulated converted shares reached 1,542,823,195. In 2021, a total of 9,216 shares worth RMB34,000 were converted.

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	HKEX website, website of the Bank	Due to profit distribution for ordinary A shares for 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 for ordinary A shares for 2017
26 June 2019	3.97	18 June 2019	Ibid.	Due to profit distribution for ordinary A shares for 2018
24 June 2020	3.76	15 June 2020	Ibid.	Due to profit distribution for ordinary A shares for 2019
21 July 2021	3.55	12 July 2021	Ibid.	Due to profit distribution for ordinary A shares for 2020
Conversion price as of the disclosure date of the reporting period				3.55

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 track and rate the credit standing of its A share convertible bonds issued in 2017. CCXI issued the *Tracking and Rating Report on A Share Convertible Corporate Bonds (2021) of China Everbright Bank Company Limited* on 26 May 2021 based on comprehensive analysis and evaluation of the Bank's operating results and the industry situation, maintaining the credit rating of the bond issuer as AAA with a stable outlook and the credit rating of Everbright Convertible Bonds as AAA. The rating incurred no change from the previous one. The Bank managed to remain stable in all aspects of operation, as exemplified by the reasonable asset structure, the basically steady liabilities, and the robust credit position. In future years, cash flows from operating and investment activities will constitute the cash sources of debt repayment.

Directors, Supervisors, Senior Management, Staff and Business Outlets

I. INCUMBENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Gender	Age	Term of office	Total remuneration from the Bank during the reporting period (Pretax, RMB10,000)	Whether received remuneration from the related party
Wang Jiang	Secretary of the Party Committee, Non-executive Director (designate)	Male	58	Mar. 2022-Jul. 2022	–	Yes
Wu Lijun	Vice Chairman, Non-executive Director	Male	57	Mar. 2020-Jul. 2022	–	Yes
Fu Wanjun	Deputy Secretary of the Party Committee, Executive Director, President	Male	54	Feb. 2021-Jul. 2022	48.81	No
Yao Zhongyou	Non-executive Director	Male	58	Feb. 2021- Jul. 2022	–	Yes
Qu Liang	Member of the Party Committee, Executive Director, Executive Vice President	Male	55	Feb. 2021- Jul. 2022	268.83	No
Yao Wei	Non-executive Director	Male	46	Feb. 2021- Jul. 2022	–	Yes
Liu Chong	Non-executive Director	Male	52	Dec. 2019-Jul. 2022	–	Yes
Li Wei	Non-executive Director	Male	51	Aug. 2021-Jul. 2022	–	Yes
Wang Liguo	Independent Non-executive Director	Male	64	Jan. 2017-Jul. 2022	42.00	No
Shao Ruiqing	Independent Non-executive Director	Male	64	Aug. 2019-Jul. 2022	43.00	Yes
Hong Yongmiao	Independent Non-executive Director	Male	58	Sep. 2019-Jul. 2022	43.00	Yes
Li Yinquan	Independent Non-executive Director	Male	66	Jun. 2020-Jul. 2022	43.00	Yes
Han Fuling	Independent Non-executive Director	Male	57	May 2021-Jul. 2022	24.50	Yes
Liu Shiping	Independent Non-executive Director	Male	59	Jan. 2022-Jul. 2022	–	Yes
Lu Hong	Member of the Party Committee, Chairman of the Board of Supervisors, Shareholder Supervisor	Male	58	Mar. 2021-Jul. 2022	189.55	No
Wu Junhao	Shareholder Supervisor	Male	56	Nov. 2009- Jul. 2022	–	Yes
Li Yinzhong	Shareholder Supervisor	Male	57	Dec. 2021-Jul. 2022	–	Yes
Wu Gaolian	External Supervisor	Male	69	Jun. 2016- Jul. 2022	–	No
Wang Zhe	External Supervisor	Male	61	Nov. 2016- Jul. 2022	33.00	Yes
Qiao Zhimin	External Supervisor	Male	69	Sep. 2019-Jul. 2022	34.00	Yes
Xu Keshun	Employee Supervisor	Male	55	Jul. 2019-Jul. 2022	194.74	No
Sun Jianwei	Employee Supervisor	Male	55	Jul. 2019-Jul. 2022	194.91	No
Shang Wencheng	Employee Supervisor	Male	46	Jul. 2019-Jul. 2022	200.74	No
Wu Chongkuan	Member of the Party Committee (Executive Vice President level), Chairman of the Working Committee of the Labor Union, Secretary of the Party Committee Office of H.O., Chairman of Labor Union of H.O.	Male	59	Apr. 2014-	268.66	No
Dong Tiefeng	Member of the Party Committee, Secretary of Discipline Inspection Committee (Executive Vice President level)	Male	54	Dec. 2020-	227.27	No
Qi Ye	Member of the Party Committee, Executive Vice President	Female	52	Jul. 2020-	230.35	No
Yang Bingbing	Member of the Party Committee, Executive Vice President, Risk Officer	Male	51	Jul. 2020-	230.36	No
Zhao Ling	Member of the Party Committee, Executive Vice President, Secretary to the Board of Directors, Company Secretary	Male	49	Nov. 2021-	91.69	No
Total remuneration received from the Bank					2,408.41	

Notes:

1. The remuneration of Directors and Supervisors is subject to approval of the Shareholders' General Meeting.
2. The remuneration of certain Directors, 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 2021 was calculated according to the actual term of office, and the remuneration of Mr. Zhao Ling was calculated as of the date when he began to serve as Member of the Party Committee.
4. During the reporting period, none of the Directors, Supervisors and Senior Management held any share of the Bank.
5. During the reporting period, the Bank did not implement any share incentive scheme, and none of the Directors, Supervisors and Senior Management held stock option of the Bank's shares or was granted any restrictive shares.
6. None of the incumbent Directors, Supervisors and Senior Management of the Bank has been subject to any penalty by any 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	Total remuneration from the Bank during the reporting period (Pretax, RMB10,000)	Whether received remuneration from the related party
Li Xiaopeng	Secretary of the Party Committee, Chairman, Non-executive Director	Male	62	Mar. 2018-Mar. 2022	–	Yes
Liu Jin	Deputy Secretary of the Party Committee, Executive Director, President	Male	55	Mar. 2020-Mar. 2021	14.19	No
Lu Hong	Executive Director, Executive Vice President	Male	58	Dec. 2010-Mar. 2021	74.19	No
Yu Chunling	Non-executive Director	Female	55	Nov. 2019-May 2021	–	Yes
Xu Hongcai	Independent Non-executive Director	Male	57	Feb. 2015-Jan. 2022	43.00	No
Feng Lun	Independent Non-executive Director	Male	62	Feb. 2015-May 2021	15.00	Yes
Li Xin	Chairman of the Board of Supervisors, Shareholder Supervisor	Male	61	Jun. 2015-Jan. 2021	31.71	No
Yin Lianchen	Shareholder Supervisor	Male	55	Dec. 2014-Sep. 2021	–	Yes
Yao Zhongyou	Executive Vice President	Male	58	Aug. 2014-Jun. 2021	139.05	No
Li Jiayan	Member of the Party Committee (Executive Vice President Level), Secretary to the Board of Directors	Male	58	Jan. 2018-Nov. 2021	211.93	No
Total remuneration received from the Bank					529.07	

Notes:

1. In February 2021, the term of Mr. Xu Hongcai as Independent Non-executive Director expired. Mr. Xu Hongcai continued to perform his duties until the qualifications of his successor Mr. Liu Shiping was approved by CBIRC. On 18 January 2022, CBIRC approved the qualifications of Mr. Liu Shiping as Independent Non-executive Director, and Mr. Xu Hongcai no longer performed his duties.

2. On 30 July 2019, Mr. Feng Lun ceased to serve as Independent Non-executive Director of the Bank upon the election in the Second Extraordinary General Meeting of the Bank in 2019. Mr. Feng Lun continued to perform his duties until the qualifications of his successor Mr. Han Fuling was approved by CBIRC. On 25 May 2021, CBIRC approved the qualifications of Mr. Han Fuling as Independent Non-executive Director of the Bank, and Mr. Feng Lun no longer performed his duties.

3. The remuneration of resigned Directors, Supervisors and Senior Management of the Bank for 2021 was calculated according to their actual terms of office.

4. None of the Directors, Supervisors and Senior Management who resigned from the Bank has been subject to penalty from the securities regulatory authorities in the past three years.

III. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

i. Changes in Directors

1. On 5 February 2021, CBIRC approved the qualifications of Mr. Fu Wanjun, Mr. Yao Wei, Mr. Yao Zhongyou and Mr. Qu Liang as Directors of the Bank.

2. On 2 March 2021, due to work adjustment, Mr. Lu Hong resigned from the positions as Executive Director of the Bank and Member of Risk Management Committee of the Board of Directors of the Bank.

3. On 16 March 2021, due to work adjustment, Mr. Liu Jin resigned from the positions as Executive Director of the Bank, Chairman and Member of Risk Management Committee, Chairman and Member of Inclusive Finance Development and Consumer Rights and Interests Protection Committee and member of Strategy Committee of the Board of Directors of the Bank.

4. On 10 May 2021, due to work adjustment, Ms. Yu Chunling resigned from the positions as Non-executive Director of the Bank, Member of Risk Management Committee and Member of Related Party Transactions Control Committee of the Board of Directors of the Bank.

5. On 25 May 2021, CBIRC approved the qualifications of Mr. Han Fuling as Independent Non-executive Director of the Bank, and Mr. Feng Lun ceased to perform his duties.

6. On 1 June 2021, CBIRC approved Mr. Fu Wanjun's qualifications as President of the Bank, and Mr. Fu Wanjun was changed from Non-executive Director to Executive Director of the Bank.

7. On 18 June 2021, due to work adjustment, Mr. Yao Zhongyou resigned from the position as Executive Vice President of the Bank, and was changed from Executive Director to Non-executive Director of the Bank.

8. On 30 August 2021, CBIRC approved Mr. Li Wei's qualifications as Director of the Bank.

9. 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.

10. On 24 March 2022, due to work adjustments, Mr. Li Xiaopeng resigned from the positions of Chairman, Non-executive Director, Chairman and Member of Strategy Committee, Member of Nomination Committee of the Board of Directors of the Bank.

11. On 25 March 2022, the 37th Meeting of the Eighth Session of the Board of Directors of the Bank approved to nominate Mr. Wang Jiang as candidate for Non-executive Director of the Bank, and his qualification is subject to the approval of the Shareholders's General Meeting of the Bank and CBIRC.

ii. Changes in Supervisors

1. On 19 January 2021, due to retirement, Mr. Li Xin resigned from the positions as Chairman of the Board of Supervisors and Shareholder Supervisor of the Bank, and Member of the Nomination Committee of the Board of Supervisors of the Bank.

2. On 2 February 2021, the 10th Meeting of the Eighth Session of the Board of Supervisors approved to nominate Mr. Lu Hong as candidate for Shareholder Supervisor of the Bank. On 25 March 2021, the 2021 First Extraordinary General Meeting elected Mr. Lu Hong as Shareholder Supervisor of the Bank. On 26 March 2021, the 11th Meeting of the Eighth Session of the Board of Supervisors elected Mr. Lu Hong as Chairman of the Board of Supervisors of the Bank.

3. On 29 September 2021, due to work adjustment, Mr. Yin Lianchen resigned from the positions as Shareholder Supervisor and Member of the Nomination Committee of the Board of Supervisors of the Bank.

4. On 28 October 2021, the 15th Meeting of the Eighth Session of the Board of Supervisors approved to nominate Mr. Li Yinzhong as candidate for Shareholder Supervisor of the Bank. On 28 December 2021, the 2021 Second Extraordinary General Meeting elected Mr. Li Yinzhong as Shareholder Supervisor of the Bank.

iii. Changes in Senior Management

1. On 2 March 2021, due to work adjustment, Mr. Lu Hong resigned from the position as Executive Vice President of the Bank.

2. On 16 March 2021, due to work adjustment, Mr. Liu Jin resigned from the position as President of the Bank.

3. On 1 June 2021, CBIRC approved the qualifications of Mr. Fu Wanjun as President of the Bank.

4. On 18 June 2021, due to work adjustment, Mr. Yao Zhongyou resigned from the position of Executive Vice President of the Bank.

5. On 5 November 2021, CBIRC approved the qualifications of Mr. Zhao Ling as Executive Vice President of the Bank. On 10 March 2022, CBIRC approved the qualifications of Mr. Zhao Ling as Secretary to the Board of Directors of the Bank.

6. On 12 November 2021, due to work adjustment, Mr. Li Jiayan resigned from the position as Secretary to the Board of Directors of the Bank.

IV. CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

1. Mr. Fu Wanjun, Executive Director and President of the Bank, began to serve as Executive Director of China Everbright Group and ceased to serve as its Deputy General Manager.

2. Mr. Yao Zhongyou, Non-executive Director of the Bank, began to serve as Director-General of Leasing Business Management Center of China Everbright Group and Chairman of Everbright Financial Leasing Co., Ltd, and ceased to serve as Member of the Party Committee and Executive Vice President of the Bank.

3. Mr. Qu Liang, Executive Director and Executive Vice President of the Bank, ceased to concurrently serve as Secretary of the Party Committee, and General Manager of Beijing Branch of the Bank.

4. Mr. Yao Wei, Non-executive Director of the Bank, began to serve as Director of Konka Group Co., Ltd. and Director of Overseas Chinese Town (Yunnan) Investment Co., Ltd.

5. Mr. Liu Chong, Non-executive Director of the Bank, ceased to serve as Chairman of Dong Fang International Container (Hong Kong) Limited.

6. Mr. Shao Ruiqing, Independent Non-executive Director of the Bank, served as Independent Non-executive Director of COSCO Shipping Development Co., Ltd., China Enterprise Company Limited and Arcplus Group PLC, and ceased to serve as Independent Non-executive Director of China Eastern Airlines Co., Limited.

7. Mr. Hong Yongmiao, Independent Non-executive Director of the Bank, began to serve as Dean of the School of Economics and Management of University of Chinese Academy of Sciences, and Independent Non-executive Director of BBMG Corporation, and ceased to serve as Independent Non-executive Director of Xiamen Bank.

8. Mr. Li Yinquan, Independent Non-executive Director of the Bank, ceased to serve as Independent Non-executive Director of LIZHI INC.

9. Mr. Wu Junhao, Shareholder Supervisor of the Bank, served as Supervisor of Orient Securities Co., Ltd. and ceased to serve as the company's Director.

10. Mr. Xu Keshun, Employee Supervisor of the Bank, began to serve as Commissioner of Office of the Board of Supervisors of the Bank, and ceased to serve as Director-General of Office of the Board of Supervisors of the Bank (General Manager Level of Head Office Department).

11. Mr. Sun Jianwei, Employee Supervisor of the Bank, began to serve as Inspection Commissioner (General Manager Level of Head Office Department) of Inspection Office of the Bank, and ceased to serve as General Manager of Legal and Compliance Department of the Bank.

V. REMUNERATION POLICIES OF THE BANK

The Bank had formulated and put into force a series of remuneration management policies including the *Management Measures for Remuneration of Employees*, the *Management Measures for Remuneration of Senior Management*, the *Management Measures for Remuneration of Leadership of Branches,* the *Management Measures for Gross Payroll of Subsidiaries* and the *Management Measures for Deferred Payment of Performance-based Remuneration*. The policies specify the management principles, scope of application, main contents and relevant procedures, and establish a unified remuneration system with unified rights and responsibilities while taking account of both intra-institution fairness and market-oriented principles.

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 shareholders' 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 subject to the shareholders' general meeting for approval.

For details about the remuneration of Directors, Supervisors and Senior Management of the Bank in 2021, please refer to relevant content of this section.

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

Name	Name of shareholder	Position	Terms of Office
Wang Jiang	China Everbright Group Ltd.	Secretary of the Party Committee	Mar. 2022 to the present
Wu Lijun	China Everbright Group Ltd.	Deputy Secretary of the Party Committee	Sep. 2019 to the present
		Vice Chairman, General Manager	Nov. 2019 to the present
Fu Wanjun	China Everbright Group Ltd.	Member of the Party Committee, Executive Director	Mar. 2019 to the present
Yao Zhongyou	China Everbright Group Ltd.	Director-General of Leasing Business Management Center	Jun. 2021 to the present
Yao Wei	Overseas Chinese Town Holdings Company	Member of the Standing Committee of the Party Committee, Chief Accountant	Jul. 2020 to the present
Liu Chong	COSCO Shipping Development Co., Ltd.	Member of the Party Committee, Managing Director	Mar. 2016 to the present
Li Wei	China Re Asset Management Company Ltd.	Secretary of the Party Committee	Mar. 2021 to the present
		Vice Chairman, General Manager	Jun. 2021 to the present
Wu Junhao	Shenergy (Group) Co., Ltd.	General Manager of Financial Management Department	Apr. 2011 to the present
Wu Chongkuan	China Everbright Group Ltd.	Vice Chairman of the Working Committee of the Labor Union	Dec. 2018 to the present

VIII. CV OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

i. Directors

Mr. Wang Jiang

Mr. Wang Jiang has served as Secretary of Party Committee and Non-executive Director (Designate) of China Everbright Bank since March 2022. Currently, he is also Secretary of Party Committee of China Everbright Group. He 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 Party Committee and Deputy General Manager of Shandong Provincial Branch, Secretary of Party Committee and General Manager of Hubei Provincial Branch, Secretary of Party Committee and General Manager of Shanghai Branch of China Construction Bank; Member of Party Committee and Executive Vice President of Bank of Communications; Vice Governor of Jiangsu Province; Deputy Secretary of Party Committee, Vice Chairman and President of Bank of China; Deputy Secretary of the Party 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.

Mr. Wu Lijun

Mr. Wu Lijun has served as Vice Chairman of the Board of Directors of the Bank since March 2020. He is currently Deputy Secretary of the Party Committee, Vice Chairman of the Board of Directors and General Manager of China Everbright Group. He served as Deputy Director (Deputy Bureau Director Level) of State Material Reserve Regulatory Center of Ministry of Domestic Trade, Chief of Information Center, Deputy Director (Presiding) of Training Center, Director of Personnel Education Department and Director of Party Organization Department of China Securities Regulatory Commission (CSRC). He also served as Member of the Party Committee and Assistant Chairman of CSRC, Chairman of the Board of Directors and Secretary of the Party Committee (Deputy Minister Level) of Shenzhen Stock Exchange. He holds a doctoral degree in economics and is a senior economist.

Directors, Supervisors, Senior Management, Staff and Business Outlets

Mr. Fu Wanjun

Mr. Fu Wanjun has served as Executive Director, President of the Bank since June 2021, Deputy Secretary of the Party Committee of the Bank since April 2021. He has served as Member of the Party Committee and Executive Director of China Everbright Group since March 2019. He served as Deputy Manager of Credit and Loan Department II, Deputy Manager and Manager of Marketing Department II, Assistant General Manager, Deputy General Manager, Member of the Party Committee of Urumqi Branch of Bank of Communications (BOCOM), Secretary of the Party Committee and General Manager of BOCOM Yinchuan Branch, Secretary of the Party Committee and General Manager of BOCOM Xinjiang District (Urumqi) Branch, Secretary of the Party Committee and General Manager of BOCOM Chongqing Branch, General Manager (principal level in provincial branches) of Corporate and Institutional Business Department of BOCOM Head Office, Business Director (in charge of corporate and institutional business segment) of BOCOM Head Office; Deputy General Manager of China Everbright Group; and Non-executive Director of the Bank. He holds a EMBA (Executive Master of Business Administration) degree and is a senior economist.

Mr. Yao Zhongyou

Mr. Yao Zhongyou has served as Non-executive Director of the Bank since June 2021. He is currently Director-General of Leasing Business Management Center of China Everbright Group. and Chairman of the Board of Directors of Everbright Financial Leasing Co., Ltd. He served as an official and Deputy Manager of International Business Department of Hebei Provincial Branch of China Construction Bank (CCB), General Manager, Secretary of the Party Leadership Group of CCB Chengde Branch, Director of General Office, Deputy General Manager and Member of the Party Committee of CCB Hebei Provincial Branch; Deputy General Manager of Equity Management Department of China Everbright (Group) Corporation; Executive Director, Member of the Party Committee and Vice President of Everbright Financial Holding Asset Management Co., Ltd.; General Manager of Financial Management Department of China Everbright (Group) Corporation; and Member of the Party Committee, Executive Vice President and Executive Director of the Bank. He holds a master's degree in economics and is 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 Party Committee of the Bank since September 2018. He served as Deputy General Manager of Corporate Business 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 at CMB Head Office, Secretary of the Party Committee, General Manager of CMB Hohhot Branch, Secretary of the Party Committee, General Manager of CMB Chongqing Branch; Commissioner of Office of Leading Group for Deepening Overall Reform (Headquarters Department Head Level), and Director-General of Leasing Business Management Center of China Everbright Group; Secretary of the Party Committee and General Manager of Beijing Branch of the Bank, and SOOA of Sydney Branch of the Bank; Chairman of CEB International Investment Corporation Limited (Acting). He holds a master's degree in law and is a senior economist. He is Member 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 Standing Member of the Party Committee and Chief Accountant of Overseas Chinese Town Holdings Company, and Director of Konka Group Co., Ltd. and Overseas Chinese Town (Yunnan) Investment Co., Ltd. He successively served as Deputy Director, Director of Assets Division (Fixed Assets), 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 Director, Tax Manager, Senior Manager, Chief of General Finance Division of Finance Department in China General Nuclear Power Group Corporation; Chief Accountant of CGN Wind Energy Co., Ltd.; 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. He once concurrently served as Chief Accountant of CGN Solar Energy Development Co., Ltd., Chairman of CGNPC International Limited and Executive Director of Shenzhen Nengzhihui Investment Co., Ltd. He holds a bachelor's degree in economics and is 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 Member of the Party Committee and Managing Director of COSCO Shipping Development Co., Ltd., and concurrently as Non-executive Director of China Cinda Asset Management 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 Capital Management Department of China Shipping (Group) Company, Chief Accountant of China Shipping Container Lines Co., Ltd., General Manager of China Shipping Investment Co., Ltd., Vice Chairman of China International Marine Containers (Group) Ltd., and Chairman of DongFang International Container (Hong Kong) Limited. He holds a bachelor's degree in economics and is a senior accountant.

Mr. Li Wei

Mr. Li Wei has served as Non-executive Director of the Bank since August 2021. He is currently serving as the Secretary of the Party 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 was Member of the Party Committee of Huatai Property & Casualty Insurance Co., Ltd.; Business Officer of Sun Life Everbright Life Insurance Co., Ltd.; Member of the Party Committee and Deputy General Manager of Sun Life Everbright Asset Management Co., Ltd.; Member of the Party Committee, Deputy General Manager of China Continent Property & Casualty Insurance Co., Ltd., and Secretary of the Party Committee and General Manager of its Beijing Branch; General Manager of the Strategic Customer Department of China Reinsurance (Group) Corporation; and Member of the Party Committee and Deputy General Manager of China Re Asset Management Company Ltd. He holds a MBA (Master of Business Administration) degree.

Mr. Wang Liguo

Mr. Wang Liguo has served as Independent Non-executive Director of the Bank since January 2017. He is currently Professor (National Second Class) 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 Chairman of Dalian Engineering Consulting Association, and Director of Dalian Yadong Investment Consulting Co., Ltd. He once 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, and Member of Higher Education Engineering Management Evaluation Committee of Ministry of Housing and Urban-Rural Development. He holds a bachelor's degree in economics, 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 is currently Professor and Doctoral Tutor in accounting at Shanghai Lixin University of Accounting and Finance (National Level II). He also holds such positions 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 of the People's Republic of China, Consulting Expert of China Accounting Standards Committee of Ministry of Finance, and 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 once 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 used to concurrently serve as Independent Non-executive Director of China Eastern Airlines Co., Ltd., and External Supervisor of China Merchants Bank. He holds a bachelor's degree in economics, a master's degree in management and a doctoral degree in management. He is entitled to a special government allowance provided by the State Council of China and is also an Honorary Fellow Member of the Association of International Accountants.

Directors, Supervisors, Senior Management, Staff and Business Outlets

Mr. Hong Yongmiao

Mr. Hong Yongmiao has served as Independent Non-executive Director of the Bank since September 2019. He is currently 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*, and Independent Non-executive Director of BBMG Corporation. He was previously President of the Chinese Economists Society, Independent Non-executive Director of ICBC and Independent Non-executive Director of Xiamen Bank. He holds a bachelor's degree in science, a master's degree in economics 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 is currently Director of China Merchants Capital Investment Co., Ltd. He is also Independent Non-executive Director of Genertec Universal Medical Group Co., Ltd., Million Cities Holdings Limited, Hong Kong Shanghai Alliance Holdings Limited and Kimou Environmental Holding Limited. He served as Assistant General Manager, Deputy General Manager level cadre of International Business Department, Head of Preparatory Group of New York Branch, Deputy General Manager of HR & Education Department, Deputy General Manager of Hong Kong Branch of Agricultural Bank of China. He also served as General Manager of Planning and Finance Department, Chief Financial Officer (Chief Accountant), Vice President of China Merchants Group Limited, General Manager, CEO, Chairman of China Merchants Capital Investment Co., Ltd., Executive Director of China Merchants Holdings (International) Co., Ltd., Non-executive Director of China Merchants Bank Co., Ltd., Executive Director of China Merchants China Direct Investments Limited, and Independent Non-executive Director of LIZHI INC. He holds a master's degree in economics and a master's degree in finance development and is a senior economist.

Mr. Han Fuling

Mr. Han Fuling has served as Independent Non-executive Director of the Bank since May 2021. He is currently Professor and Doctoral Tutor of School of Finance, and President of Financial Securities Research Institute of Central University of Finance and Economics. He is Consultant of the Financial and Economic Affairs Committee of the National People's Congress, the People's Bank of China, China Securities Regulatory Commission, and Ministry of Human Resources and Social Security. He is a CCTV Financial Commentator. Mr. Han concurrently served as Independent Non-executive Director of Xinjiang Zhongtai Chemical Co., Ltd., China Resource and Environment Co., Ltd. and Yibin Tianyuan Group Co., Ltd. He served as Deputy Dean of the Economics Department of University of Science and Technology Beijing, Macro Analyst and Researcher of the Research and Development Department of China's Securities Market Research Design Center (Co-Office), and Dean of Department of Finance of Central University of Finance and Economics. He holds a 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 is currently 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. He is also an adjunct professor at 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 National Next Generation Internet Industry Technology Innovation Strategic Alliance, 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, Senior Advisor of the People's Government of Qianjiang District, Chongqing, Advisor of the Technology Advisory Group of Chengdu Municipal People's Government, Member of the Advisory Committee of the People's Government of Yibin, Sichuan Province, Independent Non-executive Director of Zhejiang Tailong Commercial Bank Co., Ltd. and Independent Non-executive Director of Aixin Life Insurance Co., Ltd. He once served as Researcher at the Institute of Economics at Iowa State University in the United States, Senior Business Analyst at Providian Financial Corporation, Chief Advisor of the Business Intelligence of IBM's Global Services Department, and Head of the Global Team of Data Mining Application in the Financial Industry, Independent Non-executive Director of People.cn Co., Ltd., Chair Professor of Fuzhou University and Independent Non-executive Director of Industrial 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 Party Committee of the Bank since March 2009. He joined the Bank in 1994 and served successively as Manager of Securities Affairs Department, Division Chief of the Office of the 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 the Head Office, Deputy General Manager and General Manager of Planning and Finance Department of the Bank. From September 2009 to March 2021, he served successively as Secretary to the Board of Directors, Executive Vice President and Executive Director of the Bank. He used to be an engineer of China Railway Economic and Planning Research Institute under the Ministry of Railways and Manager of Investment Banking Department of China Securities Co., Ltd. He holds a master's degree in railway engineering and a doctoral degree in applied economics and is a senior accountant.

Mr. Wu Junhao

Mr. Wu Junhao has served as Supervisor of the Bank since November 2009. He is General Manager of Financial Management Department of Shenergy (Group) Co., Ltd. and concurrently serves as Director of China Pacific Insurance (Group) Co., Ltd. and Supervisor of Orient Securities Co., Ltd. He successively served as Standing Deputy General Manager of Shanghai New Resources Investment Consulting Company, Deputy General Manager of Shanghai Bailitong Investment Company, Deputy Director of Shanghai Shenergy Asset Management Co., Ltd., and Deputy Director, Director and Senior Director of Asset Management Department and Deputy Director(Presiding) of Financial Management Department of Shenergy (Group) Co., Ltd. He used to 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 used to serve 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; and Chief Representative of Macau Representative Office of China Everbright Group. He was also General Manager of China Everbright (Macau) Company Limited. He holds a bachelor's degree in economics and is a senior accountant and certified public accountant.

Mr. Wu Gaolian

Mr. Wu Gaolian has served as External Supervisor of the Bank since June 2016. He used to serve as Standing Committee Member of the Party Committee, Deputy County Magistrate, Deputy Managing Magistrate of Fusong County of Jilin Province, General Manager of Jilin Tonghua Branch, Deputy General Manager of Jilin Branch, General Manager of Guangxi Branch and General Manager of Liaoning Branch of the People's Insurance Company of China (PICC Property and Casualty Company Limited), Vice President of the People's Insurance Company (Group) of China Limited (PICC Investment Holding Co., Ltd.), Director, President of China Reinsurance (Group) Corporation, Director of China Everbright Bank and China Everbright Group. He holds a master's degree and is a senior economist.

Mr. Wang Zhe

Mr. Wang Zhe has served as External Supervisor of the Bank since November 2016. He is currently Secretary General of Association of Shanghai Internet Financial Industry, and serves concurrently as Vice President of Shanghai Financial Association, Independent Non-executive Director of Shanghai Pudong Development Bank, and Independent Non-executive Director of Boill Healthcare Holdings Limited. He used to serve as staff member 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, Secretary of the Party Committee of Shanghai Gold Exchange, and Secretary of the Party 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 is concurrently Independent Non-executive Director of Wuhan Rural Commercial Bank. He once served as Deputy Division Chief of Finance and Accounting Department of the Head Office, Deputy General Manager of Luxembourg Branch, Deputy General Manager of General Planning Department of the Head Office 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., and Independent Non-executive Director of the Bank. He holds a master's degree and is a senior accountant.

Mr. Xu Keshun

Mr. Xu Keshun has served as Employee Supervisor of the Bank since July 2019. He is currently Commissioner of Office of the Board of Supervisors of the Bank. He served as principal staff member of HR division and General Office of Henan Branch of China Construction Bank, Deputy General Manager (Presiding) of HR & Education Department, General Manager of Business Development Department of Zhengzhou Branch, and Deputy General Manager of HR & Education Department of the Head Office of China Investment Bank, Audit Division Chief of Henan Branch of China Development Bank, Member of the Party Committee, Deputy General Manager of Zhengzhou Branch of the Bank, Secretary of the Party Committee, General Manager of Yantai Branch, Secretary of the Party Committee and General Manager of Zhengzhou Branch of the Bank, and Director-General of Office of the Board of Supervisors of the Bank (General Manager Level of Head Office Department). He obtained an EMBA degree and is a senior economist.

Mr. Sun Jianwei

Mr. Sun Jianwei has served as Employee Supervisor of the Bank since July 2019. He is currently Inspection Commissioner (General Manager Level of Head Office Department) of the Inspection Office of the Bank. He served as Deputy Manager of Foreign Exchange and Credit Department of International Business Department, Assistant Division Chief of Credit Review Division of Credit Department, Division Chief of Special Asset Recovery Division, Division Chief of Internal Recovery Division, Division Chief of Internal Management Division and Assistant General Manager of Special Assets Management Department of the Head Office of the Bank. He was once Member of the Party Committee, Assistant General Manager, Chief Risk Officer of Kunming Branch, Member of the Party Committee, Deputy General Manager, Chief Risk Director, Secretary of Discipline Inspection Committee of Shijiazhuang Branch, Deputy Secretary (Presiding) of the Party Committee, Deputy General Manager (Presiding), Secretary of the Party Committee, General Manager of Heilongjiang Branch, and General Manager of the Legal & Compliance Department of the Head Office of the Bank. He holds a master's degree and is an economist.

Mr. Shang Wencheng

Mr. Shang Wencheng has served as Employee Supervisor of the Bank since July 2019. He is currently General Manager of Auditing Department of the Bank. He served as Deputy 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 Auditing Center (East) (first Assistant General Manager Level and then Deputy General Manager Level of Head Office Department) and Deputy General Manager of Auditing Department of the Bank. He holds a doctoral degree in finance. He is a senior economist, senior accountant and certified public accountant.

iii. Senior Management

Mr. Fu Wanjun

Please refer to "i. Directors".

Mr. Wu Chongkuan

Mr. Wu Chongkuan has served as Member of the Party Committee (Executive Vice President Level) of the Bank since April 2014. He is currently Chairman of the Working Committee of the Labor Union, Secretary of the Party Committee of H.O., Chairman of Labor Union of H.O. of the Bank, and Vice Chairman of the Working Committee of the Labor Union of China Everbright Group. He joined the Bank in May 1997 and took several positions including Head and General Manager of General Office, General Manager of Special Assets Management Department (during which he concurrently served as Head of the Bank's Xi'an Group for Accepting Branches of China Investment Bank), Secretary of the Party Committee, General Manager of Heilongjiang Branch, Secretary of the Party Committee, General Manager of Shanghai Branch, Director-General of Working Committee of Labor Union. He previously served as Division Chief of Research & General Affairs Division of China International Staff Service Center, Head and General Manager of Fund Business Department of China Rural Development Trust Investment Company. He holds a bachelor's degree in engineering and is an engineer.

Mr. Dong Tiefeng

Mr. Dong Tiefeng has served as Member of the Party Committee and Secretary of Disciplinary Inspection Committee (Executive Vice President Level) since December 2020. He 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 Director of Party Committee Organization Department, Inspection Commissioner of Human Resources Department (also Party Committee Organization Department) of the former CBRC; General Manager of Legal & Compliance Department of China Everbright Bank; Deputy Director-General of Party Committee Organization Department, Deputy Director-General of Party Committee Publicity Department, Deputy Director-General of Human Resources Department (department head), Director-General of Party Committee Organization Department, Director-General of Party Committee Publicity Department, Director-General of Human Resources Department, Vice Principal of Party School of China Everbright (Group) Corporation; Director-General of Party Committee Organization Department, Director-General of Party Committee Publicity Department, Director-General of Human Resources Department, Vice Principal of Party School, Member of Discipline Inspection Committee, Member of the Party Committee of the Headquarters, General Manager of Human Resources Department, Director-General of United Front Work Department of China Everbright Group; Vice Principal of both CEG Party School and Everbright College. He holds a doctoral degree in economics and is 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 Party Committee of the Bank since May 2020. She joined the Bank in 1992 and was successively Clerk of Credit Department of the Head Office, cadre of Hainan Representative Office, Assistant General Manager, Deputy General Manager of Haikou Branch (Affiliated to the Branch), Deputy General Manager of Personal Business Department of the Head Office (later renamed as Retail Banking Department), Risk Director of Retail Banking Department (Deputy General Manager Level of Head Office Department), Accredited Retail Risk Director of Risk Management Department (Deputy General Manager Level of Head Office Department), Risk Director of Micro-finance Department (General Manager Level of Head Office Department), Deputy General Manager (General Manager Level of Head Office Department), General Manager of Retail Banking Department, and Chief Business Supervisor of the Bank. She holds a master's degree of business administration and is an economist.

Mr. Yang Bingbing

Mr. Yang Bingbing has served as Executive Vice President of the Bank since July 2020, Member of the Party Committee of the Bank since May 2020, and Risk Officer of the Bank since October 2021. He joined the Bank in 2005 and has served successively as Assistant General Manager, Deputy General Manager of Risk Management Department of the Head Office, 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 served as deputy principal staff member, principal staff member of Unified Credit Management Division of Risk Management Department of the Head Office 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 a senior economist.

Mr. Zhao Ling

Mr. Zhao Ling has served as Executive Vice President of the Bank since November 2021, Secretary to the Board of Directors of the Bank since March 2022, Company Secretary of the Bank since January 2022 and Member of the Party Committee of the Bank since July 2021. He joined the Bank in 2001 and served successively as a staff member of the Treasury Department, Deputy Division Chief of Trading Division, Division Chief of Investment and Transaction Office, Assistant General Manager, Deputy General Manager, Deputy General Manager (Presiding), General Manager of Treasury Department, General Manager of Financial Market Department, and Chief Business Officer of the Bank. He also served concurrently as Director of Sun Life Everbright Asset Management Co., Ltd., Director of CEB International Investment Corporation Limited and Director of China Everbright Bank (Europe) S.A. He holds a doctoral degree in management.

IX. DIRECTORS' AND SUPERVISORS' INTERESTS 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 KINSHIP RELATIONSHIPS AMONG MEMBERS OF THE BOARD OF DIRECTORS

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

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

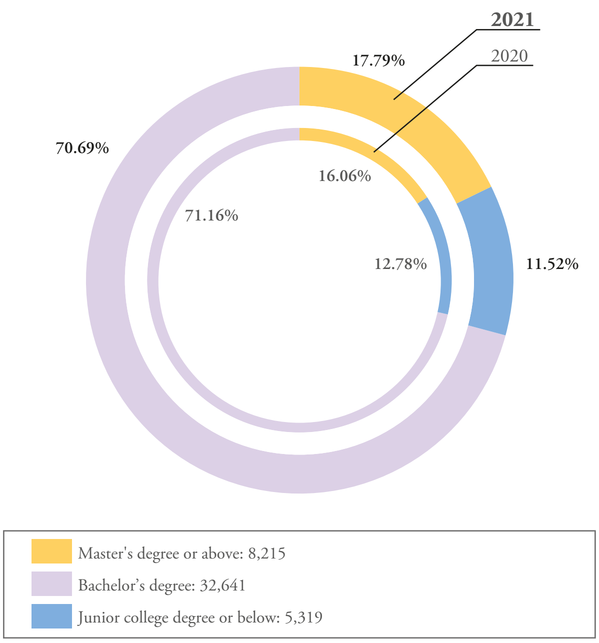
None of the Directors or Supervisors of the Bank or related parties had any material interest in any material transaction, arrangements or contracts to which the Bank or any of its subsidiaries was a party during the reporting period. None of the Directors or Supervisors of the Bank entered into any service contract, pursuant to which the Bank shall compensate to the Director or Supervisor if the contract for each year is terminated for the Bank's reason (excluding statutory compensation).

XII. EMPLOYEES

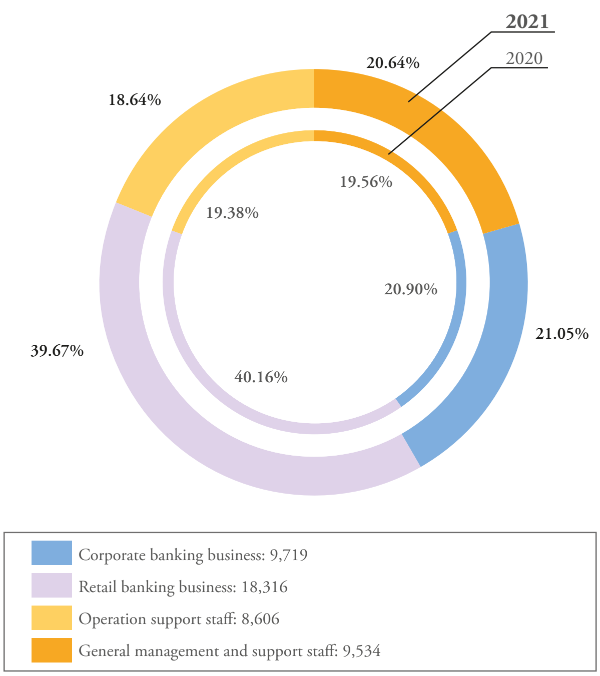
i. Overview

At at the end of the reporting period, the Bank had 46,175 employees (exclusive of those of subsidiaries) and 1,535 retired employees. In terms of educational background, 5,319 incumbent employees held a junior college degree or below, accounting for 11.52% of the total employees, 32,641 incumbent employees held a bachelor's degree, accounting for 70.69%, and 8,215 incumbent employees held a postgraduate degree or above, accounting for 17.79%. In terms of business segment, there were 9,719 employees in the corporate banking business, accounting for 21.05%; 18,316 employees in the retail banking business (including the credit card business and digital banking business), accounting for 39.67%; 8,606 operation support employees (including tellers), accounting for 18.64%; and 9,534 general management and support employees, accounting for 20.64%.

The educational background structure of employees of the Bank



The profession structure of employees of the Bank



ii. Remuneration Policies for Employees

Keeping closely in line with its development strategy and operation objectives, combining incentives with constraints, the Bank established a remuneration system that is performance-oriented, internally fair and comparable to the market. Front-line employees were given bigger weights in remuneration distribution. During the reporting period, in accordance with regulatory requirements, the Bank took into account risk prevention and control as well as sound business development, and improved the deferred payment and recourse mechanisms for performance-based remuneration. Following the dual principle of benchmarking both business performance and remuneration, the Bank gave consideration to both internal fairness and external competitiveness, and established a subsidiary remuneration management system.

iii. Training Plans

The Bank actively responded to COVID-19 containment, enhanced online digital training and opened high-quality columns via the "Sunshine Academy" platform. It established a retail banking talent pool, accelerated the building of its international talent pool, prepared to develop a financial technology talent pool, and started formulating a talent development system, hence promoting the standardized development of talent cultivation. The Bank put forward its "Caring Plan" to care for employees through practical actions. It also launched an innovative program of talent training campaign to explore new modes of special talent training. During the reporting period, the Bank organized 7,185 training courses and sessions of all sorts, with a total participation of 807,300 person-times, including 594,200 person-times of online participation.

iv. Employees of Subsidiaries at the End of the Reporting Period

1. Everbright Financial Leasing Co., Ltd. had 180 formal employees, including 8 management members, 98 business staff members and 74 supporting staff members, with 95.00% of them holding a bachelor's degree or above.

2. Everbright Wealth Management Co., Ltd. had 229 formal employees, including 8 management members, 200 business staff members and 21 supporting staff members, with 100% of them holding a bachelor's degree or above.

3. Beijing Sunshine Consumer Finance Co., Ltd. had 104 formal employees, including 6 management members, 70 business staff members and 28 supporting staff members, with 100% of them holding a bachelor's degree or above.

4. CEB International Investment Corporation Limited had 106 formal employees, including 4 management members, 45 business staff members and 57 supporting staff members, with 98.00% of them holding a bachelor's degree or above.

5. China Everbright Bank (Europe) S.A. had 17 formal employees, including 5 management members, 9 business staff members and 3 supporting staff members, with 100% of them holding a bachelor's degree or above.

6. Shaoshan Everbright Rural Bank Co., Ltd. had 31 formal employees, including 2 management members, 12 business staff members and 17 supporting members, with 61.29% of them holding a bachelor's degree or above.

7. Jiangsu Huai'an Everbright Rural Bank Co., Ltd. had 49 formal employees, including 3 management members, 28 business staff members and 18 supporting staff members, with 78.00% of them holding a bachelor's degree or above.

8. Jiangxi Ruijin Everbright Rural Bank Co., Ltd. had 31 formal employees, including 2 management members, 23 business staff members and 6 supporting staff members, with 77.40% of them holding a bachelor's degree or above.

XIII. INSTITUTIONS

i. Setup of Departments

As at the end of the reporting period, departments of the Head Office of the Bank consist of: General Office, Office of Board of Directors, Office of Board of Supervisors, Strategic Management & Investor Relations Department, Finance & Accounting Department, Asset & Liability Management Department, Corporate Finance Department, Public Sector Marketing Department, Investment Banking Department, International Banking Department, Transaction 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 Management Department, Asset Custody Department, Digital Banking/E-cloud Banking Services Department, Information Technology Department, Risk Management Department, Credit Approval Department, Risk Monitoring Department, Special Assets 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 (West), Auditing Center (Central), Operation Management Department, Channel Management Department/Consumer Rights & Interests Protection Department, Human Resources Department, Party Affairs Department (Party Committee Publicity Department), Party Committee Office of H.O., Office of Discipline Inspection Committee/Discipline Inspection Committee of H.O., Inspection Office, Office of Working Committee of the Labor Union, and Tianjin Support Center.

ii. Setup of Branches and Outlets

During the reporting period, 8 new banking outlets were established, and 12 community banks were cancelled. In domestic market, as at the end of the reporting period, the Bank had 1,304 branches and outlets nationwide, which included 39 tier-1 branches, 115 tier-2 branches and 1,150 outlets (including sub-branches in different cities, county-level sub-branches, intra-city sub-branches and banking departments of branches), and set up 483 community banks. The outlets of the Bank covered all provincial administrative regions and extended their business reach to 150 economic center cities across the country. In overseas market, the Bank had 5 overseas institutions, namely Hong Kong Branch, Seoul Branch, Luxembourg Branch, Sydney Branch, and Tokyo Representative Office. Preparations were in progress for the establishment of CEB Macao Branch.

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

Name of Branch	Number of outlets	Number of employees	Total assets (RMB million)
Head Office	1	7,526	3,739,572
Beijing Branch	70	2,889	678,729
Shanghai Branch	57	1,795	358,326
Tianjin Branch	34	934	78,700
Chongqing Branch	26	932	113,742
Shijiazhuang Branch	55	1,380	104,283
Taiyuan Branch	38	1,061	112,700
Huhhot Branch	20	568	38,764
Dalian Branch	23	695	32,402
Shenyang Branch	39	1,198	55,184
Changchun Branch	36	962	47,065
Heilongjiang Branch	38	1,037	45,864
Nanjing Branch	66	1,712	266,381
Suzhou Branch	20	866	110,436
Wuxi Branch	9	390	82,001
Hangzhou Branch	42	1,337	246,577
Ningbo Branch	19	751	56,580
Hefei Branch	55	1,486	166,150
Fuzhou Branch	42	1,301	80,644

Directors, Supervisors, Senior Management, Staff and Business Outlets

Name of Branch	Number of outlets	Number of employees	Total assets (RMB million)
Xiamen Branch	17	496	40,397
Nanchang Branch	32	783	77,320
Ji'nan Branch	36	923	63,307
Qingdao Branch	35	1,015	70,915
Yantai Branch	15	505	54,575
Zhengzhou Branch	52	1,387	151,132
Wuhan Branch	40	1,094	113,527
Changsha Branch	64	1,544	113,174
Guangzhou Branch	90	2,450	305,596
Shenzhen Branch	49	1,171	235,311
Nanning Branch	31	890	62,597
Haikou Branch	23	739	39,239
Chengdu Branch	30	909	88,888
Kunming Branch	22	726	51,458
Xi'an Branch	39	1,119	69,501
Urumqi Branch	7	211	16,133
Guiyang Branch	13	388	34,566
Lanzhou Branch	11	334	21,391
Yinchuan Branch	5	144	6,220
Xining Branch	2	84	7,743
Lhasa Branch	2	79	5,278
Hong Kong Branch	1	224	168,577
Seoul Branch	1	42	28,073
Luxembourg Branch	1	44	22,252
Sydney Branch	1	46	30,094
Tokyo Representative Office	1	5	–
Macao Branch Preparatory Group		3	–
Adjustment on consolidation			(2,509,965)
Total	1,310	46,175	5,781,399

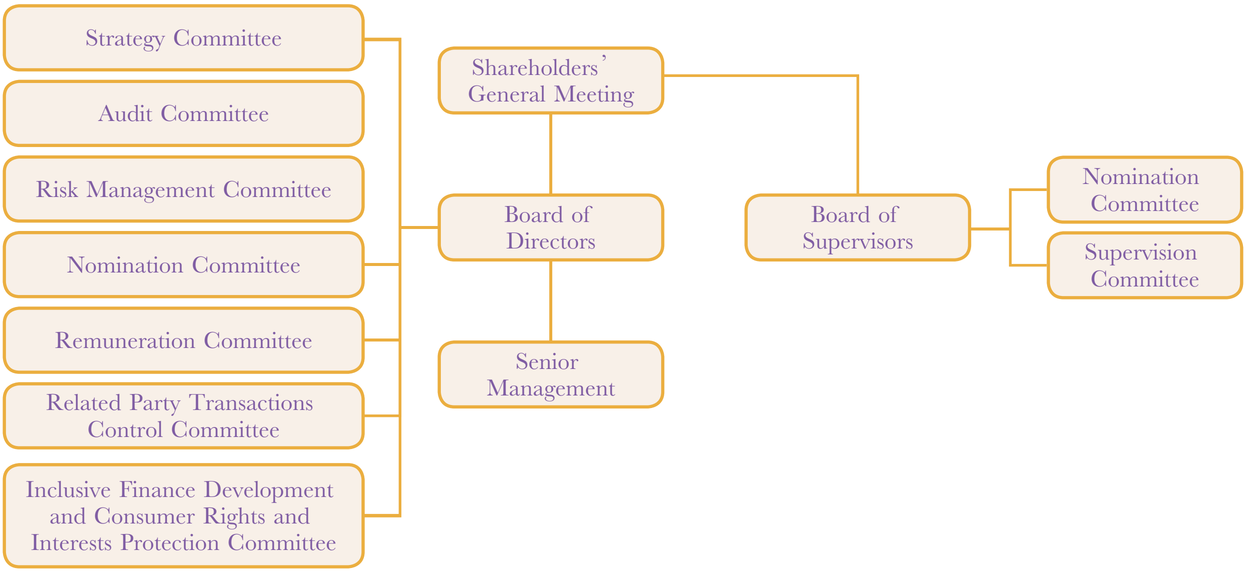
Notes:

1. The employees of the Head Office of the Bank included 3,025 persons in the Credit Card Center and 1,850 persons in the Remote Banking Center.

2. The number of outlets excluded community banks, and the number of outlets, employees and the total assets listed in the above table excluded subsidiaries' figures.

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 reviewed and approved the *2021-2025 Rolling Strategic Plan*, according to which the Bank implemented the "Leap Development Plan" in 2021-2022, entered into the development stage of "making new strides toward a higher level" and pushed forward the building of a "first-class wealth management bank". It urged the Management to continuously strengthen capital management and planning and formulate the *2021-2025 Capital Plan*. It also actively fulfilled its social responsibilities, making donation to support flood control and disaster relief in Henan Province and provide paired assistance to region lifted out of poverty in an orderly manner. To implement national strategic decisions, it fulfilled the responsibilities of state-owned enterprises by setting up the Rural Revitalization Finance Department. It prudently performed the selection and appointment procedures for Directors and Senior Management members, and timely adjusted the composition of special committees of the Board of Directors. According to relevant regulatory provisions and work needs, it revised information disclosure policies to ensure the compliance and effectiveness of information disclosure. It made further improvements to its related party transactions management mechanism and strictly reviewed major related party transactions.

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.

In 2021, the Bank ranked 1st among joint-stock commercial banks and 3rd among national commercial banks in terms of "Corporate Governance Capacity" in the "Gyroscope" evaluation organized by China Banking Association. The Bank's information disclosure work of 2020-2021 was rated as "A" by the SSE.

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 rights and interest of the shareholders and the Bank.

The Bank earnestly carried out self-inspections and rectifications according to the *Announcement on Carrying out Special Campaigns on Corporate Governance of Listed Companies* (CSRC Announcement [2020] No. 69), and identified the problems that the frequency of some Independent Non-executive Director attending the Board meetings in person was relatively low and the cumulative voting mechanism was not included in the *Articles of Association* of the Bank. Except for that, the Bank's corporate governance has met regulatory requirements in general. The Bank has rectified the above-mentioned problems. As for the low frequency of some Independent Non-executive Director attending the Board meetings in person, a new Independent Non-executive Director has taken the position to perform the duties. At present, the frequency of Directors of the Bank attending the Board meetings in person meets regulatory requirements. As for the cumulative voting mechanism, the Bank has included relevant terms in the *Rules of Procedure of the Shareholders' General Meeting*.

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 fact controller and their related parties did not occupy or control the assets of the Bank; the Senior Management members 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 rank 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 25 March 2021, the Bank convened the 2021 First Extraordinary General Meeting in Beijing with a total of 36 shareholders or their proxies present, representing 37,379,247,220 voting shares, accounting for 69.1799% of the Bank's total voting shares. The meeting considered and approved 4 proposals including the election of Independent Non-executive Directors, the election of Shareholder Supervisors and change of registered capital.

On 29 June 2021, the Bank convened the 2020 Annual General Meeting with a total of 116 shareholders or their proxies present, representing 36,339,765,907 voting shares, accounting for 67.2561% of the Bank's total voting shares. The meeting considered 10 proposals including the 2021 work report of the Board of Directors, the 2021 work report of the Board of Supervisors, the fixed asset investment budget, the final accounts report, the profit distribution plan, the engagement of accounting firm, the remuneration of Directors and Supervisors, the issuance of tier-2 capital bonds, and the election of Non-executive Directors, and heard 5 reports. All the proposals of the meeting were approved.

On 28 December 2021, the Bank convened the 2021 Second Extraordinary General Meeting with a total of 90 shareholders or their proxies present, representing 37,887,184,125 voting shares, accounting for 70.1200% of the Bank's total voting shares. The meeting considered 3 proposals on the donation for paired assistance region, confirmation of the remuneration of the former Chairman of the Board of Supervisors and the election of Shareholder Supervisors. All the proposals were approved.

The relevant announcements of the above-mentioned meetings were published on the websites of SSE, HKEX 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 2020, distributed dividends to shareholders in a timely manner, and safeguarded shareholders' interests properly. The profit distribution plan was completed in August 2021.

In accordance with the proposal on the election of Directors at the shareholders' general meetings, the Bank timely reported to CBIRC the qualifications of new Directors. As at the disclosure date of this Report, the qualifications of the Directors were approved by CBIRC.

Pursuant to the proposal on the donation for paired assistance region considered and approved at the shareholders' general meetings, the Bank has completed the donation.

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

V. DIRECTORS AND BOARD OF DIRECTORS

i. Board composition

As at the disclosure date of this Report, the Board of Directors consisted of 13 directors, including 2 Executive Directors (Mr. Fu Wanjun and Mr. Qu Liang), 5 Non-executive Directors (Mr. Wu Lijun, Mr. Yao Zhongyou, Mr. Yao Wei, Mr. Liu Chong and Mr. Li Wei), and 6 Independent Non-executive Directors (Mr. Wang Liguo, 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' 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 the Report, out of the 13 Directors of the Bank, there were 11 holding postgraduate degrees or above, of which 6 holding doctoral degrees. The Non-executive Directors hold key positions in their respective institutions and possess extensive managerial experience. The Independent Non-executive Directors are experts in economy, finance, fintech, accounting, auditing and other aspects, and provide the Bank with professional advice in different areas.

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 meeting. 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.

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

iii. Board meetings and resolutions

During the reporting period, the Board of Directors held 14 meetings, including 5 on-site meetings and 9 meetings via written resolutions. The Board of Directors considered a total of 122 proposals and heard 41 reports, playing an effective role in scientific decision-making.

The Board of Directors of the Bank highly valued the work of strategy optimization, and evaluated the implementation of strategies in a regular manner., It deepened the corporate governance reform, so as to operate in a more standardized manner. It optimized the comprehensive assessment and evaluation methods for Senior Management members to continuously improve the incentive and constraint mechanism. It also continued to strengthen risk management to enhance risk resistance capability, and established and bettered the information disclosure system to ensure the bottom line of disclosure in compliance with relevant rules and regulations and effectively protect the legitimate rights and interests of investors. It also conscientiously enhanced self-building and further lifted its duty performance capability.

The announcements of resolutions of Board meetings of the Bank are published on the websites of SSE, HKEX 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
	Number of attendance in person/Number of meetings during the term of office								
Incumbent Directors									
Wu Lijun	3/3	13/14	1/2	–	–	–	–	–	–
Fu Wanjun	3/3	13/13	1/1	2/2	7/7	–	–	–	3/3
Yao Zhongyou	3/3	13/13	–	–	7/7	–	–	–	–
Qu Liang	2/3	12/13	–	–	–	–	–	–	4/4
Yao Wei	1/3	12/13	–	4/5	–	–	–	–	4/4
Liu Chong	1/3	14/14	–	–	8/8	–	–	–	3/4
Li Wei	1/1	5/5	–	–	2/2	–	–	4/4	–
Wang Liguo	2/3	14/14	–	6/6	2/2	–	3/3	11/11	3/3
Shao Ruiqing	1/3	14/14	–	6/6	8/8	–	3/3	11/11	–
Hong Yongmiao	3/3	14/14	2/2	–	–	4/4	3/3	11/11	–
Li Yinquan	1/3	14/14	–	6/6	–	4/4	3/3	11/11	–
Han Fuling	2/2	10/10	–	–	–	2/2	2/2	6/6	2/2
Liu Shiping	–	–	–	–	–	–	–	–	–
Former Directors									
Li Xiaopeng	3/3	14/14	2/2	–	–	4/4	2/2	–	–
Liu Jin	0/0	1/2	–	–	1/1	–	–	–	–
Lu Hong	0/0	1/1	–	–	1/1	–	–	–	–
Yu Chunling	0/1	3/4	–	–	3/3	–	–	4/4	–
Xu Hongcai	2/3	14/14	2/2	6/6	–	4/4	–	11/11	–
Feng Lun	0/1	2/4	–	–	–	–	1/1	4/5	–

Notes:

1. Directors newly appointed in 2021 would start to perform their duties after their appointment qualifications approved by CBIRC.

2. For more details about the changes of Directors, 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. 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 meeting, 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 has expired, 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 meeting.

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 meeting.

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 2021. 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 38 meetings, including 2 meetings of the Strategy Committee, 6 meetings of the Audit Committee, 8 meetings of the Risk Management Committee, 4 meetings of the Nomination Committee, 3 meetings of the Remuneration Committee, 11 meetings of the Related Party Transactions Control Committee, and 4 meetings of the Inclusive Finance Development and Consumer Rights and Interests Protection Committee. During these meetings, 101 proposals were reviewed and 47 reports were heard. 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.

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 2 on-site meetings, reviewed 8 proposals and heard 2 reports. It approved the proposals on the Bank's business plan and financial budget plan for 2021, the 2021 annual fixed assets investment budget plan, the 2020 profit distribution plan, the issuance of tier-2 capital bonds, the 2021-2025 rolling strategic plan and capital plan, etc. The Committee also heard the report on strategy implementation in 2020.

As at the disclosure date of this Report, the Strategy Committee consisted of 4 Directors, including Non-executive Directors Mr. Wu Lijun, Executive Director Fu Wanjun, 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 10 proposals and heard 17 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 heard the internal audit work summary, the *Proposal for Management of 2020* and the report on related rectifications, observed and discussed the performance of the annual, interim and quarterly operation.

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 2022, the Audit Committee convened a meeting to review the 2021 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 Liguo, 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 the 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 2 on-site meetings and 6 meetings via written resolutions, reviewed 18 proposals and heard 9 reports. It considered and approved risk management reports, risk management and capital management policies, the money laundering risk management policy, the data policy, the measures for reputational risk management, capital adequacy ratio reports, internal capital adequacy assessment reports, risk appetite indicators, and other proposals, and paid constant attention to the review and adjustment of credit investment policies, internal control and compliance, fraud case prevention and management, 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. Fu Wanjun (Chairman), Non-executive Directors Mr. Yao Zhongyou, Mr. Liu Chong and Mr. Li Wei, and Independent Non-executive Directors Mr. Wang Liguo 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 4 meetings, including 2 on-site meetings and 2 meetings via written resolutions, reviewed 4 proposals and heard 1 report. It approved the proposals on candidates for Directors, appointment of the Senior Management members, annual assessment report of the Board of Directors, etc., and offered suggestions to the Board of Directors.

As at the disclosure date of this Report, the Nomination Committee consisted of 4 Directors, of which the majority and the Chairman were Independent Non-executive Directors. The members included Independent Non-executive Directors Mr. Liu Shiping (Chairman), Mr. Hong Yongmiao, Mr. Li Yinquan and Mr. Han Fuling.

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 policy 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 2 on-site meeting and 1 meeting via written resolutions, reviewed 5 proposals and heard 1 report. It approved the Board of Directors' report on the evaluation of general performance of duties by Directors for 2020, the 2020 remuneration of Directors, amendment to the measures for comprehensive assessment of Senior Management, heard the work reports made by Senior Management, and studied and proposed the assessment and evaluation results of Senior Management in 2020 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 Liguo, 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 11 meetings including 2 on-site meetings and 9 meetings via written resolutions, reviewed 52 proposals and heard 2 reports. It approved proposals on the 2020 Report on Related Party Transactions, the optimization of approval process of non-credit related party transactions with related parties of China Everbright Group, and the application for the limit for such transactions for 2021-2023 and 50 major related party transactions of such kind, and received the filings of 37 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. Mr. Wang Liguo, 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 4 meetings, including 2 on-site meetings and 2 meetings via written resolutions, reviewed 4 proposals and heard 15 reports. It reviewed and approved the report on and plan for consumer rights and interests protection work, assessment and evaluation of consumer rights and interests protection, rectification of problems found in special audits and the assessment measures for financial services for micro and small enterprises of branches. It also heard 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, the Inclusive Finance Development and Consumer Rights and Interests Protection Committee consisted of 5 Directors. The members included Executive Directors Mr. Fu Wanjun (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 the Chairman of the Board of Directors and the 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*. During the reporting period, Mr. Li Xiaopeng, Chairman of the Board of Directors of the Bank, was responsible for convening and presiding the meetings of the Board of Directors, ensuring that all Directors attending the Board meetings were 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. On 24 March 2022, due to work adjustments, Mr. Li Xiaopeng resigned from the position as Chairman of the Board of Directors of the Bank. The President of the Bank was 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 2021, Mr. Liu Jin was President of the Bank. On 16 March 2021, Mr. Liu Jin resigned from the position as President of the Bank due to work adjustment. From 1 June 2021, Mr. Fu Wanjun was appointed as President of the Bank.

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

On 28 December 2021, the 34th meeting of the Eighth Session of the Board of Directors was convened, at which the write-off of bad debt to Zhengzhou Dong Feng Foreign Language School was vetoed (14 effective votes with voting rights, of which 13 voted against the proposal and 1 abstained). Independent Non-executive Directors Mr. Xu Hongcai, Mr. Wang Liguo, Mr. Shao Ruiqing, Mr. Hong Yongmiao, Mr. Li Yinquan and Mr. Han Fuling voted against the proposal as they believed that there was no sufficient argumentation. Save as disclosed above, during the reporting period, none of the Independent Non-executive Directors of the Bank had raised any objections to other proposals of the Board of Directors and 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 members, remuneration of Directors and Senior Management, and major related party transactions in accordance with the *Articles of Association* of the Bank. In all Board committees, each of the 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*, participated in the Director communication meetings and seminars among Independent Non-executive Directors and conducted surveys in branches and sub-branches, 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 members 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. The Independent Non-executive Directors' recommendations were highly valued, and some were adopted by Senior Management, playing a positive role in defining strategic direction and improving the risk prevention and control and profitability of the Bank.

IX. SUPERVISORS AND THE BOARD OF SUPERVISORS

The Board of Supervisors earnestly implemented the regulatory requirements 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 on the risk management, internal control, strategy management and remuneration management, promoted the compliant and sound operation of the Bank by considering reports, carrying out inspections and research, and conducting interviews with relevant departments. During the reporting period, focusing on the implementation of Bank strategies and the work of the "Year of Management Enhancement", the Board of Supervisors conducted surveys and investigations in branches and subsidiaries and put forward targeted opinions and advice on problems identified in the process. It strengthened communication with the subsidiaries by holding symposiums with their Chairpersons of the Board of Supervisors to promote the standardized operation of the Board of Supervisors within the whole system, and conscientiously carried out exchanges with the peers to broaden the supervision ideas and improve the quality and efficiency of supervision through learning from their excellent experience. It also enhanced communication with auditors and lawyers with a long-effect communication mechanism put in place, and made full use of internal and external resources to jointly promote the supervisory role of the Board of Supervisors.

i. Board of Supervisors

As at the disclosure date of this Report, the Board of Supervisors consisted of 9 members, including 3 Shareholder Supervisors (Mr. Lu Hong, Mr. Wu Junhao, Mr. Li Yinzhong), 3 External Supervisors (Mr. Wu Gaolian, Mr. Wang Zhe, Mr. Qiao Zhimin) and 3 Employee Supervisors (Mr. Xu Keshun, Mr. Sun Jianwei, Mr. Shang Wencheng). 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, 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 7 meetings, including 5 on-site meetings and 2 meetings via written resolutions, at which it reviewed 42 proposals and heard 47 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 report, the profit distribution plan, the 2021-2025 rolling strategic plan and remuneration of the Supervisors, and expressed clear opinions on relevant proposals.

Corporate Governance

During the reporting period, 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	Board of Supervisors	Special Committees of the Board of Supervisors: Nomination Committee	Special Committees of the Board of Supervisors: Supervision Committee
	Number of attendance in person/Number of meetings during the term of office		
Incumbent Supervisors			
Lu Hong	6/6	3/3	–
Wu Junhao	6/7	–	3/5
Li Yinzhong	1/1	0/0	–
Wu Gaolian	7/7	5/5	5/5
Wang Zhe	6/7	4/5	5/5
Qiao Zhimin	7/7	5/5	5/5
Xu Keshun	7/7	5/5	–
Sun Jianwei	6/7	–	4/5
Shang Wencheng	7/7	–	5/5
Former Supervisors			
Li Xin	0/0	0/0	–
Yin Lianchen	4/5	3/3	–

Notes:

1. Newly-elected Supervisors in 2021 started performing their duties immediately after elected at shareholders' general meeting.

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 10 meetings, including 5 meetings of the Nomination Committee and 5 meetings of the Supervision Committee, at which 24 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 selecting Supervisors 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 rationality of the remuneration management policies of the Bank and the remuneration plan for Senior Management.

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. It reviewed and approved the proposals on the implementation plan for the supervision and evaluation of the Board of Supervisors' duty performance in 2020, the Board of Supervisors' supervision and evaluation report on the duty performance of the Board of Directors and Directors in 2020, the supervision and evaluation report on the duty performance of the Board of Supervisors and Supervisors in 2020, the Board of Supervisors' supervision and evaluation report on the duty performance of Senior Management and its members in 2020, the 2020 remuneration for Supervisors and the former Chairman of the Board of Supervisors, and amendments to six duty performance supervision and evaluation measures of the Board of Supervisors.

As at the disclosure date of this Report, the Nomination Committee consisted of 6 Supervisors, including Mr. Qiao Zhimin (Chairman), Mr. Lu Hong, Mr. Li Yinzhong, Mr. Wu Gaolian, Mr. Wang Zhe and Mr. Xu Keshun.

2. Supervision Committee

Primary duties of the Supervision Committee include developing the plan for supervising the Bank's operation and decision-making, risk management and internal control, and implementing this plan after approval by the Board of Supervisors; developing the plan for supervising the financial activities of the Bank, 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 5 meetings, including 3 on-site meetings and 2 meetings via written resolutions, at which it reviewed 8 proposals and heard 1 report. It approved regular reports of the Bank, internal control assessment report, internal control audit report, the evaluation report on development strategies and the 2021-2025 rolling strategic plan, and heard the report on the implementation of strategies in 2020.

As at the disclosure date of this Report, the Supervision Committee consisted of 6 Supervisors, including Mr. Wu Gaolian (Chairman), Mr. Wu Junhao, Mr. Wang Zhe, Mr. Qiao Zhimin, Mr. Sun Jianwei and Mr. Shang Wencheng.

vi. Supervision by the Board of Supervisors

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

vii. Duty performance of External Supervisors

As at the disclosure date of this Report, the Bank had 3 External Supervisors, no less than one third of the members of the Board of Supervisors. None of the External Supervisors has served the Bank for more than 6 years. 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, and the frequency of in-person attendance of the meetings of the Board of Supervisors was 93%. 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 actively participated in the surveys of the Board of Supervisors, 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 2021 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 2021. 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 2021. 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 7 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 heard the work reports of Senior Management, studied the 2020 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 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. 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".

XVI. INFORMATION DISCLOSURE

As a company listed in both Shanghai and Hong Kong, the Bank implemented the Securities Law and relevant regulatory requirements, abided by domestic and overseas laws and regulations, formulated and revised information disclosure systems and mechanisms. It optimized information disclosure procedures, kept improving 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 2021 Interim Report and quarterly reports as scheduled. The Bank enriched the contents of regular reports 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 110 A-share announcements and 133 H-share announcements.

XVII. INVESTOR RELATIONS MANAGEMENT

The Bank strictly complied with regulatory requirements, and conducted various activities to manage investor relations and enhance communication with investors. It won the "Award for Outstanding Case of Annual Results Announcement of Listed Companies", and obtained the "2021 Gamma Awards – Harmonious Investor Relations Bank" in the annual banking industry selection by Securities Times. After the disclosure of the 2021 Annual Report and the 2021 Interim Report, the Bank consecutively held 2 results announcements via online and offline ways. The Bank organized road show by the management members, hosted themed corporate day and investor reception day, so as to communicate with domestic and overseas institutional investors, banking analysts and news media. Moreover, the Bank hosted and participated in 55 meetings with domestic and overseas investment banking analysts and institutional investors, exchanging views with more than 400 investors. Additionally, it answered over 390 phone calls from domestic and overseas investors and handled over 190 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 actively communicated with shareholders, especially minority shareholders in particular via the shareholders' general meetings and answered their questions of concern.

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

As at the disclosure date of this Report, Mr. Zhao Ling and Ms. Lee Mei Yi (Tricor Services Limited) acted as Joint Company Secretaries under the *Hong Kong Listing Rules*. Mr. Zhao Ling was the main contact person of the Bank. During the reporting period, Mr. Zhao Ling 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*.

On 12 November 2021, Mr. Li Jiayan resigned from the position of Company Secretary of the Bank due to work adjustment. In order to comply with the relevant requirements on company secretary under the *Hong Kong Listing Rules*, the Board of Directors of the Bank approved the appointment of Mr. Zhao Ling and Ms. Lee Mei Yi as Joint Company Secretaries on 26 January 2022, and they have officially performed the duties of Joint Company Secretaries of the Bank since the date of the approval of the resolution of the Board of Directors.

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, the 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 2021 H-share financial statements in accordance with the *Banking (Disclosure) Rules* by the Hong Kong Monetary Authority.

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, which standardizes the internal control and compliance governance structure, division of responsibilities, tool application, and risk monitoring, identification, assessment, reporting, disposal, supervision and inspection. The second tier consists of internal control manual, legal compliance risk pre-warning and reporting management measures as well as rules on operation compliance management, rules and regulations management, compliance management of overseas institutions and legal compliance management, establishing specific mechanisms and measures on internal control and compliance monitoring and early warning, supervision and inspection, rules and regulations management, assessment and rating, etc. 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 improve the effectiveness, applicability and enforceability.

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 needs of business development, apply external regulations to internal business operation and strictly 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 2021) 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 *2021 Internal Control Assessment Report* of the Bank has been published on the websites of SSE, HKEX 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 2021, 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, HKEX and the Bank.

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

During the reporting period, there were no revisions to the *Articles of Association* of 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 Fenghezhong Avenue, Honggutan New Area, Nanchang	330006	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, Finance Island, Zhengzhou District (Zhengdong), Henan Pilot Free Trade Zone, Zhengzhou	450008	0371-65766000	0371-65766000
Wuhan Branch	No. 143-144 Yanjiang Avenue, Jiang'an District, Wuhan	430014	027-82796303	027-82801976
Changsha Branch	No. 142 Section 3 of Furong Middle Road, Tianxin District, Changsha	410015	0731-85363527	0731-85523677

Name	Address	P.C.	Tel.	Fax
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	730030	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
Tokyo Representative Office	1 Chome-4-1 Marunouchi, Chiyoda City, Tokyo, Japan	100-0005	0081-8060886889	–

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 2021, 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 2021, 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
Expected credit losses for loans and advances to customers	
The Group uses a number of models and assumptions in the measurement of expected credit losses, for example: • 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; • 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; • 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; • 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. Since expected credit losses measurement involves many judgements and assumptions, and in view of the significance of the amount (as at 31 December 2021, gross loans and advances to customers amounted to RMB3,316.285 billion, representing 56.19% of total assets, and impairment allowance for loans and advances to customers amounted to RMB77.363 billion), impairment of loans and advances is considered a key audit matter. Relevant disclosures are included in Note III 1, Note V 16 and Note V 50(a) to the consolidated financial statements.	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. 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. 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: 1. Expected credit loss model: • In response to the macroeconomic changes, the COVID-19 pandemic implications and the supporting policies from government authorities, 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. • 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 • 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.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Expected credit losses for loans and advances to customers (continued)	
	2. Design and operating effectiveness of key controls: • 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 • 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. We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of credit risk and the impairment allowance.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Valuation of financial instruments	
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. As at 31 December 2021, financial assets and financial liabilities's book value measured at fair value amounted to RMB879.838 billion and RMB13.404 billion respectively, representing 14.91% 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 62.93% 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 1.31% 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. Relevant disclosures are included in Note III 2 and Note V 51(c) to the consolidated financial statements.	We assessed and tested the design and operating effectiveness of key controls related to the valuation of financial instruments. 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. We assessed and tested the design and operating effectiveness of the Group's controls related to disclosures of fair value.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Consolidation assessment of, and disclosures about, structured entities	
The Group holds interests in different structured entities, including wealth management products, funds, trust plans, in conducting financial investment, asset management and credit asset transfer business. The Group determines whether or not to consolidate these structured entities 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. 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 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. Relevant disclosures are included in Note III 6 and Note V 43 to the consolidated financial statements.	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. 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. We assessed and tested the design and operating effectiveness of the Group's controls over its unconsolidated structured entities.

OTHER INFORMATION INCLUDED IN THE BANK'S 2021 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.

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 Choi Kam Cheong, Geoffrey.

Certified Public Accountants
Hong Kong

25 March 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

	Note V	2021	2020 (Restated)
Interest income		229,334	221,475
Interest expense		(117,179)	(110,778)
Net interest income	1	112,155	110,697
Fee and commission income		30,131	27,009
Fee and commission expense		(2,817)	(2,600)
Net fee and commission income	2	27,314	24,409
Net trading gains	3	2,193	484
Dividend income		24	15
Net gains arising from investment securities	4	10,092	5,203
Net gains on derecognition of financial assets measured at amortised cost		115	591
Net foreign exchange gains		3	310
Other net operating income		1,470	1,089
Operating income		153,366	142,798
Operating expenses	5	(45,540)	(40,335)
Credit impairment losses	8	(54,772)	(56,733)
Other impairment losses		(23)	(199)
Operating profit		53,031	45,531
Losses on investment of joint ventures		(90)	(5)
Profit before tax		52,941	45,526
Income tax	9	(9,302)	(7,598)
Net profit		43,639	37,928
Net profit attributable to:			
Equity shareholders of the Bank		43,407	37,835
Non-controlling interests		232	93
		43,639	37,928
Earnings per share			
Basic earnings per share (in RMB/share)	10	0.71	0.68
Diluted earnings per share (in RMB/share)	10	0.65	0.61

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

(Expressed in millions of Renminbi, unless otherwise stated)

	Note V	2021	2020 (Restated)
Net profit		43,639	37,928
Other comprehensive income, net of tax:			
Items that will not be reclassified to profit or loss:			
– Remeasurement of supplementary retirement benefits		(287)	22
– Equity instruments at fair value through other comprehensive income			
– Net change in fair value		–	2
Subtotal		(287)	24
Items that will be reclassified to profit or loss:			
– Debt instruments at fair value through other comprehensive income			
– Net change in fair value		2,828	(636)
– Changes in allowance for expected credit losses		112	(219)
– Reclassified to the profit or loss upon disposal		(126)	(774)
– Related income tax effect	23(b)	(685)	406
– Exchange differences on translation of financial statements		(83)	(148)
Subtotal		2,046	(1,371)
Other comprehensive income, net of tax		1,759	(1,347)
Total comprehensive income		45,398	36,581
Total comprehensive income attributable to:			
Equity shareholders of the Bank		45,166	36,491
Non-controlling interests		232	90
		45,398	36,581

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

Consolidated Statement of Financial Position

As at 31 December 2021

(Expressed in millions of Renminbi, unless otherwise stated)

	Note V	31 December 2021	31 December 2020 (Restated)
Assets			
Cash and deposits with the central bank	11	378,263	360,287
Deposits with banks and other financial institutions	12	51,189	46,059
Precious metals		6,426	9,353
Placements with banks and other financial institutions	13	138,349	69,290
Derivative financial assets	14	13,705	25,264
Financial assets held under resale agreements	15	31,164	43,592
Loans and advances to customers	16	3,239,396	2,942,435
Finance lease receivables	17	109,053	100,788
Financial investments	18	1,836,016	1,670,415
– Financial assets at fair value through profit or loss		383,666	304,908
– Debt instruments at fair value through other comprehensive income		325,695	222,807
– Equity instruments at fair value through other comprehensive income		1,125	875
– Financial investments measured at amortised cost		1,125,530	1,141,825
Investment in joint ventures	19	256	257
Property, plant and equipment	20	25,155	23,304
Right-of-use assets	21	10,953	11,178
Goodwill	22	1,281	1,281
Deferred tax assets	23	19,895	19,587
Other assets	24	40,968	45,073
Total assets		5,902,069	5,368,163
Liabilities and equity			
Liabilities			
Due to the central bank	26	101,180	241,110
Deposits from banks and other financial institutions	27	526,259	469,345
Placements from banks and other financial institutions	28	179,626	161,879
Financial liabilities at fair value through profit or loss	29	67	4
Derivative financial liabilities	14	13,337	25,778
Financial assets sold under repurchase agreements	30	80,600	14,182
Deposits from customers	31	3,675,743	3,480,642
Accrued staff costs	32	16,777	15,175
Taxes payable	33	6,535	8,772
Lease liabilities	34	10,736	10,807
Debt securities issued	35	763,532	440,870
Other liabilities	36	43,311	44,559
Total liabilities		5,417,703	4,913,123

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

Consolidated Statement of Financial Position

As at 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

	Note V	31 December 2021	31 December 2020 (Restated)
Liabilities and equity (Continued)			
Equity			
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	3,152	1,393
Surplus reserve	41	26,245	26,245
General reserve	41	75,596	67,702
Retained earnings		155,968	136,602
Total equity attributable to equity shareholders of the Bank		482,489	453,470
Non-controlling interests		1,877	1,570
Total equity		484,366	455,040
Total liabilities and equity		5,902,069	5,368,163

Approved and authorised for issue by the board of directors on 25 March 2022.

Fu Wanjun
President,
Executive Director

Qu Liang
Executive Vice President,
Executive Director

Zhao Ling
Executive Vice President in charge of Finance

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 2021

(Expressed in millions of Renminbi, unless otherwise stated)

2021		Attributable to equity shareholders of the Bank											
			Other equity instruments				Other					Non-	
	Note V	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	comprehensive income	Surplus reserve	General reserve	Retained earnings	Subtotal	controlling interests	Total
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

2020 (Restated)		Attributable to equity shareholders of the Bank											
			Other equity instruments				Other					Non-	
	Note V	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	comprehensive income	Surplus reserve	General reserve	Retained earnings	Subtotal	controlling interests	Total
Balance at 31 December 2019		52,489	64,906	–	5,161	53,533	2,737	26,245	59,417	120,494	384,982	1,072	386,054
Business combinations under common control		–	–	–	–	–	–	–	–	10	10	9	19
Balance at 1 January 2020		52,489	64,906	–	5,161	53,533	2,737	26,245	59,417	120,504	384,992	1,081	386,073
Changes in equity for the year:													
Net profit		–	–	–	–	–	–	–	–	37,835	37,835	93	37,928
Other comprehensive income	40	–	–	–	–	–	(1,344)	–	–	–	(1,344)	(3)	(1,347)
Capital injection by non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	400	400
Capital contribution by other equity instrument holders		–	–	39,993	–	–	–	–	–	–	39,993	–	39,993
Conversion of convertible bonds into share capital and capital reserve		1,543	–	–	(998)	4,901	–	–	–	–	5,446	–	5,446
Appropriation of profit:	42												
– Appropriation to general reserve		–	–	–	–	–	–	–	8,285	(8,285)	–	–	–
– Dividends to ordinary shareholders		–	–	–	–	–	–	–	–	(11,233)	(11,233)	(1)	(11,234)
– Dividends to other equity instruments holders		–	–	–	–	–	–	–	–	(2,219)	(2,219)	–	(2,219)
Balance at 31 December 2020		54,032	64,906	39,993	4,163	58,434	1,393	26,245	67,702	136,602	453,470	1,570	455,040

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

Consolidated Cash Flow Statement

For the year ended 31 December 2021

(Expressed in millions of Renminbi, unless otherwise stated)

	2021	2020 (Restated)
Cash flows from operating activities		
Profit before tax	52,941	45,526
Adjustments for:		
Credit impairment losses	54,772	56,733
Other impairment losses	23	199
Depreciation and amortisation	5,765	5,176
Unwinding of discount	(907)	(767)
Dividend income	(24)	(15)
Unrealised foreign exchange losses	156	503
Interest income from investment securities and net gains on disposal	(61,503)	(57,032)
Net gains on derecognition of financial assets measured at amortised cost	(115)	(591)
Losses on investments of joint ventures	90	5
Net gains on disposal of trading securities	(1,506)	(733)
Revaluation gains on financial instruments at fair value through profit	(1,532)	(139)
Interest expense on debt securities issued	17,522	11,669
Interest expense on lease liabilities	462	489
Net (gains)/losses on disposal of property, plant and equipment	(94)	23
	66,050	61,046
Changes in operating assets		
Net decrease in deposits with the central bank, banks and other financial Institutions	19,987	1,990
Net (increase)/decrease in placements with banks and other financial institutions	(34,721)	5,781
Net increase in financial assets held for trading	(15,537)	(13,763)
Net increase in loans and advances to customers	(352,244)	(349,060)
Net decrease/(increase) in financial assets held under resale agreements	12,432	(36,770)
Net decrease/(increase) in other operating assets	1,815	(26,409)
	(368,268)	(418,231)
Changes in operating liabilities		
Net increase in deposits from banks and other financial institutions	56,953	25,957
Net increase/(decrease) in placements from banks and other financial institutions	17,509	(3,699)
Net decrease/(increase) in financial assets sold under repurchase agreements	66,409	(11,451)
Net (decrease)/increase in amounts due to the central bank	(138,608)	17,271
Net increase in deposits from customers	183,125	452,183
Income tax paid	(12,823)	(11,303)
Net increase in other operating liabilities	17,411	5,396
	189,976	474,354
Net cash flows from operating activities	(112,242)	117,169

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

	Note V	2021	2020 (Restated)
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		690,317	702,616
Investment income received		60,635	55,630
Proceeds from disposal of property, plant and equipment and other long-term assets		171	13
Payments on acquisition of investments		(839,181)	(924,959)
Payments on acquisition of property, plant and equipment, intangible assets and other long-term assets		(5,352)	(6,862)
Net cash flows from investing activities		(93,410)	(173,562)
Cash flows from financing activities			
Capital injected into subsidiaries by non-controlling shareholders		95	400
Proceeds from issuance of other equity instrument holders		–	39,993
Proceeds from insurance of debts		638,113	514,774
Repayments of debts issued		(316,574)	(439,051)
Interest paid on debt securities issued		(16,399)	(12,981)
Dividends paid		(16,166)	(13,453)
Other net cash flows from financing activities		(3,030)	(2,934)
Net cash flows from financing activities		286,039	86,748
Effect of foreign exchange rate changes on cash and cash equivalents		(2,880)	(2,778)
Net increase in cash and cash equivalents	46(a)	77,507	27,577
Cash and cash equivalents as at 1 January		145,076	117,499
Cash and cash equivalents as at 31 December	46(b)	222,583	145,076
Interest received		176,851	163,990
Interest paid (excluding interest expense on debt securities issued)		(88,916)	(90,899)

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021
(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 25 March 2022.

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"). 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 2021

On 1 January 2021, the Group applied the following new standards and amendments.

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Amendments	Interest Rate Benchmark Reform – Phase 2
IFRS 16 Amendments	COVID-19-Related Rent Concessionsafter beyond 30 June 2021 (early adopted)

The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address the accounting issues that arise when financial instruments that reference Interbank Offered Rates ("IBOR") transition to nearly RFRs. The amendments include a practical expedient for modifications, which permits contractual changes, or changes to cash flows that are directly required by the IBOR reform, to be treated as changes to a floating interest rate. The amendments also permit changes required by IBOR reform to be made to hedge designations and hedge documentation under both IFRS 9 and IAS 39 without the hedging relationship being discontinued. In addition, while IFRS 9 and IAS 39 require that a risk component (or a designated portion) is "separately identifiable" to be eligible for hedge accounting, the amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Additional disclosures are required for adoption.

Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

The adoption of the above standards and amendments does not have any significant impact on the operating results, financial position and comprehensive income of the Group.

(Expressed in millions of Renminbi, unless otherwise stated)

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 2021

		Effective for annual periods beginning on or after
IFRS 3 Amendments	*Reference to the Conceptual Framework*	1 January 2022
IAS 16 Amendments	*Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
IAS 37 Amendments	*Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
IAS 1 Amendments	*Classification of Liabilities as Current or Non-current*	1 January 2023
IAS 1 and IFRS Practice Statement 2 Amendments	*Accounting policies disclosures*	1 January 2023
IAS 8 Amendments	*Defition of accounting estimates*	1 January 2023
IFRS 17 and Amendments	*Insurance Contracts*	1 January 2023
IFRS 10 and IAS 28 Amendments	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Effective date has been deferred indefinitely
Annual Improvements to IFRSs 2018-2020 (issued in May 2020)	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*	1 January 2022
IAS 12 Amendments	*Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

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.

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 2021 (continued)

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.

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 is itself an equity instrument, would the terms of a liability not impact its classification.

The amendments to IAS 1 *Presentation of Financial Statements* and IFRS *Practice Statement 2* provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 8 introduces 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.

IFRS 17 *Insurance Contracts* and IFRS 17 amendments replaced IFRS 4 *Insurance Contracts*. The standard provides a general model for insurance contracts and two additional approaches: the variable fee approach and the premium allocation approach. IFRS 17 covers the recognition, measurement, presentation and disclosure of insurance contracts and applies to all types of insurance contracts.

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.

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.

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 2021 (continued)

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.

The adoption of the above standards and amendments will have no material impact on the financial statements.

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.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2 Consolidation (continued)

2.1 Subsidiaries (continued)

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.

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.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

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.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

5 Financial instruments (continued)

5.1 Recognition and de-recognition of financial instruments (continued)

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.

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.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

5 Financial instruments (continued)

5.2 Classification and measurement of financial assets (continued)

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.

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.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

5 Financial instruments (continued)

5.2 Classification and measurement of financial assets (continued)

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.

5.3 Classification and measurement of financial liabilities

The Group classifies financial liabilities as at fair value through profit or loss, other financial liabilities or designated as effective hedging instruments at initial recognition. For financial liabilities at fair value through profit or loss, transaction costs are directly recognised in profit or loss. For other financial liabilities, transaction costs are recognised in the initial measurement.

The subsequent measurement of financial liabilities depends on the classification:

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

5 Financial instruments (continued)

5.3 Classification and measurement of financial liabilities (continued)

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.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost 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)).

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.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

5 Financial instruments (continued)

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.

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.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

5 Financial instruments (continued)

5.6 Derivative financial instruments and hedge accounting (continued)

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.

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 capital surplus 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)

5 Financial instruments (continued)

5.10 Interest Rate Benchmark Reform

As a result of the interest rate benchmark reform, some of the terms of the Group's financial instruments have been amended to replace the original referencial benchmark interest rate with an alternative benchmark interest rate.

For financial assets or financial liabilities accounted for under the effective interest rate method, if the basis of determining their contractual cash flows changes only as a direct result of the reform and the basis of determination before and after the change is economically equivalent, the Group does not assess whether the change results in derecognition, nor does it adjust the carrying amount of the financial assets or financial liabilities, the Group recalculates the effective interest rate based on the future cash flows after the change. The Group recalculated the effective interest rate on the basis of the future cash flows after the change and used this as the basis for subsequent measurement.

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, plant and equipment

Property, plant and equipment are assets held by the Group for operation and administration purposes with useful lives over one year.

The Group's property, plant 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.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

8 Property, plant and equipment (continued)

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.

8.1 Premises, electronic equipment and others

Property, plant 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, plant 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.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

9 Leases

9.1 Lease classification

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. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the customer has both of the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

9.2 Assessment of the lease term

The lease term is the non-cancellable period of a lease for which the Group has the right to use an underlying asset. If the Group has an option to extend the lease, that is, the Group has the right to extend the lease, and is reasonably certain to exercise that option, the lease term also includes periods covered by an option to extend the lease. If the Group has an option to terminate the lease, that is, the Group has the right to terminate the lease, but is reasonably certain not to exercise that option, the lease term includes the periods covered by an option to terminate the lease. The Group reassesses whether it is reasonably certain to exercise an extension option, purchase option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in the circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise the corresponding option.

9.3 As lessee

Lease modification

Lease modification is a change in the scope of a lease, the consideration for a lease or lease term, that was not part of the original terms and conditions of the lease. For example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term.

The Group accounts for a lease modification as a separate lease if both:

(1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

9 Leases (continued)

9.3 As lessee (continued)

Lease modification (continued)

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification, the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate. In calculating the present value of the lease payments after modification, the revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For the impact on the adjustments of a lease liability, the Group accounts for the remeasurement by:

(1) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease or shorten the lease term, and recognising the gain or loss relating to the partial or full termination of the lease in profit or loss; or

(2) making a corresponding adjustment to the right-of-use asset for all other lease modifications.

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.

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.

9.4 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.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

9 Leases (continued)

9.4 As lessor (continued)

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.

9.5 Right-of-use assets

The right-of-use assets of the Group mainly include buildings, vehicles and other equipment.

At the commencement date of the lease, the Group recognises a right-of-use asset. 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.

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.

The Group remeasures the lease liability at the present value of the changed lease payments and adjusts the carrying amount of the right-of-use assets accordingly, when the carrying amount of the right-of-use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the Group recognises the remaining amount of the remeasurement in profit or loss.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

9 Leases (continued)

9.6 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.

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 remeasures the lease liability by discounting the revised lease payments using a revised discount rate if either: (i) there is a change in the amounts expected to be payable under a residual value guarantee; (ii) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments; or (iii) 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

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.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

12 Repossessed assets

Repossessed 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 repossessed assets should be recorded at the fair value of the abandoned creditor's rights, and the relevant expenses payable for obtaining the repossessed assets should be included in the book value of the repossessed assets. When there is an indication that the net realizable value of the repossessed 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, plant and equipment, right-of-use assets, construction in progress, intangible assets, goodwill and investments in subsidiaries and 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.

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).

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

13 Provision for impairment losses on non-financial assets (continued)

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 outside Mainland China 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.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

15 Other provisions and contingent liabilities (continued)

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.

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 eauity 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.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

18 Income 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.

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.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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.

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.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

20 Income tax (continued)

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.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

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
- management overlay
- 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.

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, plant 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 business tax.

(c) Education surcharge:

education surcharge is calculated as 3% of business tax.

(d) Income tax:

the income tax is calculated on taxable income. 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	2021	2020
Interest income arising from			
Deposits with the central bank		4,800	5,073
Deposits with banks and other financial institutions		224	616
Placements with banks and other financial institutions		1,392	1,083
Loans and advances to customers	(a)		
– Corporate loans and advances		77,042	76,214
– Personal loans and advances		84,417	77,477
– Discounted bills		2,277	2,295
Finance lease receivables		6,358	5,524
Financial assets held under resale agreements		551	964
Investments		52,273	52,229
Subtotal		229,334	221,475
Interest expenses arising from			
Due to the central bank		5,870	6,414
Deposits from banks and other financial institutions		11,814	10,271
Placements from banks and other financial institutions		3,817	4,270
Deposits from customers			
– Corporate customers		57,786	58,045
– Individual customers		19,772	19,643
Financial assets sold under repurchase agreements		598	466
Debt securities issued		17,522	11,669
Subtotal		117,179	110,778
Net interest income		112,155	110,697

Note:

(a) The interest income arising from impaired financial assets for the year ended 31 December 2021 amounted to RMB907 million (2020: RMB767 million).

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 Net fee and commission income

	2021	2020
Fee and commission income		
Bank card service fees	13,084	12,245
Wealth management service fees	3,976	2,518
Agency services fees	3,725	3,288
Settlement and clearing fees	1,916	1,706
Custody and other fiduciary business fees	1,872	1,614
Acceptance and guarantee fees	1,500	1,529
Underwriting and advisory fees	1,412	1,626
Others	2,646	2,483
Subtotal	30,131	27,009
Fee and commission expense		
Bank card transaction fees	1,835	1,842
Settlement and clearing fees	192	150
Others	790	608
Subtotal	2,817	2,600
Net fee and commission income	27,314	24,409

3 Net trading gains

	2021	2020
Trading financial instruments		
– Derivatives	40	(369)
– Debt securities	2,139	836
Subtotal	2,179	467
Financial instruments designated at fair value through profit or loss	–	(2)
Precious metal contracts	14	19
Total	2,193	484

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Net gains arising from investment securities

	2021	2020
Net gains arising from financial investments at fair value through profit or loss	10,219	5,016
Net losses arising from debt instruments at fair value through other comprehensive income	(483)	(785)
Net gains arising from loans and advances to customers at fair value through other comprehensive income	230	198
Net revaluation gains reclassified from other comprehensive income on disposal	126	774
Total	10,092	5,203

5 Operating expenses

	Note	2021	2020 (Restated)
Staff costs			
– Salaries and bonuses		15,378	13,021
– Pension and annuity		2,156	1,611
– Housing allowances		1,088	992
– Staff welfares		677	574
– Supplementary retirement benefits		282	1,084
– Others		2,409	1,984
Subtotal		21,990	19,266
Premises and equipment expenses			
– Depreciation of right-of-use assets		2,722	2,687
– Depreciation of Property, plant and equipment		2,082	1,652
– Amortisation of intangible assets		664	524
– Rental and property management expenses		516	493
– Interest expense on lease liabilities		462	489
– Amortisation of other long-term assets		297	313
Subtotal		6,743	6,158
Tax and surcharges		1,620	1,483
Other general and administrative expenses	(a)	15,187	13,428
Total		45,540	40,335

Note:

(a) Auditors' remuneration for the year ended 31 December 2021 was RMB9.90 million (2020: RMB9.90 million).

(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:

		2021							
				Discretionary bonuses					
	Notes	Fees RMB'000	Salaries RMB'000	Paid RMB'000	Payable RMB'000	Subtotal RMB'000	Contributions to social pension schemes RMB'000	Other welfares RMB'000	Total RMB'000
Executive directors									
Fu Wanjun	(i)	–	186	139	–	325	26	76	427
Qu Liang	(i)	–	1,525	788	–	2,313	245	130	2,688
Non-executive directors									
Li Xiaopeng		–	–	–	-	–	–	–	–
Wu Lijun		–	–	–	-	–	–	–	–
Liu Chong		–	–	–	-	–	–	–	–
Yao Wei	(ii)	–	–	–	-	–	–	–	–
Yao Zhongyou	(ii)	–	755	397	-	1,152	174	64	1,390
Li Wei	(ii)	–	–	–	–	–	–	–	–
Independent non-executive directors									
Li Yinquan		430	–	–	–	430	–	–	430
Wang Liguo		420	–	–	–	420	–	–	420
Shao Ruiqing		430	–	–	–	430	–	–	430
Hong Yongmiao		430	–	–	–	430	–	–	430
Han Fuling	(ii)	245	–	–	–	245	–	–	245
Xu Hongcai	(ii)	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							
				Discretionary bonuses			Contributions to social pension schemes		
	Notes	Fees RMB'000	Salaries RMB'000	Paid RMB'000	Payable RMB'000	Subtotal RMB'000	RMB'000	Other welfares RMB'000	Total RMB'000
Supervisors									
Lu Hong	(ii)	–	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	(ii)	–	–	–	–	–	–	–	–
Former executive directors									
Yao Zhongyou	(ii)	–	–	–	–	–	–	–	–
Lu Hong	(ii)	–	1,555	707	–	2,262	245	130	2,637
Liu Jin	(ii)	–	50	37	–	87	34	21	142
Former non-executive directors									
Yu Chunling	(ii)	–	–	–	–	–	–	–	–
Fu Wanjun	(ii)	–	27	20	–	47	4	11	62
Former supervisors									
Li Xin	(ii)	–	133	61	–	194	113	11	318
Yin Lianchen	(ii)	–	–	–	–	–	–	–	–

(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)

	2020							
			Discretionary bonuses					
	Fees RMB'000	Salaries RMB'000	Paid RMB'000	Payable RMB'000	Subtotal RMB'000	Contributions to social pension schemes RMB'000	Other welfares RMB'000	Total RMB'000
Executive director								
Lu Hong	–	1,520	740	–	2,260	46	111	2,417
Liu Jin	–	298	223	–	521	12	111	644
Non-executive directors								
Li Xiaopeng	–	–	–	–	–	–	–	–
Wu Lijun	–	–	–	–	–	–	–	–
Liu Chong	–	–	–	–	–	–	–	–
Yu Chunling	–	–	–	–	–	–	–	–
Independent non-executive directors								
Li Yinquan	–	215	–	–	215	–	–	215
Xu Hongcai	–	430	–	–	430	–	–	430
Wang Liguo	–	420	–	–	420	–	–	420
Shao Ruiqing	–	426	–	–	426	–	–	426
Hong Yongmiao	–	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)

	2020							
			Discretionary bonuses					
	Fees RMB'000	Salaries RMB'000	Paid RMB'000	Payable RMB'000	Subtotal RMB'000	Contributions to social pension schemes RMB'000	Other welfares RMB'000	Total RMB'000
Supervisors								
Li Xin	–	1,600	660	–	2,260	46	111	2,417
Yin Lianchen	–	–	–	–	–	–	–	–
Wu Junhao	–	–	–	–	–	–	–	–
Wu Gaolian	–	–	–	–	–	–	–	–
Wang Zhe	330	–	–	–	330	–	–	330
Qiao Zhimin	340	–	–	–	340	–	–	340
Xu Keshun	–	734	1,572	–	2,306	46	111	2,463
Sun Jianwei	–	736	1,095	–	1,831	46	111	1,988
Shang Wencheng	–	704	1,280	–	1,984	44	111	2,139
Former non-executive directors								
Cai Yunge	–	–	–	–	–	–	–	–
Wang Xiaolin	–	–	–	–	–	–	–	–
Shi Yongyan	–	–	–	–	–	–	–	–
Dou Hongquan	–	–	–	–	–	–	–	–
He Haibin	–	–	–	–	–	–	–	–
Former independent non-executive directors								
Fok Oi Ling	215	–	–	–	215	–	–	215
Feng Lun	360	–	–	–	360	–	–	360

Notes:

(i) *On 30 October 2020, Mr. Qu Liang was elected as the executive director at the Bank's Second Extraordinary Shareholders' General Meeting of 2020. On 5 February 2021, the CBIRC approved his qualification of the executive director.*

On 30 October 2020, Mr. Fu Wanjun was elected as the non-executive director at the Bank's Second Extraordinary Shareholders' General Meeting of 2020. On 5 February 2021, the CBIRC approved his qualification of the non-executive director. On 1 June 2021, the CBIRC approved his qualification as an executive director and he was changed from a non-executive director to an executive director.

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 30 October 2020, Mr. Yao Wei was elected as the non-executive director at the Bank's Second Extraordinary Shareholders' General Meeting of 2020.On 5 February 2021, the CBIRC approved his qualification of the non-executive director.

On 30 October 2020, Mr. Yao Zhongyou was elected as the executive director at the Bank's Second Extraordinary Shareholders' General Meeting of 2020. On 5 February 2021, the CBIRC approved his qualification of the executive director. On 18 June 2021, he was changed from the executive director to the non-executive director of the Bank due to work adjustment.

On 29 June 2021, Mr. Li Wei was elected as the non-executive director at the Bank's Annual Sharehoders' General Meeting of 2020. On 30 August 2021, the CBIRC approved his qualification as the non-executive director.

On 25 March 2021, Mr. Han Fuling was elected as the independent non-executive director at the Bank's First Extraordinary Shareholders' General Meeting of 2021.On 25 May 2021, the CBIRC approved his qualification of the independent non-executive director.

In February 2021, Mr. Xu Hongcai 's term of office as an independent director expired and he would continue to serve until his replacement is approved by the CBIRC. On 25 March 2021, Mr. Liu Shiping was elected as the independent non-executive director at the Bank's First Extraordinary Shareholders' General Meeting of 2021.On 18 January 2022, the CBIRC approved his qualification as an independent director of the Bank and Mr. Xu Hongcai ceased to perform his duties.

On 2 March 2021, Mr. Lu Hong resigned the executive director and a member of the Risk Management Committee of the Board of Directors of the Bank. On 25 March 2021, he was elected as the shareholder supervisor at the Bank's First Extraordinary Shareholders' General Meeting of 2021. On 26 March 2021,he was elected as the Chairman of the supervisory committee the Bank's Eleventh Meeting of the Eighth Supervisory Committee of the Bank due to work adjustment.

On 18 December 2021, Mr. Li Yinzhong was elected as the supervisor at the Bank's Second Extraordinary Shareholders' General Meeting of 2021.

On 16 March 2021, Mr. Liu Jin resigned the executive director of the Bank, as well as the director of the Risk Management Committee, the director of the Committee on Inclusive Financial Development and Consumer Protection and the member of the Strategy Committee of the Board of Directors due to work adjustment.

On 10 May 2021, due to work adjustment, Ms. Yu Chunling resigned as the non-executive director, the member of the Risk Management Committee and the member of the Connected Transaction Control Committee of the Board of Directors.

On 19 January 2021, Mr. Li Xin resigned the chairman of the Board of Supervisors, the shareholder supervisor and the member of the Nomination Committee of the Supervisory Committee of the Bank due to retirement.

On 29 September 2021, Mr. Yin Lianchen resigned as the shareholder supervisor and the member of the Nomination Committee of the Supervisory Board of the Bank due to work adjustment.

(iii) The total compensation package for these directors and supervisors for the year ended 31 December 2021 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 2021.

The above directors' and supervisors' emoluments for the year ended 31 December 2021 were calculated in accordance with their actual tenure.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7 Individuals with highest emoluments

	2021 RMB'000	2020 RMB'000
Salaries and other emoluments	2,974	2,492
Discretionary bonuses	24,674	23,092
Contributions to pension schemes	250	205
Others	1,317	499
Total	29,215	26,288

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:

	2021	2020
RMB3,000,001-3,500,000	–	–
RMB3,500,001-4,000,000	–	–
RMB4,000,001-4,500,000	–	1
RMB4,500,001-5,000,000	2	2
RMB5,000,001 and above	3	2

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

	2021	2020
Loans and advances to customers		
– measured at amortised cost	50,766	53,197
– measured at fair value through other comprehensive income	(120)	156
Debt instruments at fair value through other comprehensive income	233	(334)
Financial investments measured at amortised cost	5,229	772
Finance lease receivables	619	973
Others	(1,955)	1,969
Total	54,772	56,733

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9 Income tax

(a) Income tax:

	Note V	2021	2020
Current tax		10,371	10,923
Deferred tax	23(b)	(993)	(2,876)
Adjustments for prior year	9(b)	(76)	(449)
Total		9,302	7,598

(b) Reconciliations between income tax and accounting profit are as follows:

	Note	2021	2020
Profit before tax		52,941	45,526
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		13,235	11,382
Effect of different tax rates applied by certain subsidiaries		–	(10)
Non-deductible expenses and others		2,111	1,437
Non-taxable gains			
– Non-taxable income	(i)	(5,968)	(4,762)
Subtotal		9,378	8,047
Adjustments for prior year		(76)	(449)
Income tax		9,302	7,598

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.

	2021	2020
Net profit attributable to equity holders of the Bank	43,407	37,835
Less: Dividends to other equity instruments holders	4,800	2,219
Net profit attributable to ordinary shareholders of the Bank	38,607	35,616
Weighted average number of ordinary shares in issue (in million shares)	54,032	52,746
Basic earnings per share (in RMB/share)	0.71	0.68

Weighted average number of ordinary shares in issue (in million shares)

	2021	2020
Issued ordinary shares as at 1 January	54,032	52,489
Add: Weighted average number of new issued ordinary shares in current year	–	257
Weighted average number of ordinary shares in issue (in million shares)	54,032	52,746

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.

	2021	2020
Net profit attributable to ordinary shareholders of the Bank	38,607	35,616
Add: Interest expense on convertible bonds, net of tax	776	850
Net profit used to determine diluted earnings per share	39,383	36,466
Weighted average number of ordinary shares in issue (in million shares)	54,032	52,746
Add: Weighted average number of ordinary shares assuming conversion of all dilutive shares (in million shares)	6,436	7,313
Weighted average number of ordinary shares for diluted earnings per share (in million shares)	60,468	60,059
Diluted earnings per share (in RMB/share)	0.65	0.61

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11 Cash and deposits with the central bank

	Notes	31 December 2021	31 December 2020
Cash on hand		4,005	4,471
Deposits with the central bank			
– Statutory deposit reserves	(a)	281,760	293,540
– Surplus deposit reserves	(b)	90,168	56,132
– Fiscal deposits and others		2,195	5,998
Subtotal		378,128	360,141
Accrued interest		135	146
Total		378,263	360,287

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 2021	*31 December 2020*
Reserve ratio for RMB deposits	*8.00%*	*9.00%*
Reserve ratio for foreign currency deposits	*9.00%*	*5.00%*

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.*

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 2021	31 December 2020
Deposits in Mainland China		
– Banks	25,855	29,185
– Other financial institutions	418	314
Deposits outside Mainland China		
– Banks	25,348	16,980
Subtotal	51,621	46,479
Accrued interest	27	59
Total	51,648	46,538
Less: Provision for impairment losses	(459)	(479)
Net balances	51,189	46,059

13 Placements with banks and other financial institutions

Analysed by type and location of counterparty

	31 December 2021	31 December 2020
Placements in Mainland China		
– Banks	11,795	14,502
– Other financial institutions	78,469	17,702
Placements outside Mainland China		
– Banks	48,268	37,216
Subtotal	138,532	69,420
Accrued interest	221	179
Total	138,753	69,599
Less: Provision for impairment losses	(404)	(309)
Net balances	138,349	69,290

(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 2021		
		Fair value	
	Notional amount	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	–
Total	1,883,368	13,705	(13,337)

	31 December 2020		
		Fair value	
	Notional amount	Assets	Liabilities
Interest rate derivative			
– Interest rate swaps	1,110,897	5,821	(6,340)
Currency derivatives			
– Foreign exchange forwards	21,022	523	(610)
– Foreign exchange swap and cross-currency interest rate swaps	1,055,992	18,144	(18,499)
– Foreign exchange options	20,981	774	(246)
Credit derivatives	1,405	2	(83)
Total	2,210,297	25,264	(25,778)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 Derivatives and hedge accounting (continued)

(b) Analysed by credit risk-weighted amount

	31 December 2021	31 December 2020
Counterparty default risk-weighted assets		
– Interest rate derivatives	1,459	2,504
– Currency derivatives	2,311	4,808
– Credit derivatives	–	21
Credit value adjustment risk-weighted assets	1,882	2,277
Total	5,652	9,610

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 2021, the notional amount of the derivative financial instruments used by the Group for the fair value hedging instrument in the hedge accounting was RMB3,270 million (31 December 2020: RMB3,286 million), in the above hedging instrument, derivative financial assets was RMB41 million (31 December 2020: RM2 million), derivative financial liabilities was RMB11 million (31 December 2020: RMB118 thousands).

In 2020 and 2021, the fair value changes recognised in the profit or loss attributed to the ineffective hedging were not significant.

(d) IBOR Reform

The amendments to IFRS 9, IAS 39 and IFRS 7 modify some specific hedge accounting requirements. During the year of uncertainty arising from phasing-out of interest-rate benchmarks with an alternative nearly risk-free interest rate ("RFR"), the entities that apply these hedge accounting requirements can assume that the interest rate benchmarks on which the hedged cash flows and cash flows of the hedging instrument are based are not altered as a result of interest rate benchmark reform.

The Group has fair value hedge accounting relationships that are exposed to the US dollar LIBOR. External progress on the transition to RFRs is being monitored, with the objective of ensuring a smooth transition for the Group's hedge accounting relationships. The specific issues arising will vary with the details of each hedging relationship, but may arise due to the transition of existing products included in the designation, a change in expected volumes of products to be issued, a change in contractual terms of new products issued, or a combination of these factors. Some hedges may need to be de-designated and new relationships may be entered into, while others may survive the market-wide benchmarks reform. The hedge items that are affected by the adoption of the temporary exceptions in hedge accounting relationships are presented in the statement of financial position as"Financial investments".

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 Derivatives and hedge accounting (continued)

(d) IBOR Reform (continued)

At 31 December 2021, USD LIBOR based financial instruments held by the Group which will mature after 30 June 2023 as a proportion of financial assets or financial liabilities were minimal. Upon assessment, the Group believes that the implementation of this Interpretation has no material impact on the Group's financial position and financial performance.

15 Financial assets held under resale agreements

(a) Analysed by type and location of counterparty

	31 December 2021	31 December 2020
In Mainland China		
– Banks	2,300	13,262
– Other financial institutions	28,731	30,331
Outside Mainland China		
– Banks	2	–
– Other financial institutions	133	5
Subtotal	31,166	43,598
Accrued interest	2	3
Total	31,168	43,601
Less: Provision for impairment losses	(4)	(9)
Net balances	31,164	43,592

(b) Analysed by type of security held

	31 December 2021	31 December 2020
Bonds		
– Government bonds	7,586	20,074
– Other debt securities	23,580	23,524
Subtotal	31,166	43,598
Accrued interest	2	3
Total	31,168	43,601
Less: Provision for impairment losses	(4)	(9)
Net balances	31,164	43,592

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers

(a) Analysed by nature

	31 December 2021	31 December 2020
Loans and advances to customers measured at amortised cost		
Corporate loans and advances	1,720,006	1,627,339
Discounted bills	901	652
Personal loans and advances		
– Personal housing mortgage loans	565,296	492,444
– Personal business loans	203,600	171,336
– Personal consumption loans	214,068	173,565
– Credit cards	447,786	445,935
Subtotal	1,430,750	1,283,280
Loans and advances to customers at fair value through other comprehensive income		
Fox-domestic credit	70,813	29,938
Discounted bills	84,834	68,273
Subtotal	155,647	98,211
Total	3,307,304	3,009,482
Accrued interest	8,981	8,486
Gross loans and advances to customers	3,316,285	3,017,968
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(76,889)	(75,533)
Net loans and advances to customers	3,239,396	2,942,435
Provision for impairment losses of loans and advances to customers at fair value through other comprehensive income	(474)	(594)

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).

(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 economic sector

	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)		

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers (continued)

(b) Analysed by economic sector (continued)

	31 December 2020		
	Amount	Percentage	Loans and advances secured by collateral
Manufacturing	313,427	10.41%	106,816
Water, environment and public utility management	294,595	9.79%	121,503
Real estate	224,450	7.46%	154,223
Leasing and commercial services	189,785	6.31%	66,502
Wholesale and retail trade	127,522	4.24%	49,657
Construction	107,987	3.59%	32,520
Finance	97,132	3.23%	4,765
Transportation, storage and postal services	88,535	2.94%	37,660
Agriculture, forestry, husbandry and fishery	54,100	1.80%	17,062
Production and supply of electricity, gas and water	45,532	1.51%	12,163
Others	114,212	3.79%	36,048
Subtotal of corporate loans and advances	1,657,277	55.07%	638,919
Personal loans and advances	1,283,280	42.64%	653,526
Discounted bills	68,925	2.29%	65,161
Total	3,009,482	100.00%	1,357,606
Accrued interest	8,486		
Gross loans and advances to customers	3,017,968		
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(75,533)		
Net loans and advances to customers	2,942,435		
Provision for impairment losses of loans and advances to customers at fair value through other comprehensive income	(594)		

(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 economic sector (continued)

As at the end of the year and for the year ended 31 December 2021, 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 2021					
	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	10,935	(3,128)	(2,196)	(4,750)	408	4,024

(c) Analysed by type of collateral

	31 December 2021	31 December 2020
Unsecured loans	1,076,478	941,130
Guaranteed loans	765,976	710,746
Secured loans		
– By tangible assets other than monetary assets	1,117,183	1,017,960
– By monetary assets	347,667	339,646
Total	3,307,304	3,009,482
Accrued interest	8,981	8,486
Gross loans and advances to customers	3,316,285	3,017,968
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(76,889)	(75,533)
Net loans and advances to customers	3,239,396	2,942,435
Provision for impairment losses of loans and advances to customers at fair value through other comprehensive income	(474)	(594)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers (continued)

(d) Analysed by geographical sector

	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
Total	3,307,304	100.00%	1,464,850

	31 December 2020		
	Loan balance	Percentage	Loans and advances secured by collateral
Yangtze River Delta	652,565	21.69%	266,093
Central	532,348	17.69%	296,164
Pearl River Delta	396,086	13.16%	263,189
Bohai Rim	387,332	12.87%	223,419
Western	373,595	12.41%	212,662
Northeastern	117,580	3.91%	80,952
Overseas	98,819	3.28%	9,916
Head Office	451,157	14.99%	5,211
Total	3,009,482	100.00%	1,357,606

(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 sector (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 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)
Total	27,216	(27,240)	(13,351)	(14,782)

	31 December 2020			
	Impaired loans and advances	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)
Bohai Rim	6,160	(2,592)	(2,499)	(3,355)
Yangtze River Delta	5,383	(9,100)	(2,930)	(3,140)
Central	5,225	(5,561)	(3,418)	(3,006)
Pearl River Delta	4,699	(4,955)	(3,685)	(2,843)
Western	3,365	(3,400)	(3,326)	(1,786)
Total	24,832	(25,608)	(15,858)	(14,130)

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 years

	31 December 2021				
	Overdue within three 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%

	31 December 2020				
	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	14,474	12,760	1,200	30	28,464
Guaranteed loans	5,221	2,964	3,535	582	12,302
Secured loans					
– By tangible assets other than monetary assets	10,367	5,765	4,176	1,386	21,694
– By monetary assets	1,287	284	564	1	2,136
Subtotal	31,349	21,773	9,475	1,999	64,596
Accrued interest	276	–	–	–	276
Total	31,625	21,773	9,475	1,999	64,872
As a percentage of gross loans and advances to customers	1.05%	0.72%	0.31%	0.07%	2.15%

Overdue loans represent loans, of which the whole or part of the principal or interest was overdue for one day or more.

(Expressed in millions of Renminbi, unless otherwise stated)

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 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	

	31 December 2020				
	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	2,837,009	124,772	47,701	3,009,482	1.59%
Accrued interest	6,649	1,374	463	8,486	
Gross loans and advances to customers	2,843,658	126,146	48,164	3,017,968	
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(31,192)	(21,037)	(23,304)	(75,533)	
Net loans and advances to customers	2,812,466	105,109	24,860	2,942,435	

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers (continued)

(g) Reconciliation of provision for impairment losses

	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)

	2020			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
As at 1 January 2020	(24,060)	(27,574)	(24,594)	(76,228)
Transfer to Stage 1	(2,112)	2,049	63	–
Transfer to Stage 2	988	(1,072)	84	–
Transfer to Stage 3	216	10,315	(10,531)	–
Net charge for the year	(6,228)	(4,755)	(42,214)	(53,197)
Write-off and disposal	–	–	56,323	56,323
Recovery of loans and advances written off	–	–	(3,202)	(3,202)
Unwinding of discount on allowance	–	–	767	767
Exchange fluctuation and others	4	–	–	4
As at 31 December 2020	(31,192)	(21,037)	(23,304)	(75,533)

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 2021, the balance of provision for impairment losses of loans and advances to customers at fair value through other comprehensive income was RMB474 million (31 December 2020: RMB594 million).*

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers (continued)

(h) Rescheduled loans and advances to customers

	31 December 2021	31 December 2020
Rescheduled loans and advances to customers	4,634	7,659
Of which: Rescheduled loans and advances to customers overdue more than 90 days	70	245

17 Finance lease receivables

	31 December 2021	31 December 2020
Minimum finance lease receivables	127,150	118,247
Less: Unearned finance lease income	(15,556)	(15,442)
Present value of minimum lease receivable	111,594	102,805
Accrued interest	1,223	1,128
Less: Impairment losses	(3,764)	(3,145)
Net balance	109,053	100,788

Minimum finance lease receivables analysed by remaining period is listed as follows:

	31 December 2021	31 December 2020
Less than 1 year (inclusive)	36,337	32,149
1 year to 2 years (inclusive)	29,568	25,745
2 years to 3 years (inclusive)	24,301	20,825
3 years to 4 years (inclusive)	17,585	15,752
4 years to 5 years (inclusive)	10,763	11,420
More than 5 years	8,596	12,356
Total	127,150	118,247

18 Financial investments

	Notes	31 December 2021	31 December 2020
Financial assets at fair value through profit or loss	(a)	383,666	304,908
Debt instruments at fair value through other comprehensive income	(b)	325,695	222,807
Equity instruments at fair value through other comprehensive income	(c)	1,125	875
Financial investments measured at amortised cost	(d)	1,125,530	1,141,825
Total		1,836,016	1,670,415

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 2021	31 December 2020
Debt instruments held for trading	(i)	50,891	33,040
Financial assets designated at fair value through profit or loss	(ii)	–	1
Other financial assets at fair value through profit or loss	(iii)	332,775	271,867
Total		383,666	304,908

(i) Debt instruments held for trading

	Notes	31 December 2021	31 December 2020
Issued by the following governments or institutions:			
In Mainland China			
– Government		4,146	80
– Banks and other financial institutions		33,820	9,291
– Other institutions	(1)	11,243	19,985
Outside Mainland China			
– Government		797	
– Banks and other financial institutions		351	1,770
– Other institutions		534	1,914
Total	(2)	50,891	33,040
Listed	(3)	2,051	4,391
Of which: listed in Hong Kong		881	2,194
Unlisted		48,840	28,649
Total		50,891	33,040

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.

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Financial investments (continued)

(a) Financial assets at fair value through profit or loss (continued)

(ii) Financial assets designated at fair value through profit or loss

	31 December 2021	31 December 2020
Fixed interest rate personal mortgage loans	–	1

For fixed interest rate personal mortgage loans, the Group used interest rate swaps to manage the associated interest rate risk. The changes in fair value during the reporting year, the accumulated changes and the maximum credit risk exposure attributable to credit risk were immaterial.

(iii) Other financial assets at fair value through profit or loss

	31 December 2021	31 December 2020
Fund investments	253,537	212,937
Equity instruments	4,088	2,620
Others	75,150	56,310
Total	332,775	271,867

(b) Debt instruments at fair value through other comprehensive income

(i) Analysed by type and location of counterparty:

	Notes	31 December 2021	31 December 2020
In Mainland China			
– Government		125,286	59,441
– Banks and other financial institutions	(1)	98,420	75,493
– Other institutions	(2)	58,904	51,310
Outside Mainland China			
– Government		93	349
– Banks and other financial institutions		15,835	12,535
– Other institutions		22,211	19,786
Subtotal		320,749	218,914
Accrued interest		4,946	3,893
Total	(3)(4)	325,695	222,807
Listed	(5)	56,394	50,534
Of which: listed in Hong Kong		38,665	33,872
Unlisted		264,355	168,380
Subtotal		320,749	218,914
Accrued interest		4,946	3,893
Total		325,695	222,807

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Financial investments (continued)

(b) Debt instruments at fair value through other comprehensive income (continued)

(i) Analysed by type and location of counterparty: (continued)

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 2021, the provision for impairment losses of the debt instruments at fair value through other comprehensive income approximated to RMB687 million (31 December 2020: RMB456 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.*

(ii) Reconciliation of provision for impairment losses on debt instruments at fair value through other comprehensive income

	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)

	2020			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
As at 1 January 2020	(708)	–	(118)	(826)
Transfer to Stage 3	1	–	(1)	–
Net charge for the year	251	–	83	334
Exchange fluctuation and others	36	–	–	36
As at 31 December 2020	(420)	–	(36)	(456)

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Financial investments (continued)

(c) Equity instruments at fair value through other comprehensive income

	Notes	31 December 2021	31 December 2020
Equity instruments at fair value through other comprehensive income	(i)	1,125	875
Listed	(ii)	23	23
Of which: listed in Hong Kong		–	–
Unlisted		1,102	852
Total		1,125	875

Notes:

(i) *The Group designated the equity instruments not held for trading as measured at fair value through other comprehensive income. As at 31 December 2021, the fair value was RMB1,125 million (31 December 2020: RMB875 million). For the year ended 31 December 2021, the Group has received dividends of RMB20 million from the above equity instruments (2020: RMB14 million).*

(ii) *Listed investments include equity instruments traded on a stock exchange.*

(d) Financial investments measured at amortised cost

	Notes	31 December 2021	31 December 2020
Debt securities and asset-backed instruments	(i)	978,630	921,967
Others	(ii)	139,573	207,486
Subtotal		1,118,203	1,129,453
Accrued interest		17,652	17,510
Total		1,135,855	1,146,963
Less: Provision for impairment losses		(10,325)	(5,138)
Net balance		1,125,530	1,141,825
Listed	(iii)	157,553	159,519
Of which: listed in Hong Kong		15,725	21,710
Unlisted		950,325	964,796
Subtotal		1,107,878	1,124,315
Accrued interest		17,652	17,510
Net balance		1,125,530	1,141,825

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Financial investments (continued)

(d) Financial investments measured at amortised cost (continued)

(i) Debt securities and asset-backed instruments measured at amortised cost were analysed by type and location of counterparty as follows:

	Notes	31 December 2021	31 December 2020
In Mainland China			
– Government		364,017	386,220
– Banks and other financial institutions	(1)	405,557	333,697
– Other institutions	(2)	187,762	168,370
Outside Mainland China			
– Government		5,260	4,777
– Banks and other financial institutions		6,572	23,141
– Other institutions		9,462	5,762
Subtotal		978,630	921,967
Accrued interest		16,823	15,621
Total	(3)	995,453	937,588
Less: Provision for impairment losses		(3,981)	(1,937)
Net balance		991,472	935,651
Fair value		1,003,770	944,985

Notes:

(1) Debt securities and asset-backed instruments issued by banks and other financial institutions mainly represent debt securities and asset-backed instruments issued by banks and other financial institutions in Mainland China.

(2) Debt securities and asset-backed instruments issued by other institutions mainly represent debt securities and asset-backed instruments issued by state-owned enterprises and joint stock enterprises in Mainland China.

(3) 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).

(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.

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Financial investments (continued)

(d) Financial investments measured at amortised cost (continued)

(iv) Reconciliation of provision for impairment losses on financial investments measured at amortised cost:

	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)

	2020			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
As at 1 January 2020	(2,513)	(101)	(1,769)	(4,383)
Transfer to Stage 1	(30)	30	–	–
Transfer to Stage 2	179	(179)	–	–
Transfer to Stage 3	6	47	(53)	–
Net charge for the year	409	(269)	(912)	(772)
Exchange fluctuation and others	17	–	–	17
As at 31 December 2020	(1,932)	(472)	(2,734)	(5,138)

19 Investment in subsidiaries and joint ventures

(a) Investments in subsidiaries

	31 December 2021	31 December 2020
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
Total	12,983	12,983

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19 Investment in subsidiaries and joint ventures (continued)

(a) Investments in subsidiaries (continued)

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

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19 Investment in subsidiaries and joint ventures (continued)

(b) Investments in joint ventures

	2021	2020
As at 1 January 2021	257	–
Increased investment	93	262
Investment losses under the equity method	(90)	(5)
Foreign currency conversion difference	(4)	–
As at 31 December 2021	256	257

20 Property, plant and equipment

	Premises (Note (i))	Aircraft (Note (ii))	Construction in progress	Electronic equipment	Others	Total
Cost						
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
Accumulated depreciation						
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)
Provision for impairment						
As at 1 January 2021	(163)	–	–	–	–	(163)
As at 31 December 2021	(163)	–	–	–	–	(163)
Net book value						
As at 31 December 2021	8,471	9,252	2,656	3,569	1,207	25,155

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20 Property, plant and equipment (continued)

	Premises (Note (i))	Aircraft (Note (ii))	Construction in progress	Electronic equipment	Others	Total
Cost						
As at 1 January 2020	12,949	5,657	2,211	6,669	4,499	31,985
Additions	276	3,117	405	1,959	488	6,245
Transfers in/(out)	301	(170)	(301)	–	–	(170)
Disposals	–	–	–	(378)	(196)	(574)
Foreign currency conversion difference	–	(477)	–	(1)	(1)	(479)
As at 31 December 2020	13,526	8,127	2,315	8,249	4,790	37,007
Accumulated depreciation						
As at 1 January 2020	(4,104)	(408)	–	(4,895)	(3,073)	(12,480)
Charge for the year	(402)	(223)	–	(579)	(448)	(1,652)
Transfer out	–	12	–	–	–	12
Disposals	–	–	–	372	169	541
Foreign currency conversion difference	–	37	–	1	1	39
As at 31 December 2020	(4,506)	(582)	–	(5,101)	(3,351)	(13,540)
Provision for impairment						
As at 1 January 2020	(159)	–	–	–	–	(159)
Charge for the year	(4)	–	–	–	–	(4)
As at 31 December 2020	(163)	–	–	–	–	(163)
Net book value						
As at 31 December 2020	8,857	7,545	2,315	3,148	1,439	23,304

Notes:

(i) *As at 31 December 2021, title deeds were not yet finalised for the premises with a carrying amount of RMB38 million (31 December 2020: RMB42 million). Management of the Group expected that there would be no significant cost in obtaining the title deeds.*

(ii) *As at 31 December 2021, 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 RMB9,252 million (31 December 2020: RMB7,545 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 2021	31 December 2020
Held in Mainland China		
– Medium term leases (10 to 50 years)	8,002	8,547
– Short term leases (less than 10 years)	469	310
Total	8,471	8,857

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21 Right-of-use Assets

	Premises	Transportation and others	Total
Cost			
As at 1 January 2021	15,658	64	15,722
Charge for the year	2,760	4	2,764
Deductions	(1,103)	(7)	(1,110)
Foreign currency conversion difference	(13)	–	(13)
As at 31 December 2021	17,302	61	17,363
Accumulated depreciation			
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)
Net book value			
As at 31 December 2021	10,921	32	10,953

	Premises	Transportation and others	Total
Cost			
As at 1 January 2020	14,084	66	14,150
Additions	2,524	12	2,536
Charge for the year	(937)	(14)	(951)
Foreign currency conversion difference	(13)	–	(13)
As at 31 December 2020	15,658	64	15,722
Accumulated depreciation			
As at 1 January 2020	(2,398)	(17)	(2,415)
Charge for the year	(2,672)	(15)	(2,687)
Reduction for the year	548	9	557
Foreign currency conversion difference	1	–	1
As at 31 December 2020	(4,521)	(23)	(4,544)
Net book value			
As at 31 December 2020	11,137	41	11,178

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22 Goodwill

	31 December 2021	31 December 2020
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% (2020: 12%). 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 2021		31 December 2020	
	Temporary difference	Deferred tax assets/ (liabilities)	Temporary difference	Deferred tax assets/ difference (liabilities)
Deferred income tax assets	79,583	19,895	78,350	19,587
Deferred income tax liabilities	–	–	–	–
Total	79,583	19,895	78,350	19,587

(Expressed in millions of Renminbi, unless otherwise stated)

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 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

	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 2020	14,664	(243)	1,884	16,305
Recognised in profit or loss	2,594	40	242	2,876
Recognised in other comprehensiveincome	66	340	–	406
As at 31 December 2020	17,324	137	2,126	19,587

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 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.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24 Other assets

	Note	31 December 2021	31 December 2020
Other receivables	(a)	25,058	30,904
Accrued interest		5,713	4,661
Intangible assets		2,684	2,161
Refundable Deposits		2,148	1,698
Property, plant and equipment purchase prepayment		1,004	703
Long-term deferred expense		950	900
Repossessed assets		327	390
Others		3,084	3,656
Total		40,968	45,073

Note:

(a) Other receivables mainly include items in the process of clearing and settlement. The amount of impairment allowance is not material.

25 Pledged assets

(a) Assets pledged as collateral

The Group's financial assets as collateral for liabilities include discounted bills, debt securities and property, plant 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 2021 is RMB160.10 billion (as at 31 December 2020: RMB79.936 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 2021. As at 31 December 2021, the Group had no collateral received from banks and other financial institutions (31 December 2020: Nil). As at 31 December 2021, the Group had no collateral that was sold or re-pledged, but was obligated to return (31 December 2020: Nil). These transactions are conducted under standard terms in the normal course of business.

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26 Due to the central bank

	31 December 2021	31 December 2020
Due to the central bank	100,143	238,751
Accrued interest	1,037	2,359
Total	101,180	241,110

27 Deposits from banks and other financial institutions

Analysed by type and location of counterparty

	31 December 2021	31 December 2020
Deposits in Mainland China	163,919	149,996
– Banks	359,030	317,300
– Other financial institutions		
Deposits outside Mainland China		
– Banks	1,526	226
Subtotal	524,475	467,522
Accrued interest	1,784	1,823
Total	526,259	469,345

28 Placements from banks and other financial institutions

Analysed by type and location of counterparty

	31 December 2021	31 December 2020
Placements in Mainland China		
– Banks	111,353	115,334
– Other financial institutions	12,102	1,004
Placements outside Mainland China		
– Banks	55,464	45,072
Subtotal	178,919	161,410
Accrued interest	707	469
Total	179,626	161,879

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29 Financial liabilities at fair value through profit or loss

	31 December 2021	31 December 2020
Short position in debt securities	67	4
Total	67	4

30 Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparty

	31 December 2021	31 December 2020
In Mainland China		
– Banks	72,963	7,047
– Other financial institutions	–	930
Outside Mainland China		
– Banks	7,439	5,895
– Other financial institutions	183	298
Subtotal	80,585	14,170
Accrued interest	15	12
Total	80,600	14,182

(b) Analysed by collateral

	31 December 2021	31 December 2020
Debt securities	78,170	9,958
Bank acceptances	2,415	4,212
Subtotal	80,585	14,170
Accrued interest	15	12
Total	80,600	14,182

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 Deposits from customers

	31 December 2021	31 December 2020
Demand deposits		
– Corporate customers	843,252	850,356
– Individual customers	251,609	274,087
Subtotal	1,094,861	1,124,443
Time deposits		
– Corporate customers	1,606,347	1,530,885
– Individual customers	602,576	526,723
Subtotal	2,208,923	2,057,608
Pledged deposits	313,623	251,964
Other deposits	2,915	3,182
Subtotal deposits from customers	3,620,322	3,437,197
Accrued interest	55,421	43,445
Total	3,675,743	3,480,642

32 Accrued staff costs

	Notes	31 December 2021	31 December 2020
Salary and welfare payable		13,845	11,702
Pension and annuity payable	(a)	220	1,310
Supplementary retirement benefits payable	(b)	2,712	2,163
Total		16,777	15,175

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.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32 Accrued staff costs (continued)

Notes: (continued)

(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 obiligations in respect of the SRB were accessed, 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 2021	31 December 2020
Present value of supplementary retirement benefits liability	2,712	2,163

(ii) Movements of SRB of the Group are as follows:

	2021	2020
As at 1 January 2021	2,163	1,118
Current service costs	196	1,040
Interest costs	86	44
Recalculation part of the defined benefit plan	287	(22)
Payments made	(20)	(17)
As at 31 December 2021	2,712	2,163

Remeasurement of the defined benefit plan was recognised in other comprehensive income. See Note V 40.

(iii) Principal actuarial assumptions of the Group are as follows:

	31 December 2021	31 December 2020
Discount rate	3.50%	4.00%
Medical cost trend rate	6.00%	6.00%
Average expected future lifetime	25.16	26.17

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32 Accrued staff costs (continued)

Notes: (continued)

(b) Supplementary retirement benefits ("SRB") (continued)

(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 2021	
	Increases	Decreases
Discount rate (1% movement)	(786)	866
Medical cost trend rate (1% movement)	851	(597)

	31 December 2020	
	Increases	Decreases
Discount rate (1% movement)	(575)	631
Medical cost trend rate (1% movement)	653	(461)

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.

33 Taxes payable

	31 December 2021	31 December 2020
Income tax payable	3,089	5,617
Value added tax payable	2,965	2,705
Others	481	450
Total	6,535	8,772

34 Lease liabilities

	31 December 2021	31 December 2020
Within 1 year (inclusive)	2,841	2,646
1 year to 2 years (inclusive)	2,340	2,317
2 years to 3 years (inclusive)	1,851	1,906
3 years to 5 years (inclusive)	2,601	2,614
More than 5 years	2,546	2,916
Total undiscounted lease liabilities	12,179	12,399
Lease liabilities	10,736	10,807

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35 Debt securities issued

	Notes	31 December 2021	31 December 2020
Subordinated debts issued	(a)	6,700	6,700
Financial bonds issued	(b)	42,174	5,795
Tier-two capital bonds issued	(c)	41,434	41,430
Convertible bonds issued	(d)	23,498	22,884
Interbank deposits issued	(e)	586,331	313,045
Certificates of deposit issued	(f)	35,309	31,762
Medium term notes	(g)	25,127	17,412
Subtotal		760,573	439,028
Accrued interest		2,959	1,842
Total		763,532	440,870

(a) Subordinated debts issued

	Note	31 December 2021	31 December 2020
Subordinated fixed rate debts maturing in June 2027	(i)	6,700	6,700
Total		6,700	6,700

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 an option to redeem the debts on 8 June 2022 at the nominal amount.*

(ii) *As at 31 December 2021, the fair value of the total subordinated debts issued approximated to RMB6,767 million (31 December 2020: RMB6,871 million).*

(b) Financial bonds issued

	Notes	31 December 2021	31 December 2020
Financial fixed rate bonds maturing in November 2021	(i)	–	4,996
Financial fixed rate bonds maturing in January 2022	(ii)	800	799
Financial fixed rate bonds maturing in March 2024	(iii)	39,988	–
Financial floating rate bonds maturing in May 2024	(iv)	1,386	–
Total		42,174	5,795

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35 Debt securities issued (continued)

(b) Financial bonds issued (continued)

Notes:

(i) *Fixed rate financial bonds of RMB5.00 billion with a term of three years were issued by Everbright Financial Leasing on 8 November 2018. The coupon rate is 4.12% per annum.*

(ii) *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.*

(iii) *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 Martch 2021. The coupon rate is 3.45% per annum.*

(iv) *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.*

(v) *As at 31 December 2021, the fair value of the total financial bonds issued approximated to RMB42,824 million (31 December 2020: RMB5,840 million).*

(c) Tier-two capital bonds issued

	Notes	31 December 2021	31 December 2020
Tier-two capital fixed rate bonds maturing in March 2027	(i)	27,992	27,990
Tier-two capital fixed rate bonds maturing in August 2027	(ii)	11,996	11,995
Tier-two capital fixed rate bonds maturing in September 2030	(iii)	1,446	1,445
Total		41,434	41,430

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. The Group has an option to redeem the debts on 6 March 2022 at the nominal amount.*

(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. The Group has an option to redeem the debts on 29 August 2022 at the nominal amount.*

(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) *As at 31 December 2021, the fair value of the total tier-two capital bonds issued approximated to RMB41,739 million (31 December 2020: RMB41,935 million).*

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35 Debt securities issued (continued)

(d) Convertible bonds issued

	31 December 2021	31 December 2020
Fixed rate six years convertible bonds issued in March 2017	23,498	22,884

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 2021		3,569	–	3,569
Accumulated conversion amount as at 1 January 2021		(5,447)	(998)	(6,445)
Balance as at 1 January 2021		22,884	4,163	27,047
Amortisation during the year		614	–	614
Conversion amount during the year	(iv)	–	–	–
Balance as at 31 December 2021		23,498	4,163	27,661

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 2021, the conversion price is RMB3.55 per share.

(iv) As at 31 December 2021, a total of RMB5,801million (31 December 2020: RMB5,801million) convertible bonds have been converted into ordinary shares, the cumulative convertible number of shares is 1,542,823,195 shares (31 December 2020: 1,542,813,979 shares).

(v) For the year ended 31 December 2021, a total of RMB363 million interests on the convertible bonds has been paid by the Bank (2020: RMB300 million).

(e) Interbank deposits issued

For the year ended 31 December 2021, 217 inter-bank deposits were issued by the Bank and measured at amortised cost with a carrying amount of RMB623,770 million (2020: RMB508,600 million). The carrying amount of interbank deposits due in 2021 was RMB346,860 million (2020: RMB392,400 million). As at 31 December 2021, the fair value of its outstanding interbank deposits issued was RMB579,510 million (31 December 2020: RMB310,619 million).

(f) Certificates of deposit issued

As at 31 December 2021, the certificates of deposit were issued by the Bank's Hong Kong branch, Seoul branchm, Sydney branch and Luxembourg Branch measured at amortised cost. The fair value of the certificates of deposit issued approximated to their carrying amount.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35 Debt securities issued (continued)

(g) Medium term notes

	Notes	31 December 2021	31 December 2020
Medium term notes with floating rate maturing on 13 June 2021	(i)	–	2,407
Medium term notes with floating rate maturing on 13 June 2021	(ii)	–	1,958
Medium term notes with floating rate maturing on 19 September 2021	(iii)	–	1,958
Medium term notes with floating rate maturing on 24 June 2022	(iv)	3,182	3,262
Medium term notes with floating rate maturing on 11 December 2022	(v)	3,182	3,262
Medium term notes with floating rate maturing on 3 August 2023	(vi)	4,455	4,565
Medium term notes with fixed rate maturing on 11 March 2024	(vii)	3,500	–
Medium term notes with fixed rate maturing on 15 June 2024	(viii)	3,818	–
Medium term notes with fixed rate maturing on 14 September 2024	(ix)	3,181	–
Medium term notes with fixed rate maturing on 1 December 2024	(x)	1,909	–
Medium term notes with fixed rate maturing on 15 December 2024	(xi)	1,900	–
Total		25,127	17,412

Notes:

(i) Floating rate medium term notes of EUR300 million with a term of three years were issued by the Bank's Hong Kong branch on 6 June 2018. The initial coupon rate is 0.43% per annum.

(ii) Floating rate medium term notes of USD300 million with a term of three years were issued by the Bank's Hong Kong branch on 6 June 2018. The initial coupon rate is 3.18% per annum.

(iii) Floating rate medium term notes of USD300 million with a term of three years were issued by the Bank's Hong Kong branch on 12 September 2018. The initial coupon rate is 3.19% per annum.

(iv) 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.

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35 Debt securities issued (continued)

(g) Medium term notes (continued)

Notes: (continued)

(v) 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.

(vi) 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.

(vii) 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.

(viii) 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.

(ix) 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.

(x) 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.

(xi) 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.

(xii) As at 31 December 2021, the fair value of the medium term notes approximated to RMB22,409 million(31 December 2020:RMB17,432 million)

36 Other liabilities

	Notes	31 December 2021	31 December 2020
Bank loans	(a)	10,841	14,302
Finance leases payable		6,100	6,034
Payment and collection clearance accounts		4,885	3,364
Provisions	(b)	2,213	4,280
Dormant accounts		408	421
Dividend payables		22	21
Others		18,842	16,137
Total		43,311	44,559

(a) As at 31 December 2021, 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. The amount of the long-term bank loans is RMB10,841 million (31 December 2020: RMB14,302 million).

(b) As at 31 December 2021, the accruals for litigation losses estimated by the Group based on the status of outstanding litigation cases and the probability of losses amounted to RMB165 million (31 December 2020: RMB126 million).

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37 Share capital

The Bank's shareholding structure as at the end of the year is as follows:

	31 December 2021	31 December 2020
Ordinary shares listed in Mainland China (A share)	41,353	41,353
Ordinary shares listed in Hong Kong (H share)	12,679	12,679
Total	54,032	54,032

The H shares rank pari passu in all respects with the A shares including the right to all dividend distributions declared, paid or made.

38 Other equity instruments

	Note V	31 December 2021	31 December 2020
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 2020-7-15	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.

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 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

	1 January 2020		Additions for the year		31 December 2020	
	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.

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Other equity instruments (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 2021	31 December 2020
Total equity attributable to equity shareholders of the Bank	482,489	453,470
– Equity attributable to ordinary shareholders of the Bank	377,590	348,571
– 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	1,877	1,570
– Equity attributable to non-controlling interests of ordinary shares	1,877	1,570

39 Capital reserve

	31 December 2021	31 December 2020
Share premium	58,434	58,434

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40 Other comprehensive income

	31 December 2021	31 December 2020
Items that will not be reclassified to profit or loss		
Fair value changes on equity instruments at fair value through other comprehensive income	16	16
Remeasurement of a defined benefit plan	(568)	(281)
Subtotal	(552)	(265)
Items that will be reclassified to profit or loss		
Debt instruments at fair value through other comprehensive income	3,868	1,739
– Net change in fair value	2,929	928
– Net change in expected credit loss	939	811
Exchange differences on translation of financial statements	(164)	(81)
Subtotal	3,704	1,658
Total	3,152	1,393

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	Remeasure – ment of a defined benefit plan	Total
As at 1 January 2020	1,998	961	14	67	(303)	2,737
Changes in amount for the previous year	(1,070)	(150)	2	(148)	22	(1,344)
As at 1 January 2021	928	811	16	(81)	(281)	1,393
Changes in amount for the year	2,001	128	–	(83)	(287)	1,759
As at 31 December 2021	2,929	939	16	(164)	(568)	3,152

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 RMB7,841 million of profits to the general reserve for the year ended 31 December 2021 (2020: RMB8,285 million).

The Bank appropriated RMB6,806 million of profits to the general reserve for the year ended 31 December 2021 (2020: RMB7,492 million).

42 Appropriation of profits

(a) At the Board Meeting held on 25 Marh 2022, the Board of Derectors approved the following profit appropriations for the year ended 31 December 2021:

– 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 RMB6,806 million to general reserve;

– The 2022 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 copon dividend yield of 4.8%;

– Declared cash dividends of RMB10,860 million to all ordinary shareholders at 31 December 2021, representing RMB2.01 per 10 shares before tax.

(b) The Bank distributed the interest on the Undated Capital Bonds amounting to RMB1,840 million on 22 September 2021.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42 Appropriation of profits (continued)

(c) At the Annual General Meeting of sharholders held on 29 June 2021, the sharholders approved the following profit appropriations for the year ended 31 December 2020:

– 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 RMB7,492 million to general reserve; and

– Declared cash dividends of RMB11,347 million to all ordinary shareholders of 54,032 million shares as 1,680 at 31 December 2020, respresenting RMB2.10 per 10 shares before tax.

(d) At the Board Meeting held on 26 March 2021, the dividend distribution of the Everbright P3 for the year ended 2020 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 2020, and are calculated using the 4.80% of dividend yield ratio for the Everbright P3.

(e) At the Board Meeting held on 28 May 2021, 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 2020, and are calculated using 4.45% of dividend yield ratio for the Everbright P1.

(f) At the Board Meeting held on 28 May 2021, the dividend distribution of the Everbright P2 was approved by the Board of Directors:

– Declared cash dividends to preference shareholders of RMB390 million before tax, representing RMB3.90 per share before tax, accruing from 11 August 2020, and are calculated using 3.90% 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.

(Expressed in millions of Renminbi, unless otherwise stated)

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 2021		31 December 2020	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Financial assets at fair value through profit or loss				
– Fund investments	252,528	252,528	211,085	211,085
– Asset management plans	56,578	56,578	30,282	30,282
Financial investments measured at amortised cost				
– Asset management plans	133,980	133,980	205,206	205,206
– Asset-backed securities	143,736	143,736	149,205	149,205
Total	586,822	586,822	595,778	595,778

(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 2021, 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 2021, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group is RMB1,067,464 million (31 December 2020: RMB836,273 million). The aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January 2021 but matured before 31 December 2021 was RMB3,001 million (2020: RMB200 million).

In 2021, the amount of fee and commission income received from the unconsolidated structured entities by the Group was RMB3,962 million (2020: RMB2,518 million).

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 2021, the balance of above transactions was Nil (31 December 2020: Nill, included in "placements with banks and other financial institutions"). In 2021, 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 2021. In 2021, the Group's income from these structured entities was immaterial.

According to the " Guiding Opinions on Regulating the Asset Management Business of Financial Institutions" issued by the People's Bank of China and three other ministries as well as the People's Bank of China's announcement on extending the transition period for the Guiding Opinions on Regulating Asset Management Business of Financial Institutions, financial institutions that still have difficulties in completing the rectification of existing financial services by the end of 2021 may apply for case processing. The Group has completed stock work for wealth management rectification, except for the remaining amount that has been applied to the regulatory authorities for case processing. The Group will continue to conscientiously implement the relevant policies and regulatory requirements, continue to assess and disclose the impact and strive to fully complete the rectification work as soon as possible.

(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.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Transferred financial assets (continued)

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.

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 2021 (31 December 2020: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 2021, the Group has no continuing involvement in credit asset-backed securities(31 December 2020: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 transfered and qualified for de-recognition, the Group derecognised the transferred credit assets in their entirety. As at 31 December 2021, 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 2021, loans with an original carrying amount of RMB1,998 million (31 December 2020: 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 2021, the carrying amount of assets that the Group continues to recognise amounted to RMB251 million (31 December 2020: RMB251 million).

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 outside Mainland China 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.

(Expressed in millions of Renminbi, unless otherwise stated)

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 2021	31 December 2020
Total common equity tier-one capital	378,813	349,479
Share capital	54,032	54,032
Qualifying portions of capital reserve, other equity instruments and other comprehensive income	65,749	63,990
Surplus reserve	26,245	26,245
General reserve	75,596	67,702
Retained earnings	155,968	136,581
Qualifying portions of non-controlling interests	1,223	929
Common equity tier-one capital deductions	(4,021)	(3,457)
Goodwill	(1,281)	(1,281)
Other intangible assets other than land use rights	(2,684)	(2,160)
Net deferred tax assets arising from operating losses that depend on future profits	(56)	(16)
Net common equity tier-one capital	374,792	346,022
Additional tier-one capital	105,062	105,023
Additional tier-one capital instruments	104,899	104,899
Qualifying portions of non-controlling interests	163	124
Tier-one capital net	479,854	451,045
Tier-two capital	82,400	82,485
Qualifying portions of tier-two capital instruments issued and share premium	42,258	44,525
Excess loan loss provisions	38,677	36,566
Qualifying portions of non-controlling interests	1,465	1,394
Net capital base	562,254	533,530
Total risk-weighted assets	4,204,733	3,837,489
Common equity tier-one capital adequacy ratio	8.91%	9.02%
Tier-one capital adequacy ratio	11.41%	11.75%
Capital adequacy ratio	13.37%	13.90%

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 2021	31 December 2020
Cash and cash equivalents as at 31 December	222,583	145,076
Less: Cash and cash equivalents as at 1 January	145,076	117,499
Net increase in cash and cash equivalents	77,507	27,577

(b) Cash and cash equivalents

	31 December 2021	31 December 2020
Cash on hand	4,005	4,471
Deposits with the central bank	90,168	56,132
Deposits with banks and other financial institutions	50,029	40,483
Placements with banks and other financial institutions	78,381	43,990
Total	222,583	145,076

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 Secrities)
- 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 Innotive Buyout Fund
- Zhongguang Holding Co., Ltd.
- CYTS Industry Deveolpment Co., Ltd.
- Zhuhai Guangkong Zhongheng Investment Management Co., Ltd..
- Everbright Prestige Capital Asset Management Co.,Limited

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Related party relationships and transactions (continued)

(a) Related parity relationships (continued)

(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, and shareholders holding more than 5% shares of the Group.

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.
- Dacheng Fund Management Co., Ltd.
- Gansu Equity Trading Center Co., Ltd.
- Heyuan Capital Management Co., Ltd..
- Huayang Gongji Investment Management Co., Ltd..
- Lankaoguang Huinongtong No.1 Equity Investment Fund Partnership (limited Partnership)
- 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..
- Xinjiang Guangshi Hanhong Equity Investment Management Co., Ltd..
- Zhangjiakou Guanghe Xiangda Property Service Co., Ltd..

The amount and balance of transactions between the Group and other related parties are shown in Notes V47(b).

(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:

	2021	2020
Interest income	1,034	1,521
Interest expense	(4,112)	(3,411)

	31 December 2021	31 December 2020
Deposits with banks and other financial institutions	13,788	13,098
Placements with banks and other financial institutions	26,467	22,233
Derivative financial assets	2,338	7,047
Financial assets held under resale agreements	1,732	15,505
Loans and advances to customers	2,228	2,599
Financial investments	298,941	221,493
Financial assets at fair value through profit or loss	81,369	56,471
Debt instruments at fair value through other comprehensive income	44,614	39,852
Financial investments measured at amortised cost	172,958	125,170
Other assets	14,227	3,548
Deposits from banks and other financial institutions	56,181	98,208
Placements from banks and other financial institutions	57,899	56,025
Derivative financial liabilities	3,020	9,072
Financial assets sold under repurchase agreements	27,478	6,523
Deposits from customers	101,898	51,476
Other liabilities	11	249

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 (Note V 47(a))	**Other affiliated companies**	**Others**	**Total**
Transactions with related parties for year ended 31 December 2021:				
Interest income	–	1,934	636	2,570
Interest expense	(72)	(371)	(659)	(1,102)

(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 (continued)

(iii) Affiliated companies and other related parties (continued)

	China Everbright Group (Note V 47(a))	Other affiliated companies	Others	Total
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	14,523	23,422
Financial investments	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 measured at amortised cost	–	31,153	–	31,153
Other assets	–	731	2,317	3,048
Total	104	60,007	18,382	78,493
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
Total	3,137	23,288	45,099	71,524
Significant other sheet items with related parties as at 31 December 2021:				
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 (Note V 47(a))	Other affiliated companies	Others	Total
Transactions with related parties for the year ended 31 December 2020:				
Interest income	–	422	1,242	1,664
Interest expense	(127)	(339)	(444)	(910)
Balances with related parties as at 31 December 2020:				
Placements with banks and other financial institutions	–	3,200	1,000	4,200
Derivative financial assets	–	–	21	21
Financial assets held under resale agreements	–	385	1,900	2,285
Loans and advances to customers	–	5,523	15,356	20,879
Financial investment	105	40,613	2,948	43,666
Financial assets at fair value through profit or loss	–	8,527	1,982	10,509
Debt instruments at fair value through other comprehensive income	105	40	213	358
Equity instruments at fair value through other comprehensive income	–	–	98	98
Financial investments at amortised cost	–	32,046	655	32,701
Other assets	–	5	2,633	2,638
Total	105	49,726	23,858	73,689
Deposits from banks and other financial institutions	–	17,173	9,769	26,942
Derivative financial liabilities	–	–	23	23
Deposits from customers	4,284	9,815	39,412	53,511
Other liabilities	–	–	–	–
Total	4,284	26,988	49,204	80,476
Significant other sheet items with related parties as at 31 December 2020:				
Guarantee granted (Note)	180	–	–	180

Note: As at 31 December 2021, the Bank has guarantee obligations relating to China Everbright Group's outstanding interest obligation of RMB180 million (31 December 2020: RMB180 million) due to one of the state-owned commercial banks.

(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 (continued)

(iv) Remuneration of directors, supervisors and senior management

	2021 RMB'000	2020 RMB'000
Remuneration	28,887	30,687
Retirement benefits	3,360	1,015
– Basic social pension insurance	618	486

The total compensation packages for senior management of the Group as at 31 December 2021 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 2021.

(v) Loans and advances to directors, supervisors and officers

Loans and advances to directors, supervisors and officers 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 2021 RMB'000	31 December 2020 RMB'000
Aggregate amount of relevant loans outstanding as at the year end	9,290	8,708
Maximum aggregate amount of relevant loans outstanding during the year	9,376	8,738

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Statement of financial position of the Bank

	Note V	31 December 2021	31 December 2020
Assets			
Cash and deposits with the central bank		377,846	360,131
Deposits with banks and other financial institutions		49,555	40,231
Precious metals		6,426	9,353
Placements with banks and other financial institutions		149,588	74,769
Derivative financial assets		13,705	25,262
Financial assets held under resale agreements		32,507	43,587
Loans and advances to customers		3,231,445	2,939,071
Financial investments		1,822,297	1,658,026
– Financial assets at fair value through profit or loss		378,113	299,768
– Debt instruments at fair value through other comprehensive income		318,343	216,324
– Equity instruments at fair value through other comprehensive income		1,120	870
– Financial investments measured at amortised cost		1,124,721	1,141,064
Investment in subsidiaries	19	12,983	12,983
Property, plant and equipment		15,836	15,698
Right-of-use assets		10,780	11,096
Goodwill		1,281	1,281
Deferred tax assets		18,517	18,444
Other assets		38,633	43,593
Total assets		5,781,399	5,253,525

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Statement of financial position of the Bank (continued)

	31 December 2021	31 December 2020
Liabilities and equity		
Liabilities		
Due to the central bank	101,036	241,059
Deposits from banks and other financial institutions	528,061	473,926
Placements from banks and other financial institutions	98,520	89,948
Derivative financial liabilities	13,336	25,694
Financial assets sold under repurchase agreements	79,382	10,115
Deposits from customers	3,674,204	3,478,730
Accrued staff costs	16,385	14,874
Taxes payable	5,362	7,708
Lease liabilities	10,562	10,723
Debts securities issued	759,340	433,749
Other liabilities	19,953	18,698
Total liabilities	5,306,141	4,805,224
Equity		
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	3,390	1,509
Surplus reserve	26,245	26,245
General reserve	72,821	66,015
Retained earnings	151,274	133,004
Total equity	475,258	448,301
Total liabilities and equity	5,781,399	5,253,525

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.

(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

	2021				
	Corporate banking	Retail banking	Financial market business	Others	Total
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

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

	2020				
	Corporate banking	Retail banking	Financial market business	Others	Total
Operating income					
External net interest income	22,059	57,769	30,869	–	110,697
Internal net interest income/(expense)	29,615	(15,583)	(14,032)	–	–
Net interest income	51,674	42,186	16,837	–	110,697
Net fee and commission income	7,011	16,335	1,063	–	24,409
Net trading gains	–	–	484	–	484
Dividend income	–	–	1	14	15
Net (losses)/gains arising from Investment securities	(56)	7	5,225	27	5,203
Net gains on derecognition of financial assets measured at amortised cost	–	–	591	–	591
Foreign exchange gains/(losses)	268	69	(27)	–	310
Other net operating income	825	85	51	128	1,089
Operating income	59,722	58,682	24,225	169	142,798
Operating expenses	(16,341)	(22,147)	(1,679)	(168)	(40,335)
Credit impairment losses	(22,497)	(33,617)	(619)	–	(56,733)
Other impairment losses	(205)	11	(5)	–	(199)
Losses on investments of joint ventures	–	–	–	(5)	(5)
Profit before tax	20,679	2,929	21,922	(4)	45,526
Other segment information					
– Depreciation and amortisation	2,382	2,590	204	–	5,176
– Capital expenditure	2,677	3,921	264	–	6,862

	31 December 2020				
	Corporate banking	Retail banking	Financial market business	Others	Total
Segment assets	2,135,504	1,409,377	1,801,711	703	5,347,295
Segment liabilities	2,754,989	859,213	1,295,807	3,093	4,913,102

(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 (continued)

Reconciliation between segment assets, liabilities and total assets and total liabilities:

	Note V	31 December 2021	31 December 2020
Segment assets		5,880,893	5,347,295
Goodwill	22	1,281	1,281
Deferred tax assets	23	19,895	19,587
Total assets		5,902,069	5,368,163
Segment liabilities		5,417,681	4,913,102
Dividend payables	36	22	21
Total liabilities		5,417,703	4,913,123

(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 and Sydney, 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, Qindao city of Shandong Province, Hong Kong and Luxembourg.

Non-current assets include Property, plant 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; 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
2021	27,675	26,509	24,193	25,794	20,719	19,756	5,999	2,721	153,366
2020	27,558	23,186	21,384	24,855	19,917	17,214	6,042	2,642	142,798

	Non-current Asset (Note(i))								
	Yangtze River Delta	Bohai Rim	Head Office	Central	Pearl River Delta	Western	North eastern	Overseas	Total
31 December 2021	3,698	3,342	11,580	12,683	2,846	2,831	1,338	557	38,875
31 December 2020	3,813	3,410	10,395	11,137	2,968	3,077	1,393	539	36,732

Note:

(i) Including property, plant 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.

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 Assets 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 stablished 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.

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 uses the principle of logistic regression to predict the PD for customers in the coming year. According to the calculated PD value, the risk rating of the customer is obtained through the relevant mapping relationship table. 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)

Treasury 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 set credit risk limits for different counterparties, taking into consideration factors including industries, single borrowers and ratings. Credit risk exposure is closely monitored on a systematic and real-time basis, and credit limits are reviewed and revised regularly.

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 the each reporting period, the Group recognises the amount of the changes in ECL as an impairment loss or gain in profit or loss.

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
- Management overlay
- 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, as well as any changes to the impact of COVID-19 on these borrowers, and to assess whether the credit risk of relevant financial instruments had increased significantly since initial recognition. For borrowers who applied for temporary deferral of principal repayment and interest payment, deferred repayment and other credit support measures in the wake of COVID-19, the Group did not consider these support measures as triggers of a significant increase in credit risk.

Criteria for judging significant increases in credit risk

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;

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)

- 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 respectively. The key measuring parameters of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). Based on the current New Basel Capital Accord used in risk management and the requirements of IFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collateral, repayments.) and forward-looking information in order to establish the model of PD, LGD and EAD.

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 results of the Internal Rating-Based Approach under the New Basel Capital Accord, 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 assessment of a significant increase in credit risk and the calculation of ECL both involve 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, plant 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 2021, the key assumptions the Group has taken include the GDP growth rate, the CPI growth rate, the investment in property, plant and equipment growth rate. The GDP growth rate: the predicted value under the base economic scenario during the year of 2022 is 5.35%, the optimistic predicted value is 6.3%, the pessimistic predicted value is 4.5%.

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 life time (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%.

Management overlay

The business failure or default has not appeared given the deferral of loan payments offered to borrowers, and therefore, the potential risks arising from the COVID-19 epidemic may not yet be fully captured by the ECL model. The ECL allowance would reflect the ECL through management overlays by adjusting parameters on a disrupted portfolio basis.

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.

The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 to Stage 1 and the impairment allowance is measured at an amount equal to the 12-months ECL instead of the lifetime ECL.

(Expressed in millions of Renminbi, unless otherwise stated)

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 2021				
	Stage 1	Stage 2	Stage 3	N/A	Total
Assets					
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	1,434,156	5,440	11,629	68,184	1,519,409
Others (Note)	27,347	–	–	13,705	41,052
Total	5,272,537	120,802	32,647	81,889	5,507,875

	31 December 2020				
	Stage 1	Stage 2	Stage 3	N/A	Total
Assets					
Cash and deposits with the central bank	360,287	–	–	–	360,287
Deposits with banks and other financial institutions	46,059	–	–	–	46,059
Placements with banks and other financial institutions	69,140	–	150	–	69,290
Financial assets held under resale agreements	43,592	–	–	–	43,592
Loans and advances to customers	2,812,466	105,109	24,860	–	2,942,435
Finance lease receivables	96,564	3,970	254	–	100,788
Financial investments	1,352,310	5,075	7,247	52,565	1,417,197
Others (Note)	33,504	–	–	25,264	58,768
Total	4,813,922	114,154	32,511	77,829	5,038,416

Note: Others comprise derivative financial assets and assets from wealth management business, 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 2021	31 December 2020
Impaired		
Carrying amount	300	666
Provision for impairment losses	(166)	(516)
Subtotal	134	150
Neither overdue nor impaired		
– grade A to AAA	209,720	151,764
– grade B to BBB	1,118	1,123
– unrated (Note)	9,730	5,904
Subtotal	220,568	158,791
Total	220,702	158,941

Note: Mainly represent placements with other financial institutions and debt securities held under resale agreements with 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 2021	31 December 2020
Impaired		
Carrying amount	18,814	9,984
Provision for impairment losses	(7,649)	(2,734)
Subtotal	11,165	7,250
Neither overdue nor impaired		
Bloomberg Composite		
– grade AA- to AA+	3,599	32,504
– grade A- to A+	20,275	31,773
– grade lower than A-	12,790	23,035
Subtotal	36,664	87,312
Other agency ratings		
– grade AAA	964,608	955,020
– grade AA- to AA+	310,143	105,717
– grade A- to A+	29,168	4,075
– grade lower than A-	17,619	3,065
– unrated	150,042	254,758
Subtotal	1,471,580	1,322,635
Total	1,519,409	1,417,197

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.

(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 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
Assets							
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	30,194	2,437,291	683,200	86,353	2,358
Finance lease receivables	5.81%	109,053	1,415	25,703	55,661	20,253	6,021
Financial investments	3.72%	1,836,016	367,692	125,673	199,395	698,872	444,384
Others	–	118,639	115,839	–	–	–	2,800
Total assets	4.42%	5,902,069	536,570	3,118,966	974,199	816,771	455,563

	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
Liabilities							
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	–	90,763	79,566	10,884	223	87	3
Total liabilities	2.35%	5,417,703	148,194	2,817,077	1,516,178	936,160	94
Asset-liability gap	2.07%	484,366	388,376	301,889	(541,979)	(119,389)	455,469

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 2020						
	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
Assets							
Cash and deposits with the central bank	1.44%	360,287	16,919	343,368	–	–	–
Deposits with banks and other financial institutions	1.03%	46,059	59	45,301	699	–	–
Placements with banks and other financial institutions	1.81%	69,290	179	55,669	11,305	2,137	–
Financial assets held under resale agreements	1.90%	43,592	3	43,589	–	–	–
Loans and advances to customers	5.37%	2,942,435	29,462	2,277,700	564,325	67,246	3,702
Finance lease receivables	5.89%	100,788	1,381	21,375	51,532	19,700	6,800
Financial investments	4.00%	1,670,415	278,855	103,537	209,932	681,052	397,039
Others	–	135,297	132,039	–	–	–	3,258
Total assets	4.59%	5,368,163	458,897	2,890,539	837,793	770,135	410,799

	31 December 2020						
	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
Liabilities							
Due to the central bank	3.23%	241,110	2,359	20,303	218,448	–	–
Deposits from banks and other financial institutions	2.27%	469,345	1,824	296,698	170,823	–	–
Placements from banks and other financial institutions	2.29%	161,879	475	91,453	69,951	–	–
Financial assets sold under repurchase agreements	1.90%	14,182	12	10,216	3,505	449	–
Deposits from customers	2.30%	3,480,642	50,225	2,008,938	561,854	859,601	24
Debt securities issued	3.04%	440,870	1,842	125,872	265,672	799	46,685
Others	–	105,095	90,165	10,214	3,625	1,091	–
Total liabilities	2.39%	4,913,123	146,902	2,563,694	1,293,878	861,940	46,709
Asset-liability gap	2.20%	455,040	311,995	326,845	(456,085)	(91,805)	364,090

* *The effective interest rate represents the ratio of interest income/expense to the average interest-bearing assets/liabilities.*

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 2021, 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 RMB2,177 million (31 December 2020: increase by RMB96 million), and equity to decrease by RMB9,296 million (31 December 2020: decrease by RMB5,603 million); a decrease in the estimated interest rate of one hundred basis points will cause the Group's net profit to increase by RMB2,333 million (31 December 2020: increase by RMB125 million), and equity to increase by RMB9,855 million (31 December 2020: increase by RMB6,189 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 2021			
	RMB	US Dollars (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
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
Financial 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
Total assets	5,534,780	262,633	104,656	5,902,069
Liabilities				
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
Total liabilities	5,009,292	331,842	76,569	5,417,703
Net position	525,488	(69,209)	28,087	484,366
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)

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Risk Management (continued)

(b) Market risk (continued)

Foreign currency risk (continued)

	31 December 2020			
	RMB	US Dollars (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with the central bank	350,913	7,130	2,244	360,287
Deposits with banks and other financial institutions	24,342	15,547	6,170	46,059
Placements with banks and other financial institutions	24,169	37,239	7,882	69,290
Financial assets held under resale agreements	43,587	1	4	43,592
Loans and advances to customers	2,783,150	101,459	57,826	2,942,435
Finance lease receivables	99,987	801	–	100,788
Financial investments	1,571,828	76,004	22,583	1,670,415
Others	128,429	5,527	1,341	135,297
Total assets	5,026,405	243,708	98,050	5,368,163
Liabilities				
Due to the central bank	241,110	–	–	241,110
Deposits from banks and other financial institutions	467,908	1,162	275	469,345
Placements from banks and other financial institutions	73,335	69,320	19,224	161,879
Financial assets sold under repurchase agreements	7,977	2,603	3,602	14,182
Deposits from customers	3,299,868	144,010	36,764	3,480,642
Debt securities issued	391,668	43,604	5,598	440,870
Others	99,361	2,009	3,725	105,095
Total liabilities	4,581,227	262,708	69,188	4,913,123
Net position	445,178	(19,000)	28,862	455,040
Off-balance sheet credit commitments	1,420,403	42,432	13,711	1,476,546
Derivative financial instruments (Note)	7,129	19,193	(25,909)	413

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 2021	31 December 2020
Exchange rates against RMB for the HK dollar	0.8176	0.8428
Exchange rates against RMB for the US dollar	6.3748	6.5337

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 2021, 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 RMB5 million (31 December 2020: increase by RMB4 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 RMB5 million (31 December 2020: decrease by RMB4 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.

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 2021							
	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
Assets								
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
Total assets	418,551	857,111	270,871	309,054	1,127,732	1,604,110	1,314,640	5,902,069

	31 December 2021							
	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
Liabilities								
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
Total liabilities	–	1,673,322	487,479	703,791	1,512,734	1,003,499	36,878	5,417,703
Net position	418,551	(816,211)	(216,608)	(394,737)	(385,002)	600,611	1,277,762	484,366
Notional amount of derivative financial instruments	–	–	383,509	239,565	438,142	820,304	1,848	1,883,368

(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 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 2020							
	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
Assets								
Cash and deposits with the central bank	299,538	60,749	–	–	–	–	–	360,287
Deposits with banks and other financial institutions	–	40,161	1,100	4,098	700	–	–	46,059
Placements with banks and other financial institutions	150	–	45,942	9,673	11,351	2,174	–	69,290
Financial asset held under resale agreements	–	–	43,592	–	–	–	–	43,592
Loans and advances to customers	42,303	422,190	137,773	174,521	672,559	749,441	743,648	2,942,435
Finance lease receivables	197	67	3,382	4,918	18,663	62,723	10,838	100,788
Financial investments	21,283	214,456	45,807	49,441	210,493	717,712	411,223	1,670,415
Others	69,169	37,606	2,748	4,458	10,652	6,080	4,584	135,297
Total assets	432,640	775,229	280,344	247,109	924,418	1,538,130	1,170,293	5,368,163

	31 December 2020							
	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
Liabilities								
Due to the central bank	–	–	13,195	7,712	220,203	–	–	241,110
Deposits from banks and other financial institutions	–	154,114	70,330	72,828	172,073	–	–	469,345
Placements from banks and other financial institutions	–	6	44,194	47,445	70,234	–	–	161,879
Financial assets sold under repurchase agreements	–	–	7,132	3,093	3,508	449	–	14,182
Deposits from customers	–	1,303,922	289,829	447,446	568,955	870,466	24	3,480,642
Debt securities issued	–	–	5,450	81,580	270,937	34,772	48,131	440,870
Others	–	47,528	4,091	5,738	20,345	19,287	8,106	105,095
Total liabilities	–	1,505,570	434,221	665,842	1,326,255	924,974	56,261	4,913,123
Net position	432,640	(730,341)	(153,877)	(418,733)	(401,837)	613,156	1,114,032	455,040
Notional amount of derivative financial instruments	–	–	326,206	252,135	820,303	767,683	43,970	2,210,297

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 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
Non-derivative financial liabilities								
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
Total non-derivative financial liabilities	5,378,841	5,488,020	1,648,295	491,387	714,961	1,540,690	1,054,495	38,192
Derivative financial liabilities								
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)	–
Total derivative financial liabilities		144,077	–	102,261	28,129	13,692	(5)	–

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Risk Management (continued)

(c) Liquidity risk (continued)

	31 December 2020							
	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
Non-derivative financial liabilities								
Due to the central bank	241,110	245,941	–	13,216	7,743	224,982	–	–
Deposits from banks and other financial institutions	469,345	473,815	154,386	70,407	73,938	175,084	–	–
Placements from banks and other financial institutions	161,879	164,280	6	44,239	47,871	72,164	–	–
Financial assets sold under repurchase agreements	14,182	14,205	–	7,132	3,099	3,523	451	–
Deposits from customers	3,480,642	3,527,084	1,303,923	294,044	454,407	578,814	895,866	30
Debt securities issued	440,870	469,431	–	6,838	85,830	272,371	51,483	52,909
Other financial liabilities	51,090	54,007	19,300	569	1,776	10,235	14,172	7,955
Total non-derivative financial liabilities	4,859,118	4,948,763	1,477,615	436,445	674,664	1,337,173	961,972	60,894
Derivative financial liabilities								
Derivative financial instruments settled on net basis		(513)	–	2	(3)	(123)	(323)	(66)
Derivative financial instruments settled on gross basis								
– Cash inflow		1,076,507	–	301,281	213,938	514,515	5,694	41,079
– Cash outflow		(1,076,200)	–	(300,960)	(213,583)	(514,822)	(5,759)	(41,076)
Total derivative financial liabilities		307	–	321	355	(307)	(65)	3

This analysis of the financial instruments by contractual undiscounted cash flows might diverge from actual results.

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 2021			
	Within one year	Between one year and five years	More than five years	Total
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
Total	1,320,032	45,541	4,031	1,369,604

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: (continued)

	31 December 2020			
	Within one year	Between one year and five years	More than five years	Total
Loan and credit card commitments	348,503	1,159	2,334	351,996
Guarantees, acceptances and other credit commitments	1,074,877	48,265	1,408	1,124,550
Total	1,423,380	49,424	3,742	1,476,546

(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;

– 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.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

(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.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Fair value (continued)

(b) Fair value measurement (continued)

(i) Financial assets (continued)

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 2021	31 December 2020	31 December 2021	31 December 2020
Financial assets				
Debt securities and asset-backed instruments measured at amortised cost	991,472	935,651	1,003,770	944,985
Financial liabilities				
Debt securities issued	763,532	440,870	751,799	440,017

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, Thomsom 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 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial assets				
– Currency derivatives	–	7,234	–	7,234
– Interest rate derivatives	–	6,470	–	6,470
– Credit derivatives	–	–	1	1
Loan and advances to customers	–	155,647	–	155,647
Financial assets at fair value through profit or loss				
– Debt instruments held for trading	2,051	48,840	–	50,891
– Other financial assets at fair value through profit or loss	255,682	66,775	10,318	332,775
Debt instruments at fair value through other comprehensive income	56,912	268,716	67	325,695
Equity instruments at fair value through other comprehensive income	23	–	1,102	1,125
Total	314,668	553,682	11,488	879,838
Liabilities				
Financial liabilities at fair value through profit or loss	67	–	–	67
Derivative financial liabilities				
– Currency derivatives	–	6,614	–	6,614
– Interest rate derivatives	–	6,723	–	6,723
Total	67	13,337	–	13,404

(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)

Assets and liabilities measured at fair value (continued)

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial assets				
– Currency derivatives	–	19,441	–	19,441
– Interest rate derivatives	–	5,819	2	5,821
– Credit derivatives	–	2	–	2
Loans and advances to customers	–	98,211	–	98,211
Financial assets at fair value through profit or loss				
– Debt instruments held for trading	4,391	28,649	–	33,040
– Financial assets designated at fair value through profit or loss	–	–	1	1
– Other financial assets at fair value through profit or loss	213,781	47,723	10,363	271,867
Debt instruments at fair value through other comprehensive income	51,111	171,696	–	222,807
Equity instruments at fair value through other comprehensive income	23	–	852	875
Total	269,306	371,541	11,218	652,065
Liabilities				
Financial liabilities at fair value through profit or loss	4	–	–	4
Derivative financial liabilities				
– Currency derivatives	–	19,355	–	19,355
– Interest rate derivatives	–	6,338	2	6,340
– Credit derivatives	–	83	–	83
Total	4	25,776	2	25,782

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 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)	–	–

The movements during the year ended 31 December 2020 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	Total assets	Derivative financial liabilities	Total liabilities
1 January 2020	2	4,034	602	4,638	(3)	(3)
Total gains or losses:						
– In profit or loss	1	65	–	66	(1)	(1)
Purchases	–	6,396	250	6,646	–	–
Settlements	(1)	(131)	–	(132)	2	2
31 December 2020	2	10,364	852	11,218	(2)	(2)
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	65	–	66	(1)	(1)

(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 2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities and asset-backed instruments measured at amortised cost	184,283	819,487	–	1,003,770
Financial liabilities				
Debt securities issued	23,262	728,537	–	751,799

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities and asset-backed instruments measured at amortised cost	161,862	783,123	–	944,985
Financial liabilities				
Debt securities issued	25,558	414,459	–	440,017

(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 2021, 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 2021	31 December 2020
Entrusted loans	105,138	125,827
Entrusted funds	105,138	125,827

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 2021	31 December 2020
Loan commitments		
– Original contractual maturity within one year	15,635	16,758
– Original contractual maturity more than one year (inclusive)	7,564	7,939
Credit card commitments	338,186	327,299
Subtotal	361,385	351,996
Acceptances	669,088	769,458
Letters of guarantee	121,565	130,425
Letters of credit	217,381	224,482
Guarantees	185	185
Total	1,369,604	1,476,546

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.

(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 2021	31 December 2020
Credit risk-weighted amount of credit commitments	409,233	382,659

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 2021	31 December 2020
Contracted but not paid		
– Purchase of property and equipment	2,139	1,962
Approved but not contracted for		
– Purchase of property and equipment	4,530	4,445
Total	6,669	6,407

(d) Underwriting and redemption commitments

The Group has no unexpired commitments for underwriting bonds as at 31 December 2021.

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 2021	31 December 2020
Redemption commitments	5,393	5,918

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53 Commitments and contingent liabilities (continued)

(e) Outstanding litigations and disputes

As at 31 December 2021, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB674 million (31 December 2020: RMB1,262 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.

55 Comparative figures

On 29 June 2021, the 28th meeting of the Eighth Session of the Board of Directors of the Bank considered and approved a motion for CEB International Investment Co., Ltd., a wholly-owned subsidiary of the Bank, to invest in Everbright Cloud Payment Technology Co., Ltd.. On 18 September 2021, Everbright Cloud Payment Technology Limited completed the business change registration after the restructuring. CEB International Investment Co., Ltd. holds 51% of the shares of the company, which has been included in the Group's consolidated financial statements. This event constitutes a business combination under common control, the impact of the combination does not have any significant impact on the consolidated financial statements of Everbright Bank. The Group has made retrospective adjustments to the relevant items in the comparative financial statements.

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 2021
Liquidity coverage ratio	136.39%
High Quality Liquid Assets	838,986
Net cash outflows in 30 days from the end of the reporting period	615,137

Liquidity Ratio*

	As at 31 December 2021	Average for the year December 2021	As at 31 December 2020	Average for the year ended 31 December 2020
RMB current assets to RMB current liabilities	75.58%	67.88%	66.07%	67.65%
Foreign current assets to oreign current liabilities	125.41%	128.12%	127.90%	107.74%

* *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 2021
Leverage Ratio	7.00%

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 2021, the Group met the supervision requirement with the net stable funding ratio standing at 104.94%.

Indicators	31 December 2021
Available and stable funds	3,299,763
Required stable funds	3,144,463
Net stable funding ratio	104.94%

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

2 CURRENCY CONCENTRATIONS

	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 (short)/long position	(74)	2,755	1,204	3,885
Net structural position	–	110	82	192

	31 December 2020			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	243,708	50,901	47,149	341,758
Spot liabilities	(262,708)	(47,896)	(21,292)	(331,896)
Forward purchases	545,777	11,904	4,789	562,470
Forward sales	(526,584)	(11,424)	(31,178)	(569,186)
Net long/(short) position	193	3,485	(532)	3,146
Net structural position	3	55	32	90

The net structural position of the Group includes the structural positions, denominated in foreign currency, of the Bank's Hong Kong, Seoul, Luxembourg and Sydney branches. Structural assets mainly include property, plant and equipment.

3 INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside 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 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
Total	133,806	7,173	87,780	228,759

	As at 31 December 2020			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	99,166	7,470	41,939	148,575
– of which: attributed to Hong Kong	28,097	2,107	15,229	45,433
Europe	17,617	40	27,957	45,614
North and South America	10,989	312	18,768	30,069
Total	127,772	7,822	88,664	224,258

4 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES

(a) By geographical segment

	31 December 2021	31 December 2020
Head Office	8,276	9,139
Pearl River Delta	8,017	3,353
Northeastern	5,363	5,171
Yangtze River Delta	4,068	4,608
Bohai Rim	3,869	4,784
Central	3,579	3,598
Western	2,685	2,586
Overseas	8	8
Total	35,865	33,247

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.

(Expressed in millions of Renminbi, unless otherwise stated)

4 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES (CONTINUED)

(b) By overdue day

	31 December 2021	31 December 2020
Gross loans and advances which have been overdue with respect to either principal or interest for periods of:		
– between 3 and 6 months (inclusive)	10,715	8,048
– between 6 months and 1 year (inclusive)	13,624	13,725
– over 1 year	11,526	11,474
Total	35,865	33,247
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.32%	0.27%
– between 6 months and 1 year (inclusive)	0.41%	0.45%
– over 1 year	0.35%	0.38%
Total	1.08%	1.10%

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 2021	31 December 2020
Covered portion of loans and advances past due but not impaired	11,643	9,218
Uncovered portion of loans and advances past due but not impaired	17,062	18,705
Total loans and advances past due but not impaired	28,705	27,923
Of which: Current market value of collateral held against the covered portion of loans and advances past due but not impaired	23,474	24,019

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 2021, substantial amounts of the Group's exposures arose from businesses with Mainland China entities or individuals.

Designed & Produced by HeterMedia Services Limited

中国光大银行
CHINA EVERBRIGHT BANK

Address : Everbright Center, No.25 Taipingqiao Ave,
Xicheng District, Beijing P. R. China.
Tel : (86)10-63636363
Fax : (86)10-63639066
Postal Code : 100033
Website : www.cebbank.com

This Annual Report is printed on environmentally friendly paper.