



中国光大银行

CHINA EVERBRIGHT BANK

Building a First-class Wealth Management Bank

Stock Code: 6818

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英国《The Banker》

2021全球银行1000强

中国光大银行 32位

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2022 中期报告 INTERIM 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)



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Important Notice, Definitions and List of Documents for Reference

I. IMPORTANT NOTICE

- i. 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.
- ii. The 42th Meeting of the Eighth Session of the Board of Directors of the Bank was convened in Beijing on 26 August 2022, at which the 2022 Interim Report of the Bank was considered and approved. 14 out of 14 Directors attended the meeting in person. 6 Supervisors were present at the meeting as non-voting attendees.
- iii. The financial statements of the Bank for the first half of 2022 were prepared in accordance with the PRC Generally Accepted Accounting Principles (“PRC GAAP”) and the International Financial Reporting Standards (“IFRS”) and have been reviewed by Ernst & Young Hua Ming LLP and Ernst & Young in accordance with Chinese and international standards on review engagements, respectively.
- iv. Mr. Wang Jiang, Chairman of the Board of Directors, Mr. Fu Wanjun, President, and Mr. Sun Xinhong, General Manager of Finance and Accounting Department, hereby warrant the authenticity, accuracy and completeness of the financial statements in this Report. President Mr. Fu Wanjun is in charge of finance.
- v. Unless otherwise stated, all monetary sums stated in this Report are expressed in Renminbi/RMB.
- vi. The Bank did not implement any profit distribution or capitalization of capital reserves for the first half of 2022.
- vii. 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.
- viii. The Bank has disclosed herein the major risks involved in its operations and proposed risk management measures accordingly. Please refer to “Management Discussion and Analysis” for details.
- ix. In this Report, “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.

II. 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
HKEX	:	Hong Kong Exchanges and Clearing Limited
Hong Kong Stock Exchange (SEHK)	:	The Stock Exchange of Hong Kong Limited
EY Hua Ming	:	Ernst & Young Hua Ming LLP
EY	:	Ernst & Young
Articles of Association of the Bank	:	Articles of Association of China Everbright Bank Company Limited
Hong Kong Listing Rules	:	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	:	Appendix Ten to Hong Kong Listing Rules – The Model Code for Securities Transactions by Directors of Listed Issuers

III. LIST OF DOCUMENTS FOR REFERENCE

- i. Financial statements bearing the signatures and seals of Chairman, President (in charge of finance) and General Manager of Finance and Accounting Department of the Bank.
- ii. The original review 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 interim 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. 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: Zhang Xuyang
 Joint Company Secretary: Zhang Xuyang, Lee Mei Yi
 Securities Affairs Representative: Zeng Wenxue

III. CONTACTS

Contact Address: China Everbright Center, No. 25 Taipingqiao Street, Xicheng District, Beijing
 Postal Code: 100033
 Tel.: 86-10-63636363
 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-present: 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 Interim Report:

SSE's Website: www.sse.com.cn

The Bank's Website: www.cebbank.com

Newspapers Designated for Publication of A Share Interim 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 Interim Report:

HKEXnews: www.hkexnews.hk

The Bank's Website: www.cebbank.com

Copies of Interim Report are available at: Office of 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: The Stock Exchange of Hong Kong Limited (SEHK)

Abbreviated Name: CEB Bank; Code: 6818

VIII. AUDITORS DURING THE REPORTING PERIOD

Domestic Auditor: Ernst & Young Hua Ming LLP

Office Address: 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: Wu Zhiqiang

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

Main Accounting Data and Financial Indicators

I. KEY FINANCIAL DATA AND INDICATORS

Item	January-June 2022	January-June 2021 (restated) ⁸	Change (%)	January-June 2020 (restated) ⁸
Operating performance (RMB million)				
Net interest income	56,675	55,897	1.39	54,667
Net fee and commission income	14,835	15,059	(1.49)	14,172
Operating income	78,531	77,205	1.72	72,197
Operating expenses	20,257	21,280	(4.81)	19,477
Impairment losses on assets	29,025	28,713	1.09	30,673
Profit before tax	29,217	27,205	7.40	22,047
Net profit	23,446	22,523	4.10	18,428
Net profit attributable to shareholders of the Bank	23,299	22,445	3.80	18,367
Per share (in RMB)				
Basic earnings per share ¹	0.38	0.37	2.70	0.32
Diluted earnings per share ²	0.35	0.34	2.94	0.28
Item	30 June 2022	31 December 2021	Change (%)	31 December 2020
Net assets per share attributable to ordinary shareholders of the Bank ³	7.14	6.99	2.15	6.45
Scale indicators (RMB million)				
Total assets	6,257,247	5,902,069	6.02	5,368,163
Total loans and advances to customers	3,512,531	3,307,304	6.21	3,009,482
Provision for impairment of loans ⁴	81,610	76,889	6.14	75,533
Total liabilities	5,764,712	5,417,703	6.41	4,913,123
Deposits from customers	3,947,612	3,675,743	7.40	3,480,642
Total equity	492,535	484,366	1.69	455,040
Total equity attributable to shareholders of the Bank	490,530	482,489	1.67	453,470
Share capital	54,032	54,032	–	54,032
Item	January-June 2022	January-June 2021 (restated) ⁸	Change	January-June 2020 (restated) ⁸
Profitability indicators (%)				
Return on average total assets	0.77	0.81	-0.04 percentage point	0.73
Return on weighted average equity ⁵	10.75	11.07	-0.32 percentage point	10.06
Net interest spread	1.99	2.11	-0.12 percentage point	2.20
Net interest margin	2.06	2.20	-0.14 percentage point	2.30
Proportion of fee and commission income in operating income	18.89	19.51	-0.62 percentage point	19.63
Cost-to-income ratio	24.63	26.50	-1.87 percentage points	25.94
Item	30 June 2022	31 December 2021	Change	31 December 2020
Asset quality indicators (%)				
NPL ratio	1.24	1.25	-0.01 percentage point	1.38
Provision coverage ratio ⁶	188.33	187.02	+1.31 percentage points	182.71
Provision-to-loan ratio ⁷	2.34	2.34	–	2.53

Notes:

1. 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 distributed during the period – interest of non-fixed-term capital bonds paid during the period.

The Bank distributed dividends of RMB2,570 million (before tax) on the preference shares in the first half of 2022.

2. 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).
3. Net assets per share attributable to ordinary shareholders of the Bank = (net assets attributable to equity shareholders of the Bank – preference shares of other equity instruments – non-fixed-term capital bonds of other equity instruments)/total number of ordinary shares at the end of the period.
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, annualized.
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 the Bank's 2021 Annual Report for details on a business combination under common control of the Group in September 2021. The Group made retrospective adjustments to relevant items in the comparative financial statements, adding a "restated" note to the items after retrospective adjustments. The 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.

II. SUPPLEMENTARY FINANCIAL INDICATORS

Unit: %

Item	Standard value	30 June 2022	31 December 2021	31 December 2020
Liquidity ratio ^{Note}				
RMB	≥25	68.62	75.58	66.07
Foreign currency	≥25	123.62	125.41	127.90
Percentage of loans to single largest customer	≤10	1.81	1.17	2.08
Percentage of loans to top ten customers	≤50	9.61	7.74	8.77

Note: Liquidity ratio indicators were calculated on non-consolidation basis.

Main Accounting Data and Financial Indicators

III. 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	30 June 2022		31 December 2021	
	Consolidated ¹	Non-Consolidated	Consolidated ¹	Non-Consolidated
Net capital ²	542,714	515,899	562,254	536,269
Common equity tier-1 capital	386,776	377,542	378,813	370,359
Common equity tier-1 capital deductions	(4,011)	(16,881)	(4,021)	(16,893)
Net common equity tier-1 capital ²	382,765	360,661	374,792	353,466
Additional tier-1 capital	105,049	104,899	105,062	104,899
Additional tier-1 capital deductions	–	–	–	–
Net tier-1 capital ²	487,814	465,560	479,854	458,365
Tier-2 capital	54,900	50,339	82,400	77,904
Tier-2 capital deductions	–	–	–	–
Credit risk-weighted assets	4,122,572	4,000,366	3,896,107	3,780,878
Market risk-weighted assets	64,649	64,106	41,485	41,833
Operational risk-weighted assets	267,141	258,913	267,141	258,913
Total risk-weighted assets	4,454,362	4,323,385	4,204,733	4,081,624
Common equity tier-1 CAR	8.59	8.34	8.91	8.66
Tier-1 CAR	10.95	10.77	11.41	11.23
CAR	12.18	11.93	13.37	13.14

Notes:

- 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.
- 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.
- The Group's capital adequacy ratios at all tiers met the regulatory requirements for systemically important banks.

IV. 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	30 June 2022	31 March 2022	31 December 2021	30 September 2021
Leverage ratio	6.63	6.73	7.00	7.15
Net tier-1 capital	487,814	487,650	479,854	471,920
Adjusted balance of on- and off-balance- sheet assets	7,361,094	7,240,628	6,857,297	6,601,587

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.

V. 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	30 June 2022	31 March 2022	31 December 2021	30 September 2021
Liquidity coverage ratio	114.99	119.89	136.39	129.39
High quality liquid assets	876,134	732,656	838,986	771,985
Net cash outflow in the next 30 days	761,891	611,108	615,137	596,635

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.

VI. 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	30 June 2022	31 March 2022	31 December 2021	30 September 2021
Net stable funding ratio	104.06	104.20	104.94	104.41
Available stable funding	3,489,134	3,458,890	3,299,763	3,188,435
Required stable funding	3,352,889	3,319,550	3,144,463	3,053,897

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

Management Discussion and Analysis

I. REVIEW OF MAIN WORK

i. Actively undertaking due responsibilities and supporting the real economy in stabilizing the macroeconomy

The Bank rolled out 22 measures covering six aspects to help stabilize the overall economy and support the real economy. It carried out a campaign titled “Supporting Tens of Thousands of Enterprises to Stabilize Economy” targeting specialized, sophisticated, featured, and innovative enterprises and single-product champion manufacturers. For key areas and industries such as manufacturing, inclusive finance and green finance, the Bank expanded the authorization delegation of loan pricing, optimized the credit approval process, and intensified relevant assessment. The Bank introduced preferential policies for high-quality customers, and established flexible and efficient “list-based”, “consultation-based” and “pre-review” mechanisms to deal with obstacles and difficulties and granted loans in a targeted manner. As at the end of the reporting period, the Bank’s total loans exceeded RMB3.5 trillion, and bond investments (including funds) surpassed RMB1.5 trillion. The Bank’s manufacturing loans, green loans, clean energy loans and inclusive loans increased by 12.36%, 26.59%, 44.16% and 18.94% over the end of the previous year, respectively.

ii. Stimulating innovation momentum and advancing business development in boosting wealth management transformation

The Bank advanced its tiered and grouped management strategy for retail customers and formulated a new development model featuring “dual curves”. Its total retail AUM reached RMB2.31 trillion, and its income from retail banking accounted for 42.03%, up 0.6 percentage point. The number of retail customers stood at 147 million, and the number of wealth-level customers exceeded 1.1 million. The balance of retail credit exceeded RMB1 trillion, and retail non-housing loans grew to a higher proportion. In corporate banking, the Bank continued to enhance its capability of providing integrated investment banking and commercial banking services. Its Finance Product Aggregate (FPA) reached RMB4.62 trillion, up 11.65% from the end of the previous year. It achieved extraordinary results (A level for all the three indicators) in the assessment for central finance agency banks for five consecutive years. It conducted more effective coordination between corporate banking and retail banking, realizing increases in both the transaction amount and the deposit retention rate of payroll agency services, and won the “Role Model Award of Financial Product Publicity in China” for its banking services to servicemen, ex-servicemen and their family members. In business coordination, the Bank continued to enhance relevant capabilities. It strengthened the coordination of “CEB Mobile Banking + Cloud Fee Payment” Apps, and created a new model featuring “one-stop services of wealth management, social security, fee payment and loans”. It developed Logistics Express, Auto Full Pass and other financial scenario-based financial products, improving its capability of digital operation. It also enhanced the coordination between investment banking and custody, between investment banking and bond underwriting, and other businesses, pursuing synergetic development with resources of the financial market and inter-bank businesses. The scale and operating income of coordinated businesses with China Everbright Group also grew steadily.

iii. Fulfilling safety responsibilities and ensuring quality development while sticking to the bottom line of risk management

The Bank’s asset quality and risk resistance capability continued to improve, with decreasing ratios of non-performing loans, special mention loans and overdue loans and increasing provision coverage ratio. The Bank carried out unified approval management with an automated approval management system, enhanced consolidated management, and established a pre-review consultation mechanism for the front and middle offices, thus improving the approval efficiency. It refined the management and control mechanism for large-value credit customers, and set tiered concentration limits of large-value credit customers. It took compulsory measures to rule out customers with high potential risks and cleared the existing risks in key areas in an orderly manner. Moreover, the Bank strengthened complaint monitoring management, and was rated A-level in consumer protection evaluation from the PBOC for two consecutive years.

iv. Optimizing the functions of organizational structures and strengthening team building in deepening institutional reform

The Bank actively and orderly pressed ahead with the digital transformation of the organizational structure of “Two Departments and Two Centers”, improving the efficiency of “business + technology” integration. It deepened the audit system and mechanism reform, strengthened the leadership of the Party Committee over audit, and refined the long-effect audit rectification mechanism. It also improved the performance assessment system and comprehensive evaluation methods, intensified the assessment of supporting the real economy, internal control compliance and development quality, and encouraged value creation and coordination. Furthermore, the Bank established a talent pool of outstanding young cadres, cultivated talents with compounding knowledge both in finance and technology fields, and highlighted the primary-level work experience, multi-post rotation training, and experience in less-developed areas in the selection and appointment of cadres.

II. DEVELOPMENT STRATEGY OF THE BANK

i. Strategic overview

1. Strategic vision

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

2. Strategy connotations

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

ii. Strategy implementation

During the reporting period, the Bank fulfilled its mission as a national financial team, a professional wealth management team, and a vanguard for livelihood services. Grounded on the new development stage, the Bank applied the new development philosophy, and actively served the establishment of a new development pattern. Focusing on the strategic vision of “building a first-class wealth management bank”, the Bank made continuous efforts to improve its capabilities for high-quality development.

First, the Bank committed itself to serving the real economy and people’s well-being. By fully implementing specialized credit plans management and preferential policies for differentiated internal funds transfer pricing, strengthening the balanced scorecard evaluation and other incentive and constraint measures, the Bank gave full support to key areas such as manufacturing, inclusive finance, green finance and rural revitalization. Its medium and long-term manufacturing loans and inclusive agriculture-related loans increased by 17.13% and 25.21% over the end of the previous year, respectively. Both increases were higher than the average growth of all loans. It laid stress on livelihood services including pension agency payment and third-generation social security card, serving 11.9642 million social security customers and providing pension agency payment of RMB15,953 million. It continued to provide preferential services for servicemen, ex-servicemen and their family members. 32 branches of the Bank carried out cooperative programs regarding preferential treatment certification for ex-servicemen and other entitled groups, and the Bank launched the first financial product themed as supporting the servicemen.

Management Discussion and Analysis

Second, the Bank promoted structural transformation to highlight its operation features. It expanded settlement business and other transaction banking businesses, increased high-quality liabilities, lifted the balance of deposits by RMB271,869 million from the end of the previous year. It continued to advance the development of fee-based business not occupying the Bank's risk assets and optimized resource allocation, thus achieving effective results in light-asset transformation. The fee-based income not occupying the Bank's risk assets reached RMB6,169 million, increasing by 6.44% year on year. Moreover, the Bank continued to foster its wealth management features, actively developed its Cloud Fee Payment platform, and strengthened the building of scenario-based ecosystem such as education and training, logistics, and housing transactions.

Third, the Bank optimized its operational quality and efficiency and consolidated its customer base. It strengthened the role of corporate banking as the "ballast stone". With FPA as its engine, the Bank advanced the integrated transformation combining commercial banking, investment banking, asset management and transaction banking to meet customers' comprehensive financing needs. It gave full play to the role of retail banking and wealth management as the "energizer". With AUM as its primary indicator, the Bank enhanced the agency payment service business, enriched product series, and improved customer experience. It upgraded the role of the financial market as the "propeller" for business development. Focusing on gross merchandise volume (GMV), the Bank reinforced transaction attributes, expanded business cooperation, and promoted win-win results for multiple parties.

Fourth, the Bank strengthened risk control and improved asset quality. It continued to promote the risk manager dispatching and the risk control embedding for front-end business, and increased the precision in marketing and risk prevention and control. It specified the risk management requirements in key areas such as real estate business and local government financing platforms, and formulated differentiated regional credit policies. It refined the industry research management system for credit granting, and followed up on key industries to support marketing. In addition, the Bank took multiple measures to resolve existing risks and ensured progress amid steady growth in asset quality.

III. CORE COMPETITIVENESS OF THE BANK

First, the Bank boasts strong shareholder background of diversified business operation, coordinated development of finance and industry, and a full range of financial licenses. China Everbright Group, its controlling shareholder, 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 environmental protection, tourism, healthcare and high-tech. With CEG's global presence both in institutions and businesses, especially in Chinese mainland and Hong Kong SAR, relying on its platform, 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", over the years, 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, Forfeiting Blockchain, Sunshine E-loan, Sunshine Salary Loan and Sunshine Exchange Gain.

Third, the Bank has an outstanding innovative gene. The Bank was established amid the trends of competitive financial market in China, and grew stronger through exploration and innovation. Inspired by innovative spirit, 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 business advantages in relevant fields. Devoting itself to building a first-class wealth management bank, the Bank has obtained relatively strong competitive advantages in wealth management business. As one of the pioneers in the industry, the Bank's investment banking business is capable of providing corporate customers with comprehensive investment banking services. Based on its open-ended platform, its digital banking business formed open-ended service system and its business mode has occupied leading position among peers. 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 banking business, serving as the stabilizer for the 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 in sound business development strategies and taken compliant management 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" Everbright digital 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.

IV. OVERALL OPERATIONS OF THE BANK

i. Business scale realized steady growth, and more efforts were intensified to support the real economy

As at the end of the reporting period, total assets of the Group posted RMB6,257,247 million, representing an increase of RMB355,178 million or 6.02% as compared with the end of the previous year. Total loans and advances to customers stood at RMB3,512,531 million, representing an increase of RMB205,227 million or 6.21% as compared with the end of the previous year. The balance of deposits reached RMB3,947,612 million, representing an increase of RMB271,869 million or 7.40% as compared with the end of the previous year.

During the reporting period, the Group actively implemented various decisions and plans made by the CPC Central Committee and the State Council, took into account the needs of the country and gave full play to its capabilities, and launched a number of measures to stabilize the overall economy and support the real economy. The average cost ratio of interest-bearing liabilities registered 2.31%, down 3BPs year on year, with liabilities cost continuously improved.

ii. Operating income and profit increased rapidly, and profitability improved consistently

During the reporting period, operating income of the Group registered RMB78,531 million, a year-on-year increase of 1.72%. Specifically, net interest income posted RMB56,675 million, up 1.39% year on year; net fee and commission income posted RMB14,835 million, down 1.49% year on year. Net profit of the Group registered RMB23,446 million, with increases of operating income and net profit marking 1.69 percentage points and 1.84 percentage points over the end of the first quarter, respectively. Thus the profitability was improved in a continuous manner.

iii. Asset quality was steadily improved, and risk resistance capacity was enhanced

As at the end of the reporting period, the balance of the Group's non-performing loans (NPLs) amounted to RMB43,643 million, an increase of RMB2,277 million as compared with the end of the previous year. The NPL ratio reported 1.24%, down 0.01 percentage point as compared with the end of the previous year. The ratio of special mention loans was 1.84%, a decrease of 0.02 percentage point as compared with the end of the previous year. The ratio of overdue loans stood at 1.96%, a decrease of 0.03 percentage point as compared with the end of the previous year. Provision coverage ratio reached 188.33%, up 1.31 percentage points over the end of the previous year.

Management Discussion and Analysis

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

As at the end of the reporting period, the Group's net capital registered RMB542,714 million. The CAR, tier-1 CAR and common equity tier-1 CAR was 12.18%, 10.95% and 8.59% respectively, all of which met the regulatory requirements.

V. INCOME STATEMENT

i. Changes in items of income statement

Unit: RMB million

Item	January-June 2022	January-June 2021 (Restated)	Change
Net interest income	56,675	55,897	778
Net fee and commission income	14,835	15,059	(224)
Net trading gains	1,319	1,230	89
Dividend income	2	1	1
Net gains arising from investment securities	4,808	4,317	491
Gains on derecognition of financial assets measured at amortized cost	768	85	683
Net foreign exchange gains	(297)	82	(379)
Other net operating gains	421	534	(113)
Operating expenses	20,257	21,280	(1,023)
Impairment losses on credit assets	29,024	28,734	290
Impairment losses on other assets	1	(21)	22
Losses on investments in joint ventures	32	7	25
Profit before tax	29,217	27,205	2,012
Income tax	5,771	4,682	1,089
Net profit	23,446	22,523	923
Net profit attributable to shareholders of the Bank	23,299	22,445	854

ii. Operating income

During the reporting period, the Group incurred an operating income of RMB78,531 million, a year-on-year increase of RMB1,326 million or 1.72%. Net interest income accounted for 72.17%, down 0.23 percentage point year on year. Net fee and commission income accounted for 18.89%, down 0.62 percentage point year on year. Other income accounted for 8.94%, up 0.85 percentage point year on year.

Unit: %

Item	January-June 2022	January-June 2021 (Restated)
Proportion of net interest income	72.17	72.40
Proportion of net fee and commission income	18.89	19.51
Proportion of other income	8.94	8.09
Total operating income	100.00	100.00

iii. Net interest income

During the reporting period, the Group realized net interest income of RMB56,675 million, a year-on-year increase of RMB778 million or 1.39%.

The Group's net interest spread reported 1.99%, a year-on-year decrease of 12 BPs. Its net interest margin was 2.06%, down 14 BPs year on year. Such decrease occurred mainly because the Bank implemented the national policies of fee deductions and interest concessions to ease financing cost of serving the real economy, which made the average yield of interest-earning assets decreased by 15BPs year on year.

Unit: RMB million, %

Item	January-June 2022			January-June 2021 (Restated)		
	Average balance	Interest income/expense	Average yield/cost	Average balance	Interest income/expense	Average yield/cost
Interest-earning assets						
Loans and advances to customers	3,415,568	84,986	5.02	3,142,722	80,434	5.16
Finance lease receivables	110,221	3,035	5.55	106,783	3,094	5.84
Investments	1,478,464	26,034	3.55	1,400,472	26,166	3.77
Deposits with the central bank	317,549	2,253	1.43	332,802	2,439	1.48
Placements and deposits with banks and other financial institutions, and financial assets held under resale agreements	232,262	2,088	1.81	141,002	952	1.36
Total interest-earning assets	5,554,064	118,396	4.30	5,123,781	113,085	4.45
Interest income		118,396			113,085	
Interest-bearing liabilities						
Deposits from customers	3,678,463	41,172	2.26	3,471,298	37,947	2.20
Placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements	826,999	8,889	2.17	922,939	11,416	2.49
Debt securities issued	882,843	11,660	2.66	534,323	7,825	2.95
Total interest-bearing liabilities	5,388,305	61,721	2.31	4,928,560	57,188	2.34
Interest expenses		61,721			57,188	
Net interest income		56,675			55,897	
Net interest spread¹			1.99			2.11
Net interest margin²			2.06			2.20

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, listed in the annualized form.

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	6,983	(2,431)	4,552
Finance lease receivables	100	(159)	(59)
Investments	1,457	(1,589)	(132)
Deposits with the central bank	(112)	(74)	(186)
Placements and deposits with banks and other financial institutions, and financial assets held under resale agreements	616	520	1,136
Changes in interest income	9,044	(3,733)	5,311
Deposits from customers	2,265	960	3,225
Placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements	(1,187)	(1,340)	(2,527)
Debt securities issued	5,104	(1,269)	3,835
Changes in interest expenses	6,182	(1,649)	4,533
Net interest income	2,862	(2,084)	778

iv. Interest income

During the reporting period, the Group yielded an interest income of RMB118,396 million, a year-on-year increase of RMB5,311 million or 4.70%. Such increase was mainly attributed to the growing 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 RMB84,986 million, a year-on-year increase of RMB4,552 million or 5.66%. Such increase was mainly due to the expanding loan scale.

Unit: RMB million, %

Item	January-June 2022			January-June 2021 (Restated)		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
Corporate loans	1,852,519	39,904	4.34	1,744,410	38,051	4.40
Personal loans	1,446,849	43,755	6.10	1,325,916	41,335	6.29
Discounted bills	116,200	1,327	2.30	72,396	1,048	2.92
Loans and advances to customers	3,415,568	84,986	5.02	3,142,722	80,434	5.16

2. Interest income from investments

During the reporting period, the Group's interest income from investments amounted to RMB26,034 million, a year-on-year decrease of RMB132 million or 0.50%. Such decrease was mainly due to the declined return on investment.

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 RMB2,088 million, a year-on-year increase of RMB1,136 million or 119.33%. The rise was mainly attributed to the increase 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 RMB61,721 million, representing a year-on-year increase of RMB4,533 million or 7.93%. Such increase was mainly due to the growing interest expenses on deposits from customers.

1. Interest expenses on deposits from customers

During the reporting period, the Group's interest expenses on deposits from customers amounted to RMB41,172 million, a year-on-year increase of RMB3,225 million or 8.50%. Such increase was mainly due to the rise in both scale and interest rate of deposits from customers.

Unit: RMB million, %

Item	January-June 2022			January-June 2021 (Restated)		
	Average balance	Interest expenses	Average cost ratio	Average balance	Interest expenses	Average cost ratio
Corporate deposits	2,793,982	30,463	2.20	2,668,572	28,206	2.13
Demand deposits	862,517	4,026	0.94	860,012	3,693	0.87
Time deposits	1,931,465	26,437	2.76	1,808,560	24,513	2.73
Personal deposits	884,481	10,709	2.44	802,726	9,741	2.45
Demand deposits	234,683	501	0.43	238,370	492	0.42
Time deposits	649,798	10,208	3.17	564,356	9,249	3.30
Total deposits from customers	3,678,463	41,172	2.26	3,471,298	37,947	2.20

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 RMB8,889 million, representing a decrease of RMB2,527 million or 22.14% year on year. Such decrease was mainly due to the downsized scale and lowered interest rate.

3. Interest expenses on debt securities issued

During the reporting period, the Group's interest expenses on debt securities issued totaled RMB11,660 million, a year-on-year increase of RMB3,835 million or 49.01%. Such increase was mainly due to the increasing 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 RMB14,835 million, a year-on-year decrease of RMB224 million or 1.49%. Such drop was mainly due to the decrease of RMB214 million in other fee income.

Item	Unit: RMB million	
	January-June 2022	January-June 2021 (Restated)
Fee and commission income	16,255	16,324
Underwriting and advisory fees	775	801
Bank card service fees	6,570	6,583
Settlement and clearing fees	1,240	1,329
Wealth management service fees	2,260	1,961
Acceptance and guarantee fees	911	924
Agency services fees	2,061	2,177
Custody and other fiduciary business fees	1,167	1,064
Others	1,271	1,485
Fee and commission expenses	(1,420)	(1,265)
Net fee and commission income	14,835	15,059

vii. Other income

During the reporting period, the Group's other income stood at RMB7,021 million, representing a year-on-year increase of RMB772 million. The increase was mainly the increase of gains from derecognition of financial assets at amortized cost.

Item	Unit: RMB million	
	January-June 2022	January-June 2021 (Restated)
Net trading gains	1,319	1,230
Dividend income	2	1
Net gains arising from investment securities	4,808	4,317
Gains from derecognition of financial assets at amortized cost	768	85
Net foreign exchange (losses)/gains	(297)	82
Other operating income	421	534
Total	7,021	6,249

viii. Operating expenses

During the reporting period, the Group incurred operating expenses of RMB20,257 million, a decrease of RMB1,023 million or 4.81% year on year. Cost-to-income ratio stood at 24.63%, down 1.87 percentage points year on year.

Unit: RMB million

Item	January-June 2022	January-June 2021 (Restated)
Staff costs	11,708	12,347
Premises and equipment expenses	3,542	3,272
Tax and surcharges	912	821
Others	4,095	4,840
Total operating expenses	20,257	21,280

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 capability. It sustained impairment losses on assets totaling RMB29,025 million, representing a year-on-year increase of RMB312 million or 1.09%.

Unit: RMB million

Item	January-June 2022	January-June 2021 (Restated)
Impairment losses on loans and advances to customers	25,097	26,847
Loans and advances to customers measured at amortized cost	24,989	26,446
Loans and advances to customers at fair value through other comprehensive income	108	401
Impairment losses on debt instruments at fair value through other comprehensive income	307	24
Impairment losses on financial investments measured at amortized cost	2,682	758
Impairment losses on finance lease receivables	392	322
Others	547	762
Total impairment losses on assets	29,025	28,713

x. Income tax

During the reporting period, the Group incurred an income tax of RMB5,771 million, an increase of RMB1,089 million or 23.26% year on year, mainly due to the increase in expected asset losses non-deductible before tax.

Management Discussion and Analysis

VI. BALANCE SHEET

i. Assets

As at the end of the reporting period, the Group's total assets reached RMB6,257,247 million, an increase of RMB355,178 million or 6.02% as compared with the end of the previous year, mainly due to the increase in loans and advances to customers.

Unit: RMB million, %

Item	30 June 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
Total loans and advances to customers	3,512,531		3,307,304	
Accrued Loan interest	8,948		8,981	
Provision for impairment of loans ^{Note}	(81,610)		(76,889)	
Net loans and advances to customers	3,439,869	54.98	3,239,396	54.89
Finance lease receivables	107,005	1.71	109,053	1.85
Deposits with banks and other financial institutions	42,619	0.68	51,189	0.87
Cash and deposits with the central bank	333,500	5.33	378,263	6.41
Investment in securities and other financial assets	1,958,801	31.3	1,849,721	31.34
Precious metals	8,419	0.13	6,426	0.11
Placements with banks and other financial institutions, and financial assets held under resale agreements	223,007	3.56	169,513	2.87
Long-term equity investment	187	–	256	–
Fixed assets	25,523	0.41	25,155	0.43
Right-of-use assets	10,512	0.17	10,953	0.19
Goodwill	1,281	0.02	1,281	0.02
Deferred tax assets	32,336	0.52	19,895	0.34
Other assets	74,188	1.19	40,968	0.68
Total assets	6,257,247	100.00	5,902,069	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 RMB3,512,531 million, an increase of RMB205,227 million or 6.21% as compared with the end of the previous year. The proportion of net loans and advances to customers in total assets was 54.98%, an increase of 0.09 percentage point as compared with the end of the previous year.

Unit: RMB million, %

Item	30 June 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
Corporate loans	1,908,885	54.35	1,790,819	54.15
Personal loans	1,479,914	42.13	1,430,750	43.26
Discounted bills	123,732	3.52	85,735	2.59
Total loans and advances to customers	3,512,531	100.00	3,307,304	100.00

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 RMB1,958,801 million, an increase of RMB109,080 million as compared with the end of the previous year, accounting for 31.30% of total assets, down 0.04 percentage point as compared with the end of the previous year.

Unit: RMB million, %

Item	30 June 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
Debt securities at fair value through profit or loss	391,435	19.98	383,666	20.74
Derivative financial assets	13,821	0.71	13,705	0.74
Debt instruments at fair value through other comprehensive income	425,768	21.74	325,695	17.61
Financial investments measured at amortized cost	1,126,653	57.51	1,125,530	60.85
Equity instruments at fair value through other comprehensive income	1,124	0.06	1,125	0.06
Total investments in securities and other financial assets	1,958,801	100.00	1,849,721	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 RMB1,277,895 million, up RMB700,116 million over the end of the previous year. Of these, the financial bonds measured at amortized cost occupied a proportion of 81.13% in the total.

Unit: RMB million, %

Item	30 June 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
Financial assets at fair value through profit or loss	79,827	6.25	51,395	8.90
Financial investments measured at amortized cost	1,036,782	81.13	412,129	71.33
Debt instruments at fair value through other comprehensive income	161,286	12.62	114,255	19.77
Total financial bonds held	1,277,895	100.00	577,779	100.00

Management Discussion and Analysis

4. Top 10 financial bonds held in nominal value

Unit: RMB million, %

Name of bond	Nominal value	Interest rate	Maturity date	Allowance for impairment losses
Bond 1	21,870	4.04	2027-04-10	–
Bond 2	19,290	4.24	2027-08-24	–
Bond 3	18,150	3.05	2026-08-25	–
Bond 4	14,930	4.39	2027-09-08	–
Bond 5	13,770	3.18	2026-04-05	–
Bond 6	13,510	3.86	2029-05-20	–
Bond 7	12,650	4.65	2028-05-11	–
Bond 8	12,420	4.04	2028-07-06	–
Bond 9	11,630	3.63	2026-07-19	–
Bond 10	11,550	4.73	2025-04-02	–

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

As at the end of the reporting period, the Group's total liabilities reached RMB5,764,712 million, an increase of RMB347,009 million or 6.41% as compared with the end of the previous year, mainly due to the increase in deposits from customers.

Unit: RMB million, %

Item	30 June 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
Due to the central bank	76,273	1.32	101,180	1.87
Deposits from customers	3,947,612	68.48	3,675,743	67.85
Deposits from banks and other financial institutions	442,953	7.68	526,259	9.71
Placements from banks and other financial institutions	206,851	3.59	179,626	3.32
Financial liabilities at fair value through profit or loss	64	0.00	67	0.00
Derivative financial liabilities	10,972	0.19	13,337	0.25
Financial assets sold under repurchase agreements	87,194	1.51	80,600	1.49
Accrued staff costs	17,129	0.30	16,777	0.31
Taxes payable	10,314	0.18	6,535	0.12
Lease liabilities	10,300	0.18	10,736	0.20
Debt securities payable	911,033	15.80	763,532	14.09
Other liabilities	44,017	0.77	43,311	0.79
Total liabilities	5,764,712	100.00	5,417,703	100.00

As at the end of the reporting period, the balance of the Group's deposits from customers reached RMB3,947,612 million, representing an increase of RMB271,869 million or 7.40% as compared with the end of the previous year.

Unit: RMB million, %

Item	30 June 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
Corporate deposits	2,930,502	74.24	2,755,687	74.97
Demand deposits	1,296,765	32.85	1,149,318	31.27
Time deposits	1,633,737	41.39	1,606,369	43.70
Personal deposits	949,395	24.05	858,116	23.35
Demand deposits	260,132	6.59	255,458	6.95
Time deposits	689,263	17.46	602,658	16.40
Other deposits	5,624	0.14	6,518	0.17
Accrued interest	62,091	1.57	55,422	1.51
Total deposits from customers	3,947,612	100.00	3,675,743	100.00

iii. Equity of shareholders

As at the end of the reporting period, the Group's equity attributable to shareholders of the Bank amounted to RMB490,530 million, representing a net increase of RMB8,041 million as compared with the end of the previous year. The increase was mainly due to the increase in profit realized in the current period.

Unit: RMB million

Item	30 June 2022	31 December 2021
Share capital	54,032	54,032
Other equity instruments	109,062	109,062
Capital reserve	58,434	58,434
Other comprehensive income	1,324	3,152
Surplus reserve	26,245	26,245
General risk reserve	76,509	75,596
Retained earnings	164,924	155,968
Total equity attributable to shareholders of the Bank	490,530	482,489
Non-controlling interests	2,005	1,877
Total equity	492,535	484,366

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 RMB1,404,146 million, an increase of RMB34,542 million as compared with the end of the previous year.

Unit: RMB million

Item	30 June 2022	31 December 2021
Loan and credit card commitments	360,463	361,385
Bank's acceptance bills	746,660	669,088
Letters of guarantee	118,597	121,565
Letters of credit	178,241	217,381
Guarantees	185	185
Total credit commitments	1,404,146	1,369,604

Management Discussion and Analysis

VII. CASH FLOWS

The Group's net cash outflows from operating activities amounted to RMB178,781 million. Specifically, cash inflows generated from operating activities reported RMB39,778 million, cash outflows arising from changes in operating assets stood at RMB398,355 million, and cash inflows arising from changes in operating liabilities totaled RMB179,796 million.

The Group's net cash outflows from investing activities amounted to RMB43,761 million, of which cash inflows generated from disposal and redemption of investments reported RMB408,531 million and cash outflows arising from acquisition of investments amounted to RMB483,009 million.

The Group's net cash inflows from financing activities were RMB123,380 million, of which net proceeds from bond issuance posted RMB542,997 million and cash inflows generated from payment of debt securities principal registered RMB394,056 million.

VIII. LOAN QUALITY

i. Distribution of loans by industry

Unit: RMB million, %

Industry	30 June 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
Manufacturing	371,961	19.49	331,050	18.49
Water, environment and public utility management	328,867	17.23	316,576	17.68
Leasing and commercial services	252,741	13.24	242,545	13.55
Real estate	187,821	9.83	197,503	11.03
Wholesale and retail trade	162,708	8.52	149,726	8.36
Construction	145,661	7.63	131,822	7.36
Transportation, storage and postal service	100,666	5.27	95,893	5.35
Finance	89,510	4.69	76,557	4.27
Agriculture, forestry, animal husbandry and fishery	67,913	3.56	63,098	3.52
Production and supply of power, gas and water	63,864	3.35	55,328	3.09
Others ^{Note}	137,173	7.19	130,721	7.30
Subtotal of corporate loans	1,908,885	100.00	1,790,819	100.00
Personal loans	1,479,914		1,430,750	
Discounted bills	123,732		85,735	
Total loans and advances to customers	3,512,531		3,307,304	

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

ii. Distribution of loans by region

Unit: RMB million, %

Region	30 June 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
Yangtze River Delta	819,536	23.32	750,167	22.68
Central China	610,351	17.38	578,837	17.50
Pearl River Delta	496,841	14.14	455,150	13.76
Bohai Rim	455,461	12.97	429,285	12.98
Western China	446,994	12.73	431,443	13.05
Northeastern China	107,399	3.06	107,845	3.26
Head Office	461,579	13.14	447,812	13.54
Overseas	114,370	3.26	106,765	3.23
Total loans and advances to customers	3,512,531	100.00	3,307,304	100.00

iii. Types of loans by collateral and their proportions

Unit: RMB million, %

Type	30 June 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
Unsecured loans	1,137,248	32.38	1,076,478	32.55
Guaranteed loans	824,959	23.49	765,976	23.16
Mortgage loans	1,175,152	33.45	1,117,183	33.78
Pledged loans	375,172	10.68	347,667	10.51
Total loans and advances to customers	3,512,531	100.00	3,307,304	100.00

iv. Top ten loan customers

Unit: RMB million, %

Name	Industry	Balance of principal of loans and advances as at 30 June 2022	Proportion in total loans and advances	Proportion in net capital ¹
Borrower 1	Leasing and commercial services	9,833	0.28	1.81
Borrower 2	Mining	8,070	0.23	1.48
Borrower 3	Manufacturing	6,024	0.17	1.11
Borrower 4	Manufacturing	4,767	0.14	0.88
Borrower 5 ²	Leasing and commercial services	4,500	0.13	0.83
Borrower 6	Manufacturing	4,016	0.11	0.74
Borrower 7 ²	Leasing and commercial services	3,900	0.11	0.72
Borrower 8	Manufacturing	3,849	0.11	0.71
Borrower 9	Information transmission, computer services and software	3,838	0.11	0.71
Borrower 10	Water, environment and public utility management	3,365	0.10	0.62
Total		52,162	1.49	9.61

Notes:

1. The proportion of the balance of loans in net capital is calculated according to the requirements of the CBIRC.
2. Borrowers 5 and 7 are related parties of the Bank and have constituted related party transactions with the Bank.

Management Discussion and Analysis

v. Five-category loan classification

Unit: RMB million, %

Type	30 June 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
Pass	3,404,232	96.92	3,204,469	96.89
Special mention	64,656	1.84	61,469	1.86
Substandard	21,647	0.62	23,012	0.70
Doubtful	16,549	0.46	12,513	0.37
Loss	5,447	0.16	5,841	0.18
Total loans and advances to customers	3,512,531	100.00	3,307,304	100.00
Performing loans	3,468,888	98.76	3,265,938	98.75
Non-performing loans	43,643	1.24	41,366	1.25

vi. Loan migration ratio

Unit: %

Item	30 June 2022	31 December 2021	Change
Migration ratio of pass loans	1.34	2.22	-0.88 percentage point
Migration ratio of special mention loans	20.89	49.40	-28.51 percentage points
Migration ratio of substandard loans	54.59	76.00	-21.41 percentage points
Migration ratio of doubtful loans	30.43	74.64	-44.21 percentage points

vii. Restructured loans and overdue loans

1. Restructured loans

Unit: RMB million, %

Type	30 June 2022		31 December 2021	
	Balance	Proportion of loans and advances in total principal	Balance	Proportion of loans and advances in total principal
Restructured loans and advances to customers	4,514	0.13	4,634	0.14
Restructured loans and advances to customers overdue for more than 90 days	259	0.01	70	0.00

2. Overdue loans

Unit: RMB million, %

Item	30 June 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
Overdue for less than 3 months	31,707	46.05	29,839	45.41
Overdue for between 3 months and 1 year	21,545	31.29	24,339	37.04
Overdue for between 1 year and 3 years	14,105	20.49	10,139	15.43
Overdue for more than 3 years	1,493	2.17	1,387	2.12
Total principal of overdue loans	68,850	100.00	65,704	100.00

viii. NPLs by business type

Unit: RMB million, %

Type	30 June 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
Corporate loans	28,496	65.29	25,846	62.48
Personal loans	15,147	34.71	15,520	37.52
Discounted bills	–	–	–	–
Total NPLs	43,643	100.00	41,366	100.00

ix. Distribution of NPLs by region

Unit: RMB million, %

Region	30 June 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
Pearl River Delta	11,248	25.78	9,845	23.80
Northeastern China	5,775	13.23	5,867	14.18
Yangtze River Delta	5,249	12.03	4,734	11.45
Bohai Rim	5,146	11.79	4,992	12.07
Central China	4,868	11.15	4,148	10.03
Western China	4,223	9.68	3,497	8.45
Head Office	6,770	15.51	8,275	20.00
Overseas	364	0.83	8	0.02
Total NPLs	43,643	100.00	41,366	100.00

x. Distribution of NPLs by industry

Unit: RMB million, %

Industry	30 June 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
Manufacturing	9,922	22.73	10,935	26.44
Real estate	4,802	11.00	2,436	5.89
Wholesale and retail trade	3,635	8.33	2,887	6.98
Leasing and commercial services	1,794	4.11	2,105	5.09
Accommodation and catering	1,301	2.98	1,350	3.26
Construction	1,278	2.93	2,152	5.20
Mining	1,201	2.75	605	1.46
Transportation, storage and postal service	1,103	2.53	704	1.70
Production and supply of power, gas and water	680	1.56	558	1.35
Information transmission, computer services and software	49	0.11	84	0.20
Others ^{Note}	2,731	6.26	2,030	4.91
Subtotal of corporate loans	28,496	65.29	25,846	62.48
Personal loans	15,147	34.71	15,520	37.52
Discounted bills	–	–	–	–
Total NPLs	43,643	100.00	41,366	100.00

Note: "Others" includes healthcare, 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.

Management Discussion and Analysis

xi. Distribution of NPLs by collateral type

Unit: RMB million, %

Type	30 June 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
Unsecured loans	11,368	26.05	12,546	30.33
Guaranteed loans	7,729	17.71	7,352	17.77
Mortgage loans	22,158	50.77	19,045	46.04
Pledged loans	2,388	5.47	2,423	5.86
Total NPLs	43,643	100.00	41,366	100.00

xii. Repossessed assets and provision for impairment

Unit: RMB million

Item	30 June 2022	31 December 2021
Repossessed assets	502	529
Land, buildings and structures	502	529
Provision for impairment	(202)	(202)
Net value of repossessed assets	300	327

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 30 June 2022	As at 31 December 2021
Balance at the beginning of the period ¹	76,889	75,533
Charge for the period ²	24,989	50,766
Recoveries due to written-off loans and advances for the period	3,919	5,757
Unwinding of discount ³	(348)	(907)
Write-offs and disposal during the period	(23,862)	(54,253)
Others	23	(7)
Balance at the end of the period¹	81,610	76,889

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.

IX. CAR ANALYSIS

Please refer to “Main Accounting Data and Financial Indicators” for details.

X. SEGMENT PERFORMANCE

i. Performance by regional segment

Unit: RMB million

Region	January-June 2022		January-June 2021 (Restated)	
	Operating income	Profit before tax	Operating income	Profit before tax
Yangtze River Delta	14,659	9,471	14,774	7,913
Bohai Rim	14,110	6,826	13,564	5,748
Central China	13,399	6,342	13,295	6,716
Pearl River Delta	11,078	2,359	10,467	1,999
Western China	9,292	4,451	9,639	3,681
Northeastern China	3,038	(1,070)	3,105	(993)
Head Office	11,401	(89)	10,980	1,211
Overseas	1,554	927	1,381	930
Total	78,531	29,217	77,205	27,205

ii. Performance by business segment

Unit: RMB million

Type	January-June 2022		January-June 2021 (Restated)	
	Operating income	Profit before tax	Operating income	Profit before tax
Corporate banking	30,376	13,550	31,203	8,961
Retail banking	33,007	4,953	31,987	6,278
Financial market business	15,395	11,066	13,974	11,978
Other business	(247)	(352)	41	(12)
Total	78,531	29,217	77,205	27,205

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

Management Discussion and Analysis

XI. OTHERS

i. Changes in major financial indicators and reasons

Unit: RMB million, %

Item	30 June 2022	31 December 2021	Increase/ Decrease	Major reasons for change
Precious metals	8,419	6,426	31.01	Increase in the business scale of precious metals
Financial assets held under resale agreements	107,955	31,164	246.41	Increase in the financial assets held under resale agreements
Debt instruments at fair value through other comprehensive income	425,768	325,695	30.73	Increase in bond assets at fair value through other comprehensive income
Deferred income tax assets	32,336	19,895	62.53	Increase in expected asset losses non-deductible before tax for the period
Other assets	74,188	40,968	81.09	Increase in the scale of in-transit clearing
Taxes payable	10,314	6,535	57.83	Increase in expected asset losses non-deductible before tax for the period
Other comprehensive income	1,324	3,152	-57.99	Decrease in the valuation of financial assets at fair value through other comprehensive income
Item	January-June 2022	January-June 2021 (Restated)	Increase/ Decrease	Major reasons for change
Gains arising from derecognition of financial assets at amortized cost	768	85	803.53	Increase in gains arising from derecognition of financial assets at amortized cost
Net foreign exchange (losses)/gains	(297)	82	N/A	Decrease in net foreign exchange 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 ^{Note}	38,900	117,674	118,451	38,123

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	30 June 2022	31 December 2021	Increase
Balance of allowance for bad debts of interest receivable	43	3	40

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

1. Change in other receivables

Unit: RMB million

Item	30 June 2022	31 December 2021	Increase
Other receivables	58,361	25,750	32,611

2. Provisioning of allowance for bad debts of other receivables

Unit: RMB million

Item	30 June 2022	31 December 2021	Increase
Balance of allowance for bad debts of other receivables	687	692	(5)

Management Discussion and Analysis

XII. PERFORMANCE OF BUSINESS SEGMENTS

i. Corporate banking

According to the strategic requirement of “building a first-class wealth management bank”, the corporate banking line of the Bank strengthened customer-centered thinking, adhered to customer-orientation, and paid attention to customer value. It accelerated the building of a new marketing pattern of customers that was tiered, graded and grouped, and steadily pressed ahead with the strategic transformation towards a combination of commercial banking, investment banking, asset management and transaction banking, in order to develop first-class corporate banking with high quality. The Bank proactively integrated itself into national development strategies, actively served the development of the real economy, implemented key regional strategies, and provided financial services in infrastructure construction, advanced manufacturing, green finance, coal-fired power supply, bailout for those affected by the pandemic, etc. Moreover, the Bank increased the volume, expanded the coverage and reduced the cost of financial services for micro and small enterprises to support the development of private sector. It launched the campaign of “Serving Tens of Thousands of Enterprises to Stabilize Economy” to facilitate the stabilization of macroeconomic development. During the reporting period, the Bank’s corporate banking registered an operating income of RMB30,376 million, a decrease of RMB827 million or 2.65% compared with the same period of the previous year, accounting for 38.68% of the Bank’s total operating income. As at the end of the reporting period, the number of corporate customers reached 927,000, an increase of 44,200 customers or 5.01% over the end of the previous year, where the number of active corporate customers was 434,100, up 20,100 customers or 4.86% over the end of the previous year.

1. Corporate deposits and loans

The Bank continued to serve the real economy. It stepped up support for key areas and weak links, actively increased loan scale, and cut financing costs for enterprises, thus enlarging the Finance Product Aggregate (FPA). Guided by the development orientation of “improvement in both quality and scale”, the Bank, with a focus on payment & settlement, scenario building and fund circulation, expanded deposit growth channels and optimized the deposit structure. Meanwhile, it strengthened the construction of customer channels, pushed for the implementation of the pilot project of electronic certificate accounting data standards initiated by the MOF, and successfully issued the first electronic receipt in Chinese banking sector. Besides, the Bank promoted digitalization and strengthened technology and data support, so as to enable customer marketing, product innovation and business expansion. It stuck to the risk management bottom line and persisted in compliant operations by law, thus maintaining stability while making progress in the asset quality. As at the end of the reporting period, the balance of corporate deposits (including the corporate business-related portion in other deposits) amounted to RMB2,935,961 million, representing an increase of RMB173,942 million or 6.30% over the end of the previous year. Among the above, the balance of core corporate deposits increased by RMB171,652 million or 7.40%; the balance of corporate loans (excluding discount) was RMB1,908,885 million, an increase of RMB118,066 million or 6.59% over the end of the previous year.

2. Inclusive finance

The Bank continuously increased the supply of inclusive loans and expanded the coverage of inclusive finance, realizing the phased regulatory objectives for “Two Increases and Two Controls”. The Bank adopted measures to stabilize economic development, ensure smooth logistics and transportation, support work and production resumption, and intensified support to industries that were severely affected by the COVID-19 pandemic such as accommodation, catering, retail, culture, tourism and transportation, helping small and micro enterprises and self-employed households tide over difficulties. Meanwhile, it strengthened chain financing and scenario application with a focus on inclusive ecosystem chain projects such as “Sunshine Government Procurement Loan”, “Commercial Bill Financing Loan” and “Sunshine Supply Loan”, to assist in stabilizing industrial chains and supply chains. The Bank also promoted the digital transformation of inclusive business by upgrading online products such as “Sunshine E-mortgage Loan” and “Sunshine E-tax Loan”, to provide convenient financing experience to customers. As at the end of the reporting period, the balance of inclusive finance loans stood at RMB281,884 million, an increase of RMB44,883 million or 18.94% 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 registered 451,600, an increase of 59,500 customers from the end of the previous year. The weighted average interest rate of new loans was 4.62%, down 28 BPs from the end of the previous year, and the NPL ratio was 0.63%.

3. Investment banking

The Bank continued to deepen the operation management philosophy of “combining commercial banking, investment banking, asset management and transaction banking”. It improved investment banking service capability and fostered the new competitive edge of “integrating commercial banking and investment banking”. It promoted the building of the customer system, established the all-round investment banking customer marketing roadmap, and realized steady growth in the volume of business with strategic customers. With a focus on the FPA product line, the Bank realized “multidimensional drive” by bond financing, M&A financing, structured financing, equity financing and business matchmaking. Meanwhile, the Bank vigorously supported the real economy by issuing rural revitalization notes, Panda bonds, technological innovation notes, equity investment notes and carbon neutrality bonds. During the reporting period, the Bank underwrote 371 bonds totaling RMB243,890 million, with newly granted M&A loans amounting to RMB14,085 million. It issued 4 credit asset-backed securitization (ABS) projects with a total amount of RMB10,016 million.

4. Transaction banking

Following the digitalized, online and scenario-based development trend, the Bank improved the comprehensive financial service capability for transaction banking. It established various channels for core enterprises on supply chains, public resource trading centers and corporate customers via Sunshine E-financing Chain, Sunshine Supply Chain Cloud Platform and cash management system, enriched the product system, and provided scenario-based financial services. Furthermore, the Bank gave play to the functions and advantages of the “Sunshine Wages” product package throughout all links of wage payment to migrant workers to safeguard new citizens’ legitimate rights and interests, with the business scale growing steadily. As at the end of the reporting period, the amount of the wage payment guarantee for migrant workers totaled RMB7,813 million, and the number of corporate customers recorded 1,387. Besides, the Bank put in place financial service policies aimed to stabilize foreign trade and foreign investment, and issued financial support measures to ensure and improve the quality of foreign trade. By leveraging technological innovation, it actively adopted new formats and new modes of foreign trade such as cross-border e-commerce and market procurement. Also, the Bank supported the development of Hainan Free Trade Port, refined the services for free trade zones, and promoted the development of international settlement and cross-border RMB business. As at the end of the reporting period, the balance of the on- and off-balance-sheet trade finance business registered RMB464,785 million.

Management Discussion and Analysis

ii. Retail banking

Focusing on building the digital retail banking and bearing in mind the customer-oriented philosophy, the Bank formulated a new development model featuring “dual curves” for retail banking. It engaged deeply into the “first curve” and gave play to the advantages of outlets and professional wealth managers to boost offline operation capacity. It expanded the “second curve” and accelerated the transformation and upgrading of services. Meanwhile, the Bank strengthened digital-driven development and continued to deepen the integrated management of retail customers, with the total number of retail customers increased and quality improved. The Bank also accelerated the structural adjustments on the liability side, leading to the expanded scale, optimized structure and reduced cost of retail deposits. The Bank advanced business transformation on the asset side, initiated intensive operation, cultivated its hit products of Sunshine retail loan, and supported the development of inclusive finance, leading to the rapid growth of scale and stable asset quality of retail loans. It continued to deepen the transformation of wealth management, adapted to customers’ diversified investment needs, and increased product supply, making its featured advantages in wealth management more prominent. During the reporting period, operating income from retail banking stood at RMB33,007 million, up RMB1,020 million or 3.19% over the same period of the previous year, accounting for 42.03% of the total operating income of the Bank. Specifically, net interest income from retail banking was RMB22,987 million, up 3.56% from the same period of last year, accounting for 40.56% of the total net interest income of the Bank. Net non-interest income from retail banking reached RMB10,020 million, up 2.35% from the same period of the previous year, accounting for 45.85% of the total net non-interest income of the Bank.

1. Retail customers and AUM

The Bank promoted the establishment of a retail customer management system that is tiered, grouped and data-driven with channel coordination and transaction transformation as the core, optimized the organizational structure, set up a customer operation center, and gradually realized the online management of all types of basic customers. It served medium and high-end customer groups mainly via offline channels and continuously improved the centralized management. It established a middle office for retail banking, cultivated digitalization capability, and promoted the development of digital retail banking. It reshaped the business procedures, rebuilt service models, directly empowered frontline customer managers, applied digital capability to drive tiered and grouped customer operation and improve the comprehensive contributions of customers. As at the end of the reporting period, the Bank had 146,998.9 thousand retail customers (including holders of debit and credit cards). Medium and high-end customers with at least RMB500,000 or above of daily average assets per month grew by 5.93% from the end of the previous year. There were 220,893.2 thousand users of CEB Mobile Banking app, the credit card app of CEB and Cloud Fee Payment app in total, up 42.07% year on year. Among these, the number of monthly active users (MAU) was 37,202.6 thousand, and the balance of retail AUM totaled RMB2,310,267 million, up RMB187,800 million or 8.85% from the end of the previous year.

2. Retail deposit business

Guided by the high-quality development philosophy, the Bank deepened the integrated operation of deposit business with expanded scale, optimized structure, and reduced cost. It gave full play to the role of projects in acquiring customers in batch by actively expanding channels and scenarios relating to social security, people’s livelihood, health and medical care, business district management, community property, transportation, culture and education, tourism, consumption payment and internet innovation platforms. Furthermore, it strengthened the coordination between corporate banking and retail banking to develop its payroll agency business, optimized “Payroll Manager”, an integrated financial service platform based on payroll agency services, promoted targeted marketing campaign towards payroll customers, and conducted characteristic operation of customer group in payroll agency services. In addition, the Bank enlarged channel coordination and increased transaction volume on the online platform by actively expanding the quick payment business of connecting card to the third party, thus retaining settlement funds. Adhering to differentiated product marketing strategies, it conducted the refined product management and targeted digital 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 RMB949,560 million, representing an increase of RMB91,258 million or 10.63% over the end of the previous year.

3. Retail loan

The Bank actively practiced the philosophy of “serving the people with financial resources”. It fully served the national strategy of boosting domestic demand, vigorously developed inclusive finance, increased credit supply to micro and small businesses, and granted more inclusive credit. The Bank continued to implement the policy of cutting fees and making profit concessions and allowed customers to postpone the repayment of principal and interest, to help customers affected by the pandemic tide over difficulties. It actively launched financial support measures for new citizens to enhance their sense of gain. Keeping abreast of changes in policies and market situations, the Bank promptly adjusted real estate mortgage and inclusive product policies. It also carried out intensive operation, promoted the integration of business development and risk control, and pushed forward the establishment of a risk control system that covers the whole process of online lending. Adhering to the philosophy of promoting business development while improving risk control capability, the Bank realized balanced development in scale, profit and quality. As at the end of the reporting period, the balance of retail loans (excluding credit card business) passed the RMB1 trillion threshold and reached RMB1,029,878 million, representing an increase of RMB46,914 million or 4.77% over the end of the previous year.

4. Wealth management

With enlarging AUM scale as its primary indicator, the Bank accelerated the transformation of wealth management. Through the integrated development of the “dual curves”, the Bank improved the value of retail banking channels in all respects and injected new vitality into retail banking. By building offline tiered and professional wealth manager teams and forging the new management mode featuring “integrated lobby marketing management” at outlets, the Bank improved the offline service efficiency of outlets. It gradually developed the online open wealth management ecosystem with Everbright characteristics, improved the content operation system, incubated scenario-based financial programs, and stepped up efforts in marketing innovation. Moreover, it strengthened asset allocation capability, and enriched the wealth management and agency product systems to adapt to customers’ diversified investment needs and maintain close relationship with customers, thus leading to continuously enlarged scale of wealth management and steadily improved efficiency. During the reporting period, net fee income from personal wealth management stood at RMB4,723 million, up 5.70% year on year. Specifically, income from agency wealth management, agency trust business and agency insurance business grew by 14.24%, 18.58% and 25.43% year on year, respectively.

5. Private banking

With a focus on the DSC customer group management model featuring data-based customer introduction, scenario-based customer acquisition and whole-journey companion (DSC), the Bank stepped up efforts in the development of the middle office for data management and conducted in-depth analysis, portrait, identification and positioning of customers via the middle office for data management. It went deep into the scenarios throughout the full lifecycle of private banking customers such as social interaction, wealth management, daily life, education, healthcare and elderly care, and connected transaction and non-transaction business, financial and non-financial business, and online and offline services. Changing from the perspective of internal operation to that of customer journey, the Bank built the full-channel coordinated service capability via the channels of online mobile banking, video investment consulting and offline team (OVO, online + video IC + offline), realizing the seamless connection of services and whole-journey companion via all channels. The Bank adjusted the structure of the agency business, focused on improving the contribution of insurance business, and optimized mutual funds and private equity strategies and layout. The Bank’s fee-based business income from retail agency business registered RMB1,804 million, up 0.43% year on year, with the increase ranking among the top in the industry.

Management Discussion and Analysis

Meanwhile, the Bank accelerated digital transformation. The three featured product channels of CEB Mobile Banking changed from the shelf sales mode to the content operation mode, and the private banking version was upgraded with various functions launched including customer journey, scenario finance, interactive services and intelligent recommendation. The A coin platform was established to improve the service capability for rights and interests of private banking customers. The Cloud Fee Payment platform was connected to fund and insurance trading systems. Thus a dual platform layout for wealth management has taken shape. As at the end of the reporting period, the Bank owned 53,273 private banking customers, an increase of 3,252 customers or 6.50% over the end of the previous year. The AUM amounted to RMB537,076 million, representing an increase of RMB35,948 million or 7.17% over the end of the previous year.

6. Credit card business

The Bank firmly promoted credit card business to return to the origin of consumption, strengthened the introduction of young people and high-consumption consumers, and rolled out the series of CEB Youth Credit Card products targeting young people. As a result, the proportion of quality customers increased by 14 percentage points year on year. The Bank also strengthened credit card utilization and activation among customers, developed regular marketing campaigns like “Friday Discounts” “Dining Appointment” “Shopping Appointment” and “Entertainment Appointment”. During the reporting period, online transactions increased by 38.33% year on year, and MAUs of the the credit card App of CEB reached 11,523.2 thousand, ranking among the top three in credit card Apps. Moreover, the Bank refined the installment business management system and systemically optimized the credit approval and granting, product management and marketing of installment business, with the overdraft balance of installment business increased steadily. The Bank improved the response efficiency of technology to business, sped up the development of the Next-Generation Credit-Card Integrated Business Systems (NGCC-IBS), and focused on the building of the marketing campaign operation management system, and the integrated telephone debt collection management system, etc. Meanwhile, it improved the effectiveness of risk control, expanded data sources to improve the capability to identify new customers, strengthened the routine risk control of existing customers, and pushed forward the clearing and disposal of non-performing assets. As a result, both the overdue loan ratio and the NPL ratio fell from the end of the previous year. The Bank strengthened consumer rights and interests protection by refining the customer-centric full-process service mechanism and improving customer satisfaction. As at the end of the reporting period, the Bank had a total of 46,001.7 thousand credit card customers, among whom 1,662.0 thousand were newly added this year. The transaction volume was RMB1,379,790 million, up 2.56% year on year. The overdraft balance at the end of the reporting period (excluding the payment adjustment to transitional account) recorded RMB449,417 million, and the income from the credit card business posted RMB21,488 million.

7. Digital banking and Cloud Fee Payment

The Bank continued to promote the building of digital banking and accelerated digital transformation across the whole Bank. As at the end of the reporting period, 99.02% of counter transactions were handled through electronic channels; CEB Mobile Banking App had 55,007.5 thousand registered users and 16,018.5 thousand monthly active users, up 17.42% year on year. Registered users of corporate online banking amounted to 916.3 thousand, with the transaction volume up 28.72% year on year to RMB27.68 trillion. Cloud Fee Payment maintained its leading edges as China’s largest open-ended and convenient fee payment platform with continuously increasing number of service items, enlarged regional coverage for agency services and expanded output channels. As at the end of the reporting period, the platform offered 13,354 fee payment service items cumulatively in total, an increase of 1,091 items or 8.90% within this year. The payment service items were exported to 703 platforms cumulatively, an increase of 35 platforms or 5.24% within this year. It processed 1,134 million transactions, up 21.28% year on year, with the total amount of payment reaching RMB247,432 million, up 25.91% year on year. The total number of direct-linked users was 123 million cumulatively, marking an increase of 17 million or 16.04% this year, and the number of monthly active directly-linked users reached 9,660.9 thousand, an increase of 6.17% year on year.

The Bank strengthened the dual-app coordinated empowerment of CEB Mobile Banking and Cloud Fee Payment Apps and promoted the featured development of CEB platforms to provide full-journey services for customers. It completed the integration of user information of mobile banking, online banking and light application platforms and launched the new mode featuring “one-stop services of wealth management, social security, fee payment and loans”. It accelerated the building of the “life + micro finance” ecosystem on Cloud Fee Payment platform and channeled more traffic to the social security mini program, enabling conversion of more customers.

Meanwhile, the Bank concentrated on the development of scenario-based finance from four dimensions, namely industry, enterprise, government affairs and new industrial formats, came up with integrated financial service solutions, and realized rapid development in Logistics Express (Wu Liu Tong), Housing Connect (An Ju Tong) and other key businesses. With the accelerated advancement of Logistics Express (Wu Liu Tong), the Bank developed advantages in the field of road cargo transport, cooperating with over 40 leading enterprises and serving over 7 million cargo drivers. The transaction amount reached RMB85,489 million during the reporting period. In terms of Housing Connect (An Ju Tong), the Bank established in-depth cooperation with a number of mainstream service institutions based on second-hand housing transaction scenarios, and the transaction amount stood at RMB123,379 million during the reporting period. In terms of government affairs scenarios, the Bank focused on customs, courts, welfare lottery and other scenarios, and made important breakthroughs in a number of regions.

iii. Financial market business

The Bank's financial market business strictly implemented regulatory requirements. With a focus on wealth management and value creation, the Bank, guided by the original aspiration of serving the real economy, continued to improve the business operation, investment and trading capabilities of financial market business. It strengthened the management of specialized interbank business, optimized the asset structure, and used market bands to control the cost of liabilities and improve the quality and efficiency of financial interbank business. It gave play to the role of the custody business platform, stepped up efforts in resource integration, and realized the strategic value of custody business. Meanwhile, the Bank continued to enrich the “Colorful Sunshine” product series and actively participated in pilot projects of pension wealth management products, to create sustainable value and returns for investors. During the reporting period, the Bank's financial market business registered operating income of RMB15,395 million, representing a year-on-year increase of RMB1,421 million or 10.17%, accounting for 19.60% of the Bank's total operating income.

1. Treasury business

Centering on the original purposes of finance, the Bank optimized its asset and liability structure based on market situations, improved the refined operation of capital, and ensured liquidity safety. By leveraging its advantages in conducting forward-looking research and analysis of the market, the Bank continued to improve the level of foreign and local currency bond investment and trading. Meanwhile, the Bank served national strategies in depth and supported the development of the real economy. It laid emphasis on treasury bonds, local government bonds, policy financial bonds and high-grade credit bonds that involve various fields including rural revitalization, clean energy, common prosperity, foreign trade supply guarantee, etc. The Bank took solid steps to develop the product spectrum, actively promoted interest rate and exchange rate agency services to meet brick-and-mortar enterprises' hedging demands. In addition, it increased business coordination between the Head Office and branches and promoted joint empowerment to meet customers' demands for comprehensive financial services. The Bank intensified efforts in bond underwriting, and maintained at the forefront among joint-stock commercial banks in terms of treasury bond and policy financial bond underwriting. As at the end of the reporting period, the balance of bonds in proprietary account amounted to RMB1,148,397 million, accounting for 18.35% of the Bank's total assets, 45.40% of which were treasury bonds and local government bonds.

Management Discussion and Analysis

2. Interbank business

The Bank strengthened the management of specialized interbank business, and maintained an appropriate scale of interbank business to ensure compliance and prudence in its operation. It conducted market research and analysis and moved faster in the transformation of interbank business operation to continuously optimize the asset structure and help improve the quality and efficiency of the interbank business. Meanwhile, the Bank strengthened the service capability to better support the real economy. Guided by the principle of serving national strategies, it earnestly put into practice the requirement of stabilizing development by increasing support to manufacturing, inclusive finance, micro and small enterprises, green finance, and rural revitalization, etc. Also, the Bank explored diversified development paths, enriched the contents and released the efficiency of inter-bank business operations, extended the boundary of collaborative services, and accelerated development in bond, custody, wealth management, factor market and other fields. It initiated the building of a digital integrated service platform for financial institutions, and created a new starting point for interbank business to “build external ecosystem and realize internal collaboration”. In addition, the Bank continued to pay attention to liquidity safety and facilitated liquidity management across the whole Bank. Adhering to the bottom line of risk management, the Bank kept business risks under strict control, enhanced the monitoring and early warning of credit risks, and maintained the stability of asset quality. During the reporting period, the Bank conducted business cooperation with 3,829 financial institutions. As at the end of the reporting period, the balance of interbank deposits stood at RMB442,953 million.

3. Asset management business

Centering on the “Colorful Sunshine” product series spectrum with “smiling curves”, the Bank continued to enrich the NAV wealth management product system based on national strategies and customer demands, and launched wealth management products with various themes including inclusive finance, common prosperity, new energy, servicemen supporting, region-specific features, etc. Deeply involved in the pilot project of pension wealth management, it developed pension product series that meet long-term elderly care needs with lifecycle characteristics, and provided diversified solutions for the elderly care services of new citizens. Meanwhile, it strengthened the building of systemic investment capability based on the product-research-investment mode, and paid attention to investment opportunities in new economy, new energy and new infrastructure and the transformation and upgrading of traditional economy, traditional energy and traditional infrastructure in a bid to create sustainable value and returns for investors. The Bank adhered to compliant operations, fulfilled risk control responsibilities and improved the initiative and forecast ability in risk control to ensure high-quality development. As at the end of the reporting period, the Bank’s non-principal-guaranteed wealth management products within the scope of consolidated management marked a balance of RMB1,185,323 million, an increase of RMB117,614 million or 11.02% over the end of the previous year. Among these, the balance of NAV wealth management products stood at RMB1,141,141 million, accounting for 96.27%. During the reporting period, the Bank cumulatively issued RMB2.08 trillion of non-principal-guaranteed wealth management products.

Column 1: Achieving new results in Sunshine Wealth Management

In 2004, the Bank rolled out the first RMB wealth management product in China. Sunshine Wealth Management then came into the sight of the public and became an indispensable financial instrument in resident wealth management, asset allocation and services for the real economy. After 18 years' accumulation and continuous upgrading, especially after the issuance of the New Rules on asset management in 2018, driven by the NAV transformation of wealth management products and the corporate reform of the wealth management business, Sunshine Wealth Management has adhered to the new development philosophy, strengthened capability building in all respects, and entered into a new stage of wealth management with a brand-new look.

I. Focusing on NAV transformation and achieving new results in product system development

Based on market demands, product characteristics and the general trend of asset management and wealth management integration, the Bank upgraded and formed the "Colorful Sunshine" NAV product system. With "Fixed Income+" as the primary product line, the Bank launched the all-type series products. By developing products with different risks and returns, it made the Colorful Sunshine product system more distinctive and the "Smiling Curves" of the products more resilient. Meanwhile, the Bank launched the first e-CNY denominated wealth management product, the first publicly-offered infrastructure REITs, the first pension wealth management products and direct equity investment product in the market, as well as products themed as common prosperity, rural revitalization, ESG, children's education, pandemic containment with concerted efforts, exclusive products for servicemen, to meet the diversified demands of different customer groups. As at the end of the reporting period, the balance of Sunshine Wealth Management NAV products recorded RMB1,141,141 million, accounting for 96.27% of all Sunshine Wealth Management products.

II. Focusing on serving the real economy and achieving new results in the building of investment research capability

The Bank pushed forward the building of a systemic investment architecture based on product-research-investment mode, actively integrated into national development strategies, supported green economic development, and engaged in key industries such as new energy, high-end manufacturing and consumption upgrading. Meanwhile, it supported the financing to specialized, sophisticated, featured, and innovative enterprises, deeply involved in publicly-offered REITs investment, and helped micro, small and medium enterprises and private enterprises tide over difficulties. During the reporting period, despite complex internal and external environments, Sunshine Wealth Management products kept return decrease under control and fluctuations within relatively small range, demonstrating excellent risk controllability and the capability to continuously create values for investors in the face of market fluctuations. Since 2004, Sunshine Wealth Management has created a total of over RMB410 billion returns for investors.

III. Focusing on refined management and achieving new results in comprehensive risk control

Adhering to the principles of maximum returns for investors and prudent operation, the Bank improved the risk management architecture featuring three lines of defense and optimized the control of credit risk, market risk, liquidity risk, concentration risk, portfolio risk and operational risk at four levels, namely macro, region/industry, enterprise/project and mode. In line with the "portfolio + diversification" risk management strategy, the Bank established flexible risk and return portfolios that can reflect market characteristics to make sure the net value of wealth management products fluctuated within a reasonable range, thus realizing the risk control objectives of keeping risks isolated, measurable and bearable. The Bank was the first in the industry to conduct and complete the self-assessment of institutional money laundering risk, and its wealth management subsidiary was the first among its peers of join-stock commercial banks to pass the internal control attestation under international standards.

Facing new opportunities such as the reallocation of resident wealth, the building of the second and third pillars for elderly care, digitalization construction, development of inclusive wealth management, Sunshine Wealth Management will shoulder its responsibilities, keep in mind its original aspiration, and continue to create sustainable value and returns to investors.

Management Discussion and Analysis

4. Asset custody business

The Bank's asset custody business is committed to value symbiosis, co-building and sharing, gave full play to the role of comprehensive platform, enhanced coordination and integrated the resources of business segments, with the volume and income of custody business realizing effective growth. The Bank optimized product strategies based on market changes, actively promoted publicly-offered REITs, pension and wealth management, and other innovative products, expanded the categories of trust custody services strengthened annuity promotion, and engaged in personal pension business; The Bank established the business structure, sorted through business segments, strengthened system building, refined the product and business system to improve service capabilities. By actively tackling the impact of the pandemic, the Bank activated the emergency plan to ensure the safety and continuity of custody business. As at the end of the reporting period, the Bank's income after tax from custody business amounted to RMB927 million, and RMB7,578,448 million of assets were under the Bank's custody.

XIII. BUSINESS INNOVATION

Giving full play to the advantages of special funds for fintech innovation, the Bank improved the innovation management mechanism and enhanced innovation guidance and incentives to foster a new innovation-oriented development pattern featuring "dual curves". As at the end of the reporting period, the Bank initiated 78 innovation projects, of which 23 projects achieved phased results. Cloud Fee Payment, Logistics Express (Wu Liu Tong) and Inclusive Finance Cloud System were awarded "2021 Digital Inclusive Finance Innovation Achievements of China", and Social Security Cloud Fee Payment won the Gold Award of the 5th Digital Finance Innovation Competition. The Sunshine regulation platform for medical consumables innovated the "clearing + regulation" process of the government and integrated the SaaS module to provide all-round online financial services. It served over 3,000 medical institutions and pharmaceutical companies.

XIV. INFORMATION TECHNOLOGY

The Bank deepened the building of the "123+N" digital banking development system. With continuous empowerment of "one smart brain", the Bank developed over 900 training algorithm models and over 2,300 customer labels, and realized the cross application of multi-modal biometrics identification covering over 500 scenarios. "Two technological platforms" accelerated automatic and controllable operation, and the cloud computing platform 3.0 (Quan Zhan Yun) adopted the technological architecture featuring "dual stacks with multiple chips in each", providing 35 types of cloud services under nine categories. Nearly 90% of the business application systems of the Bank were moved onto the cloud. The total amount of data on the big data platform exceeded 11 PB, an increase of 23.23% from the end of the previous year. The Bank was the first bank in China to build an original integrated data warehouse. "Three service capabilities" focused on mobilized, open-ended and ecological development, created new online service models and opened new channels, and established a digitalized ecosystem with Everbright features. "N (numerous) digital hit products" covered 24 convenient online financial products and services, including Cloud Fee Payment, Sunshine Digital Loan and Logistics Express (Wu Liu Tong).

The Bank achieved outstanding technological results with 16 patents or software copyrights during the reporting period. The "Application Guidelines for Financial Distributed Ledger" and "Financial Mobile Application Software Specification" entered the list of "Enterprise Standard Forerunner" in the financial sector in 2021.

The Bank continued to invest more in technology and put more efforts to build an excellent tech team. As at the end of the reporting period, the Bank invested RMB2,138 million in technological development, an increase of RMB434 million or 25.47% year on year. The number of IT personnel across the whole Bank was 2,598, an increase of 237 over the end of the previous year, accounting for 5.69% of the total employees.

The Bank built a 24/7 safe operation command center, upgraded the intelligent operation maintenance system, conducted network security checks, data security checks, information system emergency event drills and centralized disaster recovery switch drills, to ensure the stable operation of information systems and business continuity during the pandemic.

Column 2: Using fintech to support digital transformation of businesses

With technological development as the guiding principle, the Bank strengthened technology empowerment. It dispatched technological personnel to corporate banking, retail banking and digital banking segments, and conducted two-way exchanges of technology and business positions among departments at Head Office. It sped up the integration of technology and business to respond agilely to business demands so as to promote the digital transformation and development.

I. Empowering corporate banking to improve customer acquisition and activation capabilities

The Bank promoted the development of middle offices of corporate customer and corporate marketing, and put more efforts to build customer system and scenario-based finance. It strengthened data analysis and application, pushed 3.58 million pieces of messages to potential corporate customers, and opened 32,000 corporate customer accounts. It expanded the capacity of the “1+N” financial scenarios for transaction banking and gained access to large enterprise platforms with more than 10,000 customers connected. It also developed products such as “Sunshine Wealth +” and “Cash Management Cloud” to improve online financial service capability.

II. Empowering retail banking to improve customer services and operation capabilities

The Bank pressed ahead with the new-generation middle offices of retail credit, retail customer, retail marketing and operation strategy projects, and optimized operation tools and marketing models. It launched the next-generation retail credit system equipped with such functions as online application, automatic approval, intelligent risk control and refined management. Meanwhile, it enriched the functions of the mobile version of the private customer manager workbench to support business personnel working from home due to the pandemic. The Bank conducted out-of-bank data backflow of the retail banking cloud workshop to assist business personnel in customer management and analysis. It also improved precision marketing capability, provided customer lists for intelligent marketing campaigns covering 3 million person-times, and newly attracted 58,000 wealth-level customers.

III. Empowering digital banking to improve the service capability of online channels

The Bank pushed for the implementation of the open banking project and the intelligent operation strategy project, continued to build the “wealth + openness” service ecosystem, and worked with business partners to jointly build a private-domain traffic operation ecosystem. On CEB Mobile Banking, a private banking version and an e-CNY page were newly added. The branch’s innovation and R&D portal was connected to 17 branches. The service account platform connected with 34 merchants. The customer rewards platform supported a number of items including Logistics Express (Wu Liu Tong) and redemption of private banking A coins. The Bank built a total of 30 long-tail customer data mining models, and added more than 7,800 operation strategies.

The Bank continued to promote the reform of the fintech system and optimize the technology governance. It planned to change the name of the Information Technology Department to Financial Technology Department, and newly set up Data Asset Management Department, Technology R&D Center, and Intelligent Operation Center, so as to form a fintech system featuring “Two Departments and Two Centers” in the future. Meanwhile, the Bank promoted the capability building of business, data and technology middle offices, further enhanced technology empowerment, and accelerated digital transformation.

Management Discussion and Analysis

XV. INVESTMENT ANALYSIS

i. External Equity Investments

As at the end of the reporting period, the balance of the Bank's long-term equity investments amounted to RMB12,983 million, and other major equity investment registered RMB1.0975 billion.

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	87,638	Hubei Port Group Co., Ltd., Wuhan Rail Transit Construction Co., Ltd.
Everbright Wealth Management Co., Ltd.	Wealth management	500,000	-	100	98,372	Nil
Beijing Sunshine Consumer Finance Co., Ltd.	Personal consumer finance	60,000	60,000	60	13,219	China CYTS Tours Holding Co., Ltd., O-Bank Co., Ltd.
CEB International Investment Corporation Limited	Investment banking	HKD2.6 billion	-	100	-HKD149 million	Nil
China Everbright Bank (Europe) S.A.	Full-licensed banking business	EUR20 million	-	100	EUR0.81 million	Nil
Shaoshan Everbright Rural Bank Co., Ltd.	Commercial banking	10,500	10,500	70	427	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	503	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	718	Ruijin Cultural Tourism Development and Investment Co. Ltd., Ruijin Hongdu Aquatic Product Food Co. Ltd., Ruijin Lyexuan Forestry Co., Ltd., Ruijin Tiancheng Agricultural Products Co., Ltd.
China UnionPay Co., Ltd.	Bank card clearing	9,750	7,500	2.56	976,500	Other commercial banks, etc.
National Financing Guarantee Fund Co., Ltd.	Re-guarantee	100,000	-	1.51	-	20 shareholders including MOF, China Development Bank, Industrial and Commercial Bank of China, China Merchants Bank, China Life, etc.

Notes:

- All the above-mentioned major equity investments were made with unquoted equity.
- All the above-mentioned major equity investments were long-term investments.
- All the above-mentioned equity investments were not subject to any litigation.

iii. 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 at fair value during the reporting period**

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

XVI. DURING THE REPORTING PERIOD, THERE WAS NO MATERIAL DISPOSAL OF EQUITY INTEREST OF THE BANK.

XVII. MAJOR COMPANIES IN WHICH THE BANK IS THE CONTROLLING SHAREHOLDER

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

Established in May 2010, the company engages in financial leasing business. It was registered in Wuhan City, Hubei Province with a registered capital of RMB5.9 billion. During the reporting period, the company mainly focused its financial leasing business on fields relating to national economy and people’s well-being, such as public utilities, infrastructure construction and urbanization as well as national strategic emerging industries such as new materials, new energy and high-end manufacturing. With a nationwide business network, it has gained brand advantages in aviation equipment and vehicle equipment, and is actively expanding business in wind power. As at the end of the reporting period, its total assets and net assets were RMB125,548 million and RMB12,311 million, respectively. It realized a net profit of RMB876 million during the reporting period.

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

Established in September 2019, the company specializes in asset management related businesses such as the issuance of mutual funds wealth management products and private equity 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, the Bank continued to enrich the “Colorful Sunshine, Smiling Curves” product spectrum and improve the retail banking, private banking, institutional customization, agency sales and other product lines, explored pension wealth management market, and improved its service availability for new citizens. It focused on key national strategies and continued to strengthen support for the real economy and market entities. As at the end of the reporting period, its total assets under management, total assets and net assets were RMB1,185,515 million, RMB7,820 million and RMB7,352 million, respectively. It realized a net profit of RMB984 million during the reporting period.

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

Established in August 2020, the company specializes in business related to personal consumer loans. It was registered in Beijing with a registered capital of RMB1 billion. During the reporting period, the company actively promoted the building of proprietary business scenarios while improving its independent risk control capability. As at the end of the reporting period, its total assets and net assets were RMB9,444 million and RMB1,144 million, respectively. It realized a net profit of RMB132 million during the reporting period.

Management Discussion and Analysis

iv. CEB International Investment Corporation Limited

Established in June 2015, the company was registered in Hong Kong with a registered capital of HKD2.6 billion. The company has obtained the licenses for securities trading, securities consultation, financing registered 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 HKD11,022 million and HKD1,919 million, respectively. It registered a loss of HKD149 million during the reporting period.

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

Established in July 2017, the company was registered in Luxembourg 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 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 and other businesses. As at the end of the reporting period, its total assets and net assets were EUR77.89 million and EUR14.33 million, respectively. It realized a net profit of EUR0.81 million during the reporting period.

vi. Shaoshan Everbright Rural Bank Co., Ltd.

Established in September 2009, the rural bank engages in commercial banking services including deposit and loan. It was registered in Shaoshan City, Hunan Province with a registered capital of RMB150 million. During the reporting period, focusing on agriculture, rural areas, and rural residents, and serving Shaoshan development, it developed businesses for micro and small enterprises to facilitate the growth of county-level economy and explored ways to support rural economic development with its financial products and services. As at the end of the reporting period, its total assets and net assets were RMB856 million and RMB233 million, respectively. It realized a net profit of RMB4.27 million during the reporting period.

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

Established in February 2013, the rural bank engages in commercial banking services including deposit and loan. It was registered in Huai'an City, Jiangsu Province with a registered capital of RMB100 million. During the reporting period, it served agriculture, rural areas and rural residents, expanded businesses for micro and small enterprises, and achieved steady growth. As at the end of the reporting period, its total assets and net assets were RMB1,131 million and RMB142 million, respectively. It realized a net profit of RMB5.03 million during the reporting period.

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

Established in November 2018, the rural bank engages in commercial banking services including deposit and loan. It was registered in Ruijin City, Jiangxi Province with a registered capital of RMB150 million. During the reporting period, it explored services for agriculture, rural areas and rural residents, and developed businesses for micro, small and medium enterprises. As at the end of the reporting period, its total assets and net assets were RMB573 million and RMB175 million, respectively. It realized a net profit of RMB7.18 million during the reporting period.

XVIII. STRUCTURED ENTITIES CONTROLLED BY THE BANK

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

XIX. RISK MANAGEMENT

i. Credit risk management

The Bank improved the consolidated risk management mechanism, implemented the unified management of domestic and overseas institutions, and ensured the effective transmission of risk policies and credit policies. To strengthen the concentration management of loans, reasonable limits were set on the size and proportion of the credit granted to a single enterprise. It adopted an integrated risk monitoring mechanism under unified risk limits, in which the high-risk customers that receive both general credit and interbank credit were listed as key monitoring objects under the centralized management system. More efforts were made to improve the management mechanism on inter-city credit granting. With the development of the automated approval management system and the sunshine early-warning platform, the Bank promoted unified credit approval management and developed a front and middle office pre-review and consultation mechanism to ensure precise marketing and risk prevention. Furthermore, the Bank intensified efforts in credit-related industry research and management to make risk management policies more well-directed and targeted. It applied big data, artificial intelligence and blockchain to transform traditional risk control technologies so as to enhance digitalized and intelligent risk management.

The Bank proactively served market entities to help maintain stable macroeconomic performance and boost steady credit growth. It supported key national strategies by providing financing services for infrastructure development and key projects. In order to boost business in strategic emerging industries, advanced manufacturing industries and modern service industries, it granted more medium and long-term loans to manufacturing and loans to private enterprises and green industries. It implemented the supporting policies of postponing the principal repayment and providing unsecured loans, and bolstered financial support to market entities in difficulty to help stabilize employment. An independent credit plan was made to provide specialized credit support for micro, small and medium-sized enterprises. It also strengthened financial services in the consumption sector in accordance with the policy of expanding domestic demand.

The Bank classified assets in an accurate manner so as to reflect risk profile dynamically and objectively. It pursued a prudent and sound provision policy, conducted impairment measurement and provisioning strictly in line with the new accounting standards for financial instruments. Besides, the Bank refined 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 non-performing loans, and broadened disposal channels.

Please refer to “Notes to the Unaudited Condensed Consolidated Financial Statements” for details.

ii. Liquidity risk management

The Bank persisted in a prudent concept for liquidity risk management and adopted a proactive liquidity management strategy, in a bid to maintain liquidity at an adequate and sound level and strictly safeguard the liquidity safety bottom line. In response to changes in economic and financial situations at home and abroad as well as uncertainties such as the pandemic and geopolitical conflicts, the Bank made forward-looking liquidity strategy planning, and enhanced the coordination of diversified liabilities. It conducted regular stress testing and emergency plan assessment, and strictly controlled liquidity risk limits to balance liquidity, security and efficiency. Besides, the Bank also further improved its consolidated management governance system, and enhanced its risk resistance capacity.

Please refer to “Notes to the Unaudited Condensed Consolidated Financial Statements” for details.

Management Discussion and Analysis

iii. Market risk management

It closely followed up international political and economic environments as well as domestic and overseas market trends, and conducted forward-looking research and analysis, and management of interest rate risks, currency risks and liquidity, thus forming a market risk management system covering market risk identification, measurement, monitoring and control. Efforts were made to manage market risk limits. It also pressed ahead with the consultation and system building programs regarding the implementation of the new standardized approaches for market risks under Basel III.

Please refer to the “Notes to the Unaudited Condensed Consolidated Financial Statements” for details.

iv. Large exposure management

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

v. Country risk management

The Bank incorporated country risk management into its comprehensive risk management system, established a country risk management system that is suitable to its risk profile and complexity, monitored country risk exposure on a regular basis, conducted stress tests, and formulated the processing procedures for material risks. As at the end of the reporting period, the Bank’s national and international ratings of country risk exposure were above investment level, and accrued adequate country risk provisions in accordance with regulatory requirements.

vi. Operational risk management

The Bank strengthened the dynamic identification and monitoring of operational risk, and made good use of the historical data to improve risk prevention, problem tracking, risk resolution and rectification. It paid close attention to the regulatory penalties and analyzed and summarized the causes of violations as a guide for future compliance work, so as to identify and correct problems at an early stage. It carried out the campaign to collect risk cases, enhanced the risk warning, reporting, education and training of common risks in key areas. It also promoted the consulting management program, deepened technology empowerment and improved the operational risk management and measurement system.

Please refer to “Notes to the Financial Statements” (H share: “Notes to the Unaudited Condensed Consolidated Financial Statements”) for details.

vii. Compliance risk management

The Bank continuously tracked changes in external laws and regulations, and correspondingly optimized internal rules and regulations. It focused on key areas that regulatory authorities paid attention to, strengthened the resolving of repeated issues, and improved the quality and efficiency of compliance inspections. By improving the comprehensive evaluation indicator system for internal control and compliance management, it strengthened the early warning and reporting management of compliance risk of consolidated institutions, and established a long-effect compliance management mechanism. A corporate lawyer management mechanism was established to enrich the talent pool of law and compliance professionals. The authorization management system was refined and dynamic adjustments were strengthened. Moreover, the Bank improved the unannounced inspection mechanism and persisted in investigations of abnormal transactions of employees. Any violation would be targeted and held accountable.

viii. Reputational risk management

The Bank attached great importance to reputational risk management, and incorporated it into the comprehensive risk management system according to the management strategy of “early warning, in-depth research and proper resolution”. It further specified the responsibilities of entities, regularly examined reputational risk, took prevention measures in advance, conducted risk assessment afterwards, and combined reputational risk management with business development and customer services, thus effectively maintaining the Bank’s good reputation and brand image.

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 revised the internal rules and regulations on AML, and improved the money-laundering risk management system. An AML talent team was established. The Bank conducted institutional money-laundering and terrorist financing risk assessment, examined potential money-laundering risk related to e-CNY and correspondent banks, and strengthened the management of high-risk customers. It refined relevant functions of the AML system, improved the suspicious transaction monitoring model, and developed a next-generation list-based AML monitoring system. It also strengthened sanctions screening and overseas institution management, stayed committed to its international obligations and fully implemented relevant resolutions.

x. Credit policies for key fields

Following regulatory guidance, the Bank increased credit support for coal, coal power, and hydropower sectors to ensure energy security and the stability of industrial and supply chains. It supported the elevating of productivity cap, the increase of production capacity and newly-operating projects of large coal enterprises in major coal-producing areas such as Shanxi, Shaanxi provinces and Inner Mongolia and Xinjiang autonomous regions. By doing so, the Bank accelerated the unleash of production capacity in coal mines with productivity potential. It supported the ultra-low emission transformation projects of large coal power enterprises responsible for ensuring stability and supply in areas with rich coal resources and convenient transportation, in a bid to guarantee the rational financing needs of coal power enterprises. It also supported coal producers in energy conservation, carbon reduction, transformation and upgrading, and green development.

With great importance attached to risk prevention in the real estate sector, the Bank adhered to the principle that “housing is for living in, not for speculation”, strictly implemented the regulatory requirements on the “two concentration ratios” of real estate businesses, and kept the total amount of real estate loans within an appropriate range. In corporate banking business, the Bank carried out list-based customer management, prioritizing cooperation with excellent leading enterprises. It conducted strict compliant management of projects and the closed-loop management of funds. In retail banking business, the Bank issued personal mortgage loans to core areas and projects, and applied differentiated mortgage and pledge rates based on the conditions of corresponding areas and projects. The Bank conducted solid access management of real estate projects, and funded the projects from developers with strong operation performance and sound financial position. In supporting the goal of “ensuring the delivery of housing projects, people’s livelihood and stability”, the Bank defused existing risks in line with the market-based and law-based principles. According to the risk investigation results of real estate projects, the Bank had a small balance of overdue mortgage loans with the risk of delayed delivery of housing projects. Overall, the Bank’s risks in the real estate sector were under control.

Management Discussion and Analysis

This year, the sporadic recurrence of COVID-19 severely impacted economic stability and residential consumption, and posed challenges to the development and asset quality of the credit card business. The Bank strengthened the transformation of its business model and focused on potential customers to build a customer service ecosystem and optimize the customer structure. Highlighting the consumption service attribute of the credit card business, the Bank provided convenient services with better quality and higher efficiency for the public. It enhanced intelligent risk control, improved the capabilities of identifying customer risks and value, and provided highly matched financial services. To optimize risk portfolio management, the Bank promoted the optimal allocation of quota and pricing and improved customer experience and contributions. It intensified risk resolution, enriched the dimensions of customer risk identification, and monitored the existing risks of the credit card business. It optimized the debt collection management mechanism, and improved the capabilities of independent and digital debt collection, thus maintaining a relatively stable asset quality of the credit card business. With the recovering economic growth and improving consumption expectation, the credit card business will usher in a higher-quality, more standardized and healthier development stage.

XX. FUTURE OUTLOOK

i. Progress of the business plan

The Bank actively implemented regulatory requirements, coordinated pandemic containment and business development, steadily improved its assets and liabilities business, achieved operating results in line with expectations and maintained a sound momentum of steady progress.

ii. Potential risks and countermeasures

From the international perspective, facing the global changes unseen in a century and the COVID-19 pandemic, the world economy is struggling to recover, and the global development suffers severe setbacks. Some important industrial chains and supply chains are disrupted on purpose, commodity prices fluctuate at high levels, global inflation pressure remains high, international financial markets remain volatile, and the global economic recovery witnesses a weakening trend. 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 sector, rapid fintech development and more stringent capital restraint, the business philosophy and mode of traditional commercial banking face major challenges.

The Bank adheres to the general principle of “prioritizing and ensuring stability, and pursuing progress”, and continues to maintain growth momentum while ensuring overall stability. Focusing on the strategic goal of “building a first-class wealth management bank”, the Bank puts emphasis on the following tasks: First, the Bank resolutely implements decisions and policies made by the central government, and actively supports national strategies. Second, the Bank persists in refining business structures to promote high-quality development. Third, the Bank regards innovation as the engine and leverages on the role of technology to empower development. Fourth, the Bank improves customer services to safeguard the rights and interests of consumers. Last but not least, the Bank safeguards the bottom-line thinking and spares no effort to prevent and defuse risks.

Environmental and Social Responsibilities

I. GREEN FINANCE POLICY

Leveraging on China Everbright Group's advantages in industry-finance integration, the Bank put into practice the green development philosophy on all fronts, and developed innovative products, models and services, firmly supported 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”.

The Bank continued to improve the green credit policy, optimize credit resource allocation and issue preferential policies on internal funds transfer pricing (FTP). Moreover, it refined the marketing guidelines for green finance, streamlined the credit approval process, and accelerated the development of green credit across the whole Bank. As at the end of the reporting period, the green loans totaled RMB157,723 million, representing an increase of RMB33,131 million or 26.59% compared with the prior year-end. Among these, the clean energy loans amounted to RMB18,339 million, representing an increase of RMB5,618 million or 44.16% compared with the prior year-end, which was significantly higher than the growth rate of all loans.

The Bank increased the investment in green bonds and supported the direct financing of green and low-carbon enterprises. During the reporting period, the Bank assisted 5 enterprises in issuing 5 green bonds, with an accumulated underwriting amount of RMB2.818 billion, mobilizing RMB8.079 billion worth of direct financing into rail transit, new energy vehicles and environmental protection industries to facilitate the green development and low-carbon transformation of enterprises.

The Bank promoted green product innovation and launched the mode of “Carbon Trading Scenario-based Finance” with the national carbon exchange markets as the platforms to provide a package of financial services for power enterprises that participate in carbon quota trading, including carbon emission rights pledge financing, green bonds, payment and settlement, and account management, in order to facilitate the green and low-carbon development of enterprises through effective efforts in innovating green finance service modes.

The Bank formulated the *Environmental, Social and Governance Risk Management Policies*, revised the risk management manual, and integrated the environmental, social and governance risk management into the comprehensive risk management system as an organic component of the risk management framework, continuously promoting the green and low-carbon transformation of the Bank's operations in a sustainable and orderly manner.

II. PAIRED ASSISTANCE AND RURAL REVITALIZATION

The Bank formulated the *2022 Work Plan for Facilitating Rural Revitalization*, continued to consolidate and build on the achievements in poverty alleviation and elimination, completed the paired assistance tasks with high quality, and fully pressed ahead with rural revitalization. It allocated more credit to key areas, and channeled more financial resources to facilitate rural revitalization. Focusing on digital operation, it empowered revitalization for the good of both people's well-being and industry by means of fintech. Surveys were made into financial services for agriculture, rural areas and rural residents, so as to improve the Bank's capability of decision-making in business operation. As at the end of the reporting period, the Bank leveraged on its “Wonderful Shopping” e-commerce platform to help 173 counties in 23 provinces get rid of poverty, where nearly 200 rural enterprises sell 2.2006 million items of over 900 kinds of poverty alleviation products, with total sales reaching RMB145 million. Moreover, the Bank continuously provided financial credit to key fields of rural revitalization. The balance of agriculture-related loans stood at RMB411,608 million, an increase of RMB21,506 million. Among these, the balance of its inclusive agriculture-related loans stood at RMB19,106 million, up RMB3,847 million over the year beginning.

Environmental and Social Responsibilities

III. CONSUMER RIGHTS & INTERESTS PROTECTION

The Bank's Board of Directors, its Inclusive Finance Development and Consumer Rights and Interests Protection Committee and the Senior Management duly performed their duties and responsibilities in respect of consumer rights and interests protection (consumer protection) by reviewing and hearing the work plan for consumer protection and its implementation. The Head Office's Leading Group for Consumer Rights and Interests Protection and Sunshine Services convened meetings regularly to discuss and review consumer protection issues, and made coordinated efforts to advance the implementation of related work. The Bank strengthened whole-process management, and incorporated the concepts and requirements of consumer protection into every link of business process, to ensure effective consumer protection in all the links including product and service design and development, marketing and promotion and after-sales management. It launched the campaign of "2022- Sunshine Consumer Protection and Warm Care" to promote and share financial knowledge to consumers and encouraged responsible financial consumption behaviors. It developed the "Smart Consumer Protection" program, explored ways to facilitate the construction of IT system for consumer protection, redesigned the consumer protection review system, and established the complaint management and analysis system to improve the digital management capability. Consistent efforts were made to cultivate the Sunshine Consumer Protection culture, and strengthen employee training and awareness education, so as to enhance the awareness and responsibility of consumer protection. To strengthen complaint management, the Bank established a long-effect complaint management mechanism, as well as a mechanism to resolve consumption disputes through multiple channels. It monitored the service quality at outlets and conducted customer satisfaction survey on a regular basis to continuously improve the quality of "Sunshine Service".

IV. ENVIRONMENTAL 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 upon any administrative penalties due to environment-related issues.

Significant Events

I. IMPORTANT UNDERTAKINGS AND PERFORMANCE OF UNDERTAKINGS GIVEN BY THE BANK AND THE BANK'S DE FACTO CONTROLLER, CONTROLLING SHAREHOLDER AND OTHER RELATED PARTIES

During the reporting period, the Bank, its de facto controller and controlling shareholder did not make any new important undertakings. As at the end of the reporting period, all the continuing commitments made by the Bank, its de facto controller and controlling shareholder were properly fulfilled. Please refer to the *2021 Annual Report* of the Bank for more details.

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

During the reporting period, there was no non-operational capital occupation by the controlling shareholder and other related parties of the Bank.

III. MATTERS CONCERNING BANKRUPTCY OR REORGANIZATION

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

IV. MATERIAL LITIGATION AND ARBITRATION MATTERS

The Bank was involved in some lawsuits, during its regular course of business, most of which were filed by the Bank for the purpose of collecting non-performing loans. During the reporting period, the Bank was not involved in any material lawsuits or arbitration cases. As at the end of the reporting period, the Bank was involved in 521 lawsuits and arbitration cases pending final adjudication, which involved RMB618 million. The above-mentioned lawsuits and arbitration cases will not have any significant adverse impact on the financial position or operating performance of the Bank.

V. PENALTY IMPOSED ON THE BANK AND 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.

Significant Events

VI. 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 documents or repay significant matured debts.

VII. PURCHASE, SALE OR REDEMPTION OF THE BANK'S LISTED SECURITIES

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

VIII. CHANGES IN ACCOUNTING POLICIES

During the reporting period, there was no change in accounting policies of the Bank.

IX. 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. Connected transactions occurring or existing during the reporting period are as follows:

i. Non-exempt connected transactions

1. Approval of transaction limit of non-performing assets acquisition for connected legal person Everbright Jin'ou Asset Management Co., Ltd. ("Everbright Jin'ou")

On 20 June 2019, the Bank agreed to approve a cumulative non-performing asset acquisition limit of RMB4 billion for Everbright Jin'ou with a limit of RMB2 billion for single transaction. The limit is valid for three years starting from 20 June 2019, with an annual cap of RMB4 billion. Everbright Jin'ou is a legal person directly controlled by China Everbright Group, the controlling shareholder of the Bank, and therefore is a connected person of the Bank.

2. Signing of a framework agreement on technology service with connected legal person Everbright Technology Co., Ltd. ("Everbright Technology")

On 24 December 2020, the Bank entered into an agreement with Everbright Technology, pursuant to which, Everbright Technology agreed to provide technology services for the Bank, which is valid from 1 January 2021 to 31 December 2023 (both dates inclusive). The annual caps for the three years ended 31 December 2021, 31 December 2022 and 31 December 2023 are RMB400 million, RMB500 million and RMB600 million respectively. Everbright Technology is a wholly-owned subsidiary of China Everbright Group, the Bank's controlling shareholder, and constitutes a connected person of the Bank.

3. Signing of a framework agreement on comprehensive services with connected legal person China Everbright Group

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 the agreement, services or products can be provided to each other between the Bank and China Everbright Group and/or its associates. 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. 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 Bank's controlling shareholder, and constitutes a connected person of the Bank.

ii. Exemptible connected transactions

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

X. MATERIAL CONTRACTS AND THEIR PERFORMANCE

i. Significant events of material custody, contracting or leasing assets of other companies by the Bank, or other companies' material custody, contracting or leasing assets of the Bank

Except for routine business, during the reporting period, there was no significant matter 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. Other material contracts

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

XI. 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 disclosure date of this report, CBIRC has approved the Bank to issue tier-2 capital bonds of no more than RMB60 billion and it will be recognized through tier-2 capital in line with relevant regulations. 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. On 9 July 2022, the establishment of CEB Macao Branch was approved by the government of the Macao SAR. As at the disclosure date of this report, related work was in progress.

iii. Completion of the profit distribution for 2021

On 19 May 2022, the 2021 Annual General Meeting of the Bank considered and approved the profit distribution plan for 2021, and distributed cash dividends to all ordinary shareholders at RMB2.01 (before tax) per 10 shares. As at the disclosure date of this report, all the cash dividends totaling RMB10,860 million had been distributed.

Significant Events

XII. SIGNIFICANT EVENTS OF SUBSIDIARIES

i. Everbright Financial Leasing Co., Ltd.

In April 2022, the company distributed cash dividends of RMB200 million to its shareholders. During the reporting period, the company's shareholder Hubei Provincial Port Group Co., Ltd. Was renamed Hubei Port Group Co., Ltd., which took the shares held by the former. The number of shares held and the shareholding percentage did not change. The company did not get 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.

ii. Everbright Wealth Management Co., Ltd.

In June 2022, the company distributed cash dividends of RMB635 million to its shareholders. During the reporting period, the company did not get 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.

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.

iv. CEB International Investment Corporation Limited

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.

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.

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.

vii. Jiangsu Huai'an 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.

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.

XIII. REVIEW OF INTERIM RESULTS

EY, as the external auditor, reviewed the Bank's interim financial statements, which were prepared according to the International Accounting Standards and the disclosure requirements prescribed in the Hong Kong Listing Rules. The Board of Directors of the Bank and its Audit Committee reviewed and approved the interim results and financial statements of the Bank ended 30 June 2022.

XIV. PUBLICATION OF INTERIM REPORT

The Interim Report, in Chinese and English, prepared by the Bank in accordance with the International Accounting Standards and the Hong Kong Listing Rules, are available at the websites of HKEXnews and the Bank. In the event of any discrepancy between the two versions, the Chinese version shall prevail.

Changes in Ordinary Share Capital and Shareholders

I. CHANGES IN SHARES

Unit: Share, %

	31 December 2021		Changes during the reporting period Conversion of convertible bonds	30 June 2022	
	Number	Percentage		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	48,221,918,195	89.25	3,393	48,221,921,588	89.25
1. RMB-denominated ordinary shares	41,353,182,695	76.54	3,393	41,353,186,088	76.54
2. Overseas listed foreign shares	6,868,735,500	12.71	–	6,868,735,500	12.71
III. Total shares	54,031,918,195	100.00	3,393	54,031,921,588	100.00

II. NUMBER OF SHAREHOLDERS

Unit: Shareholder

	A Shares	H Shares
Total number of shareholders as at the end of the reporting period	224,699	852

III. CONFIRMATION OF THE BANK'S COMPLIANCE WITH THE REQUIREMENT OF SUFFICIENCY OF PUBLIC FLOAT UNDER THE HONG KONG LISTING RULES

Based on the publicly available information and to the knowledge of the Directors, as at 30 June 2022, the Bank had maintained the minimum public float as required by the Hong Kong Listing Rules and the waiver granted by Hong Kong Stock Exchange upon the IPO of the Bank.

IV. SHAREHOLDING OF TOP TEN SHAREHOLDERS

Unit: Share, %

Name of shareholder	Nature of shareholder	Change in the reporting period (+, -)	Class of shares	Number of shares held	Shareholding percentage	Number of shares pledged/ marked/frozen
China Everbright Group Ltd.	State-owned legal person	–	A shares	23,359,409,561	43.23	–
			H shares	1,782,965,000	3.30	–
Hong Kong Securities Clearing Company Nominees Limited	Overseas legal person	-376,577,010	H shares	5,239,348,370	9.70	Unknown
Overseas Chinese Town Holdings Company	State-owned legal person	–	H shares	4,200,000,000	7.77	–
China Everbright Limited	Overseas legal person	–	A shares	1,572,735,868	2.91	–
China Life Reinsurance Company Ltd.	State-owned legal person	–	H shares	1,530,397,000	2.83	–
China Securities Finance Corporation Limited	State-owned legal person	–	A shares	989,377,094	1.83	–
China Reinsurance (Group) Corporation	State-owned legal person	–	A shares	413,094,619	0.76	–
			H shares	376,393,000	0.70	–
Shenergy (Group) Co., Ltd.	State-owned legal person	–	A shares	766,002,403	1.42	–
COSCO Shipping (Shanghai) Investment Management Co., Ltd.	State-owned legal person	–	A shares	723,999,875	1.34	–
Hong Kong Securities Clearing Company Ltd.	Overseas legal person	38,842,896	A shares	661,192,724	1.22	–

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	-376,577,010	5,239,348,370	H shares	5,239,348,370
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	–	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
Hong Kong Securities Clearing Company Ltd.	38,842,896	661,192,724	A shares	661,192,724
Yunnan Hehe (Group) Co., Ltd.	–	626,063,556	A shares	626,063,556

Notes:

- 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. Except them, all other ordinary shares were not subject to restrictions on sales.
- As at the end of the reporting period, the total number of H shares of the Bank held by the Hong Kong Securities Clearing Company Nominees Limited acting as the nominee for all institutional and individual investors that maintain an account with it was 5,239,348,370 H shares. Among them, 1,605,286,000, 282,684,000 and 172,965,000 H shares of the Bank were held by Ocean Fortune Investment Limited, China Life Reinsurance Company Ltd. and China Everbright Group respectively. The number of remaining H shares of the Bank held under it was 3,178,413,370 H shares. Hong Kong Securities Clearing Company Nominees Limited no longer held the 376,393,000 H shares of the Bank for China Reinsurance (Group) Corporation.
- 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.
- As at the end of reporting period, as the nominee holder, Hong Kong Securities Clearing Company Ltd. held, designated by and on behalf of others, 661,192,724 A shares of the Bank in total, including the shares under Shanghai Stock Connect held by Hong Kong and overseas investors.
- 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	48,221,921,588

Changes in Ordinary Share Capital and Shareholders

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. SUBSTANTIAL SHAREHOLDERS

i. Controlling shareholder

China Everbright Group Ltd. directly holds 46.53% shares of the Bank. As the Bank's controlling shareholder, the company's controlling shareholder is CHI, with a shareholding percentage of 63.16%. There is no pledged, marked or frozen equity of the company.

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

Overseas Chinese Town Holdings Company directly holds 7.77% shares of 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 a shareholding percentage of 90%. There is no pledged, marked or frozen equity of the company.

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), substantial shareholders of the Bank also include:

1. China COSCO Shipping Corporation Limited ("COSCO Shipping") indirectly holds a total of 4.31% shares of the Bank through its subsidiaries COSCO Shipping (Shanghai) Investment Management Co., Ltd. and Ocean Fortune Investment Limited, and dispatches directors to the Bank, thus imposing a substantial influence on the Bank. The controlling shareholder of COSCO Shipping is the State-owned Assets Supervision and Administration Commission of the State Council of China, with a shareholding percentage of 90%. There is no pledged, marked or frozen equity of the company.
2. China Reinsurance (Group) Corporation directly and indirectly holds 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 a shareholding percentage of 71.56%. There is no pledged, marked or frozen equity of the company.
3. Shenergy (Group) Co., Ltd. directly 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 a shareholding percentage of 100%. There is no pledged, marked or frozen equity of the company.

iv. Related party transactions with the substantial shareholders

In accordance with the *Interim Measures for Equity Management of Commercial Banks*, the Bank has treated about 2,100 enterprises including the above 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 33 related party transactions with 30 related parties, involving a total amount of RMB83,077 million. The above-mentioned related party transactions have been reported to the Board of Directors and its Related Party Transactions Control Committee for approval or filing in accordance with related procedures.

VIII. 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 (“HKSF”) or which were required to be notified to the Bank:

Name of 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	26,951,836,111	65.17	49.88

Notes:

- 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 HKSF, China COSCO Shipping Corporation Limited, China Shipping (Group) Company and COSCO Shipping Financial Holdings Co., Limited are all deemed to have interests in the 1,605,286,000 H shares held by Ocean Fortune Investment Limited.
- China Life Reinsurance Company Ltd. 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 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 HKSF, China Reinsurance (Group) Corporation is deemed to have interests in the 1,530,397,000 H shares held by China Life Reinsurance Company Ltd., while China Everbright Group is deemed to have interests in the 83,630,000 H shares held by China Everbright Holdings Company Limited. Therefore, CHI is deemed to have interests in a total of 3,773,385,000 H shares of the Bank indirectly.

Changes in Ordinary Share Capital and Shareholders

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 616,329,000 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 616,329,000 A shares held by Central Huijin Asset Management Ltd., a long position in 413,094,619 A shares held by China Reinsurance (Group) Corporation, and a long position in 25,922,412,492 A shares held by China Everbright Group. Therefore, CHI indirectly holds a long position of 26,951,836,111 A shares of the Bank in total.

4. As at 30 June 2022, the total issued share capital of the Bank was 54,031,921,588 shares, including 41,353,186,088 A shares and 12,678,735,500 H shares.
5. The percentage of shareholdings is rounded to two decimal places.
6. The data disclosed above is based on the information provided on the website of HKEXnews and the information obtained by the Bank as at the end of the reporting period.

Save as disclosed above, as at the end of the reporting period, the Bank had not been notified by any 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.

IX. 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 nor the 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 required to be 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 Hong Kong Stock Exchange 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 Hong Kong Stock Exchange 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 DURING THE REPORTING PERIOD

During the reporting period, the Bank had not issued or listed any preference shares, and all existing preference shares were traded on the SSE Comprehensive Business Platform.

II. TOTAL NUMBER OF PREFERENCE SHAREHOLDERS AND SHAREHOLDINGS OF TOP TEN PREFERENCE SHAREHOLDERS

i. Everbright P1 (Code 360013)

Unit: Shareholder, Share, %

Number of shareholders as at the end of the reporting period		Changes in shareholding during the reporting period		20		Number of shares pledged/arked/frozen	
Name of shareholder	Nature of shareholder		Number of shares held	Percentage of shareholding	Type of shares		
Hwabao Trust Co., Ltd.	Others	–	32,400,000	16.20	Domestic preference shares	–	–
Everbright Securities Asset Management Co., Ltd.	Others	–	26,700,000	13.35	Domestic preference shares	–	–
Bosera Asset Management Co., Limited	Others	–	15,500,000	7.75	Domestic preference shares	–	–
BOCOM Schroders Asset Management Co., Ltd.	Others	–	15,500,000	7.75	Domestic preference shares	–	–
BOC International (China) Co., Ltd.	Others	–	15,500,000	7.75	Domestic preference shares	–	–
CITIC Securities Co., Ltd.	Others	5,000,000	15,320,000	7.67	Domestic preference shares	–	–
Jiangsu International Trust Corporation Limited	Others	–	11,640,000	5.82	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	–	–
Bank of Communications Schroder Fund Management Co., Ltd.	Others	–	9,950,000	4.98	Domestic preference shares	–	–

Note: Everbright Securities Asset Management Co., Ltd. and the Bank's controlling shareholder China Everbright Group are related parties. Bank of Communications Schroder Fund Management Co., Ltd. and BOCOM Schroders Asset Management Co., Ltd. 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: Shareholder, Share, %

Number of shareholders as at the end of the reporting period			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/arked/frozen
CITIC Securities Co., Ltd.	Others	9,000,000	16,450,000	16.45	Domestic preference shares	-
Ping An Wealth Management Co., Ltd.	Others	-	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	-
Postal Savings Bank of China Co., Ltd.	Others	-	7,200,000	7.20	Domestic preference shares	-
BOCOM Schroders Asset Management Co., Ltd.	Others	-	6,540,000	6.54	Domestic preference shares	-
Jiangsu International Trust Corporation Limited	Others	-	5,800,000	5.80	Domestic preference shares	-
Bosera Asset Management Co., Limited	Others	-	5,210,000	5.21	Domestic preference shares	-
BOC International (China) Co., Ltd.	Others	960,000	4,570,000	4.57	Domestic preference shares	-
TruValue Asset Management Co., Ltd.	Others	-9,000,000	4,270,000	4.27	Domestic preference shares	-

Note: China Everbright Group is the controlling shareholder of the Bank. 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: Shareholder, Share, %

Number of shareholders as at the end of the reporting period							26
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	-	
BOCOM Schroders Asset 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	-	
CCB Trust Co., Ltd.	Others	-11,000,000	20,810,000	5.95	Domestic preference shares	-	
CITIC Securities Co., Ltd.	Others	8,550,000	20,430,000	5.84	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	-	
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 Securities Co., Ltd. and CITIC-Prudential Life Insurance Company Limited 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.

III. PROFIT DISTRIBUTION FOR PREFERENCE SHARES

As reviewed and approved by the 37th Meeting of the Eighth Session of the Board of Directors of the Bank, dividends were distributed to the shareholders of Everbright P3 on 18 April 2022. The total dividends of RMB1,680 million (before tax) were distributed with a dividend rate of 4.80% (before tax).

As reviewed and approved by the 40th Meeting of the Eighth Session of the Board of Directors of the Bank, dividends were distributed to the shareholders of Everbright P1 on 27 June 2022. The total dividends of RMB890 million (before tax) were distributed with a dividend rate of 4.45% (before tax).

As reviewed and approved by the 40th Meeting of the Eighth Session of the Board of Directors of the Bank, dividends were distributed to the shareholders of Everbright P2 on 11 August 2022. The total dividends of RMB401 million (before tax) were distributed with a dividend rate of 4.01% (before tax).

Changes in Preference Share Capital and Shareholders

- IV. DURING THE REPORTING PERIOD, THERE WAS NO REDEMPTION OF PREFERENCE SHARES OR CONVERSION OF PREFERENCE SHARES INTO ORDINARY SHARES BY THE BANK.**
- V. DURING THE REPORTING PERIOD, THERE WAS NO VOTING RIGHT RESTORATION OF THE PREFERENCE SHARES OF THE BANK.**
- VI. ACCOUNTING POLICIES FOR PREFERENCE SHARES OF THE BANK AND REASONS FOR ADOPTION**

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

Issuance of Convertible Corporate Bonds

I. OVERVIEW

On 17 March 2017, the Bank completed the issuance of the A share convertible bonds. The proceeds amounted to RMB30 billion and the net funds stood at about RMB29,923 million after deducting the issuance expenses. 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: Shareholder, RMB, %	
Convertible bond holders as at the end of the reporting period	12,383	
Guarantors of convertible bonds of the Bank	Nil	
	Par value of bond held at the end of the reporting period	Percentage of bonds held
Top ten convertible bond holders		
Specific account for collateralized bond repurchase in the securities depository and clearing system (Industrial and Commercial Bank of China)	3,909,431,000	16.16
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)	2,555,986,000	10.56
Specific account for collateralized bond repurchase in the securities depository and clearing system (Bank of China)	1,447,373,000	5.98
Specific account for collateralized bond repurchase in the securities depository and clearing system (China Merchants Bank)	880,196,000	3.64
Specific account for collateralized bond repurchase in the securities depository and clearing system (Bank of Communications)	661,987,000	2.74
Specific account for collateralized bond repurchase in the securities depository and clearing system (Agricultural Bank of China)	564,384,000	2.33
Specific account for collateralized bond repurchase in the securities depository and clearing system (China Minsheng Bank)	557,772,000	2.30
Specific account for collateralized bond repurchase in the securities depository and clearing system (CITIC Securities Co., Ltd.)	470,425,000	1.94
Specific account for collateralized bond repurchase in the securities depository and clearing system (Bank of Beijing)	460,000,000	1.90

III. CHANGES IN CONVERTIBLE BONDS

During the reporting period, a total of RMB12,000 worth of “Everbright Convertible Bonds” issued by the Bank were converted into ordinary A shares of the Bank, and the number of converted shares was 3,393.

Issuance of Convertible Corporate Bonds

IV. PREVIOUS ADJUSTMENTS OF CONVERSION PRICE

On 28 June 2022 (record date), the Bank distributed dividends on ordinary shares (A share) for 2021. In accordance with the applicable provisions in the *Prospectus on Public Issuance of A Share Convertible Corporate Bonds* of the Bank as well as relevant laws and regulations, the Bank, after the issuance of A share convertible bonds, shall adjust the conversion price in the event of a dividend distribution. Therefore, after this dividend distribution, the “Everbright Convertible Bonds” saw its initial conversion price adjusted from RMB3.55 per share to RMB3.35 per share from 29 June 2022 (the ex-dividend date). Previous adjustments of conversion price were as follows:

Unit: RMB per share

Date of adjustment	Conversion price after adjustment	Disclosure date	Media of disclosure	Reasons for adjustment
5 July 2017	4.26	27 June 2017	Website of KEXnews, 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
29 June 2022	3.35	20 June 2022	Ibid.	Due to profit distribution for ordinary A shares for 2021
Conversion price as at the end of the reporting period				3.35

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

In accordance with the applicable provisions in the *Administrative Measures for the Issuance of Securities by Listed Companies* and the *Rules Governing the Listing of Stocks on Shanghai Stock Exchange*, the Bank entrusted China Chengxin International Credit Rating Co., Ltd. (“CCXI”) to track and rate the credit standing of its A share convertible bonds issued in March 2017. CCXI issued the *Tracking and Rating Report on A Share Convertible Corporate Bonds (2022) of China Everbright Bank Company Limited* on 23 May 2022 based on the 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. NONE OF THE CURRENT DIRECTORS, SUPERVISORS OR SENIOR MANAGEMENT OR THOSE LEFT OFFICE DURING THE REPORTING PERIOD HELD SHARES OR SHARE OPTIONS OF THE BANK, OR WERE GRANTED RESTRICTED SHARES OF THE BANK DURING THE REPORTING PERIOD.**
- II. AS AT THE END OF THE REPORTING PERIOD, THE BANK DID NOT IMPLEMENT ANY STOCK INCENTIVE PLAN AND EMPLOYEE STOCK OWNERSHIP PLAN.**
- III. PROFILE OF INCUMBENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS**

The Board of Directors consisted of 14 Directors, including 2 Executive Directors (Mr. Fu Wanjun and Mr. Qu Liang), 6 Non-Executive Directors (Mr. Wang Jiang, Mr. Wu Lijun, Mr. Yao Zhongyou, Mr. Yao Wei, Mr. Liu Chong and Mr. Li Wei), and 6 Independent Non-Executive Directors (Mr. Wang Liguu, Mr. Shao Ruiqing, Mr. Hong Yongmiao, Mr. Li Yinquan, Mr. Han Fuling and Mr. Liu Shiping).

The Board of Supervisors consisted of 9 Supervisors, including 3 Shareholder Supervisors (Mr. Lu Hong, Mr. Wu Junhao and Mr. Li Yinzhong), 3 External Supervisors (Mr. Wu Gaolian, Mr. Wang Zhe and Mr. Qiao Zhimin), and 3 Employee Supervisors (Mr. Xu Keshun, Mr. Sun Jianwei and Mr. Shang Wencheng).

The Senior Management consisted of 6 members. They are Mr. Fu Wanjun, Mr. Dong Tiefeng, Mr. Qu Liang, Ms. Qi Ye, Mr. Yang Bingbing and Mr. Zhang Xuyang.

Please refer to the *2021 Annual Report* of the Bank for resumes of Directors, Supervisors and Senior Management members of the Bank. Please refer to the *2021 Annual Report* of the Bank for the *Circular of the 2021 Annual General Meeting* for the resume of newly-appointed Chairman Mr. Wang Jiang, and the *Announcement on Resignation of Executive Vice President and Change of Joint Company Secretary* for the resume of newly-appointed Senior Management member Mr. Zhang Xuyang.

IV. APPOINTMENT AND RESIGNATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

i. Appointment and Resignation of Directors

1. On 18 January 2022, CBIRC approved Mr. Liu Shiping's qualifications as Independent Non-executive Director of the Bank, and Mr. Xu Hongcai ceased to perform his duties.
2. On 24 March 2022, due to work adjustments, Mr. Li Xiaopeng resigned from the positions of Chairman, Non-executive Director, Chairman and Member of Strategy Committee, and Member of Nomination Committee of the Board of Directors of the Bank.
3. On 2 August 2022, CBIRC approved Mr. Wang Jiang's qualifications as Director and Chairman of the Bank.

ii. There was no appointment or resignation of Supervisors during the reporting period.

Directors, Supervisors, Senior Management, Staff and Business Outlets

iii. Appointment and Resignation of Senior Management Members

1. On 10 March 2022, CBIRC approved the qualifications of Mr. Zhao Ling as Secretary to the Board of Directors of the Bank.
2. On 18 April 2022, due to the age consideration, Mr. Wu Chongkuan ceased to serve as Member of the Party Committee (Executive Vice President Level), Chairman of the Working Committee of the Labor Union, Secretary of the Party Committee of H.O. and Chairman of Labor Union of H.O. of the Bank.
3. On 27 May 2022, due to work adjustments, Mr. Zhao Ling resigned from the positions of Executive Vice President, Secretary to the Board of Directors and Joint Company Secretary of the Bank.
4. On 1 August 2022, CBIRC approved Mr. Zhang Xuyang's qualifications as Secretary to the Board of Directors of the Bank.

V. CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

1. Mr. Liu Chong, Non-executive Director of the Bank, began to serve as Secretary of the Party Committee and Chairman of COSCO Shipping Development Co., Ltd. and ceased to serve as its Managing Director.
2. Mr. Lu Hong, Chairman of the Board of Supervisors of the Bank, concurrently served as Chairman of the Working Committee of the Labor Union.
3. Mr. Wang Zhe, External Supervisor of the Bank, ceased to serve as Independent Non-executive Director of Shanghai Pudong Development Bank.
4. 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).

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

None of the Directors or Supervisors of the Bank had any material interest in any material 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 is terminated within one year for the Bank's reason (excluding statutory compensation).

VII. BASIC INFORMATION ON STAFF AND BUSINESS OUTLETS

As at the end of the reporting period, the Bank had 45,680 employees (excluding those of subsidiaries).

Please refer to the *2021 Annual Report* of the Bank for details on the departments of the Bank. During the reporting period, the former Special Assets Management Department and Asset Management Department were integrated into the Special Assets Management Department/Asset Management Department. Other departments remained unchanged.

As at the end of the reporting period, the Bank had 1,786 domestic branches and outlets, which consisted of 39 tier-1 branches, 115 tier-2 branches, and 1,632 business outlets (including inter-city sub-branches, county-level sub-branches, intra-city sub-branches, banking departments of branches, and community banks). The Bank has established 4 overseas branches, namely Hong Kong Branch, Seoul Branch, Luxembourg Branch, Sydney Branch, and Tokyo Representative Office. The application for establishing Macao Branch was approved by the government of Macao SAR.

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)	Address
Head Office	1	7,465	3,918,754	China Everbright Center, No. 25 Taipingqiao Street, Xicheng District, Beijing
Beijing Branch	89	2,888	754,857	No. 1 Xuanwumen Inner Street, Xicheng District, Beijing
Shanghai Branch	83	1,767	394,585	No. 1118 Century Avenue, Pudong New Area, Shanghai
Tianjin Branch	45	920	77,858	Annex Building of Zhonglian Building, No. 83 Qufu Avenue, Heping District, Tianjin
Chongqing Branch	39	917	112,103	No. 168 Minzu Road, Yuzhong District, Chongqing
Shijiazhuang Branch	79	1,355	117,588	No. 56 Yuhua East Road, Qiaodong District, Shijiazhuang
Taiyuan Branch	51	1,058	137,551	No. 295 Yingze Street, Yingze District, Taiyuan
Huhehot Branch	23	554	42,431	Tower D, Dongfangjunzuo, Chulechuan Street, Saihan District, Huhhot
Dalian Branch	25	681	37,330	No. 4 Wuwu Road, Zhongshan District, Dalian
Shenyang Branch	50	1,188	54,248	No. 156 Heping North Street, Heping District, Shenyang
Changchun Branch	38	951	44,813	No. 2677 Jiefang Road, Chaoyang District, Changchun
Heilongjiang Branch	49	1,016	48,596	No. 278 Dongdazhi Street, Nangang District, Harbin
Nanjing Branch	79	1,723	312,943	No. 120 Hanzhong Road, Gulou District, Nanjing
Suzhou Branch	25	858	125,952	No. 188 Xinghai Street, Industrial Park District, Suzhou
Wuxi Branch	12	394	94,606	No. 1 Renmin Middle Road, Chongan District, Wuxi
Hangzhou Branch	49	1,321	229,956	Zheshang Times Building, No. 1 Miduqiao Road, Gongshu District, Hangzhou
Ningbo Branch	39	745	60,787	No. 1 Building, Hengfu Plaza, No. 828 Fuming Road, Jiangdong District, Ningbo
Hefei Branch	103	1,471	174,650	No. 200 Changjiang West Road, Shushan District, Hefei
Fuzhou Branch	84	1,287	83,937	No. 1 Building, Zhengxiang Center, No. 153 Wuyi North Road, Gulou District, Fuzhou
Xiamen Branch	23	508	41,061	No. 160 Hubin Middle Road, Siming District, Xiamen
Nanchang Branch	51	776	79,345	No. 1333, Fenghezhong Avenue, Honggutan New Area, Nanchang
Jinan Branch	44	911	63,028	No. 85 Jingqi Road, Shizhong District, Jinan
Qingdao Branch	59	999	77,700	No. 69 Hongkong West Road, Shinan District, Qingdao
Yantai Branch	26	504	60,421	No. 111 Nandajie Street, Zhifu District, Yantai
Zhengzhou Branch	63	1,366	148,062	No. 22 Middle Ring Road, Finance Island, Zhengzhou District (Zhengdong), Henan Pilot Free Trade Zone, Zhengzhou
Wuhan Branch	77	1,067	117,530	No. 143-144 Yanjiang Avenue, Jiang'an District, Wuhan
Changsha Branch	80	1,541	120,440	No. 142 Section 3 of Furong Middle Road, Tianxin District, Changsha
Guangzhou Branch	101	2,414	327,992	No. 685 Tianhe North Road, Tianhe District, Guangzhou
Shenzhen Branch	49	1,143	260,425	No. 18 Zizhuqi Avenue, Zhuzilinsi Road, Futian District, Shenzhen
Nanning Branch	36	874	65,134	Taiping Financial Mansion, No. 16 Songxiang Road, Liangqing District, Nanning
Haikou Branch	32	719	40,809	Jinlong City Plaza Building, South of Jinlong Road, Longhua District, Haikou
Chengdu Branch	40	883	95,217	No. 79 Dacisi Road, Jinjiang District, Chengdu
Kunming Branch	38	715	54,009	No. 28 Renmin Middle Road, Wuhua District, Kunming
Xi'an Branch	61	1,109	76,408	No. 33 Hongguang Street, Lianhu District, Xi'an
Urumqi Branch	7	211	18,540	No. 165 Nanhu East Road, Shuimogou District, Urumqi
Guiyang Branch	14	389	34,261	West Tower III, Financial Center, Zone B, Convention and Exhibition City, Changling North Road, Guanshanhu District, Guiyang

Directors, Supervisors, Senior Management, Staff and Business Outlets

Name of Branch	Number of outlets	Number of employees	Total assets (RMB million)	Address
Lanzhou Branch	13	329	24,038	No. 555 Donggang West Road, Chengguan District, Lanzhou
Yinchuan Branch	5	143	6,445	No. 219 Jiefang West Street, Xingqing District, Yinchuan
Xining Branch	3	81	6,907	No. 57-7 Wusi West Road, Chengxi District, Xining
Lhasa Branch	2	79	7,258	Taihe International Culture Square, No. 7 Jinzhu Middle Road, Chengguan District, Lhasa
Hong Kong Branch	1	217	179,788	23/F, Everbright Center, 108 Gloucester Road, Wan Chai, Hong Kong
Seoul Branch	1	43	32,210	23/F, Youngpoong Building, 41 Cheonggyecheon-ro, Jongro-ku, Seoul, Republic of Korea
Luxembourg Branch	1	43	22,675	10 Avenue Emile Reuter, Luxembourg City, Grand Duchy of Luxembourg
Sydney Branch	1	48	36,360	28/F, International Tower 1, 100 Barangaroo Avenue, Sydney, Commonwealth of Australia
Tokyo Representative Office	1	6	–	1 Chome-4-1 Marunouchi, Chiyoda City, Tokyo, Japan
Macao Branch Preparatory Group	–	3	–	23F, Finance and IT Center of Macao, No. 320, Avenida Doutor Mario Soares, Macao
Adjustment on consolidation	–	–	(2,685,515)	
Total	1,792	45,680	6,134,093	

Notes:

- The employees of the Head Office of the Bank included 2,994 staff members in the Credit Card Center and 1,742 staff members in the Remote Banking Center.
- The number of outlets, the number of employees and the total assets listed in the above table excluded subsidiaries' figures.

Corporate Governance

I. OVERVIEW OF CORPORATE GOVERNANCE

During the reporting period, the Board of Directors of the Bank continued to push forward the digital transformation, optimized the IT governance system, and approved the adjustment of the fintech organizational structure. It reviewed and approved the proposal on donations for paired assistance, and actively performed its social responsibilities. It prudently performed the selection and appointment procedures for Directors and Senior Management members, and timely adjusted the composition of its special committees of the Board of Directors. In compliance with regulatory requirements, the Board of Directors revised the *Management Measures for Holding and Changing Shares of the Bank by Directors, Supervisors and Senior Management Members* and the *Management Measures for Related Party Transactions*.

The Board of Supervisors of the Bank continued to carry out the annual evaluation on duty performance of the Board of Directors, the Board of Supervisors, the Senior Management and its members. It reviewed regular reports and annual profit distribution plan of the Bank, fulfilled its duties of financial supervision, continuously strengthened the supervision over strategy, internal control and risk management, and issued multiple copies of *Feedback of Supervisor Suggestions* regarding key supervision fields, thus pushing forward supervision in all respects with high quality. The Board of Supervisors earnestly carried out the special campaign of “promoting rectification, clarifying responsibilities and improving quality through learning from cases”, strengthened the self-building of the Board of Supervisors, and provided strong supervision guarantee for the Bank’s sustainable and healthy development.

The corporate governance practice of the Bank did not deviate from the *Company Law* or relevant regulations of CSRC, CBIRC or SEHK.

II. SHAREHOLDERS’ GENERAL MEETINGS

The Bank organized and convened shareholders’ general meetings in strict compliance with the *Articles of Association* and *Rules of Procedures of the Shareholders’ General Meeting* of the Bank to ensure that decisions on important matters are made in compliance with the law, and to safeguard the legitimate rights and interests of shareholders. During the reporting period, the Bank convened the 2021 Annual General Meeting, the details of which are as follows:

On 19 May 2022, the Bank convened the 2021 Annual General Meeting in Beijing, considered and approved 9 proposals on the election of Non-executive Directors, the work report of the Board of Directors, the work report of the Board of Supervisors, final accounts, the fixed asset investment budget, the engagement of accounting firm, the profit distribution plan, and the remuneration of the Directors and Supervisors, etc., and heard 5 reports.

The procedures for convening, issuing the notices, holding and voting at the above meetings fully complied with the *Company Law*, the listing rules of the places where the Bank is listed and the *Articles of Association* of the Bank. The legal advisor engaged by the Board of Directors of the Bank attested the above shareholders’ meetings of the Bank. The A share lawyer issued relevant legal opinions.

Please refer to the *Articles of Association* of the Bank for the duties and responsibilities of the shareholders’ general meeting.

Corporate Governance

III. THE BOARD OF DIRECTORS AND ITS SPECIAL COMMITTEES

i. Meetings of the Board of Directors

During the reporting period, the Board of Directors of the Bank held 6 meetings, including 3 on-site meetings, namely the 36th, 37th and 40th meetings of the Eighth Session of the Board of Directors, and 3 meetings via written resolutions, namely the 38th, 39th and 41st meetings of the Eighth Session of the Board of Directors. The Board of Directors considered 58 proposals and heard 30 reports, effectively playing its role in scientific decision-making.

Please refer to the Bank's *Articles of Association* for the duties and responsibilities of the Board of Directors.

ii. Meetings of the Special Committees of the Board of Directors

The special committees under the Board of Directors convened 21 meetings in total, including 2 meetings of the Strategy Committee, 2 meetings of the Audit Committee, 5 meetings of the Risk Management Committee, 3 meetings of the Nomination Committee, 1 meeting of the Remuneration Committee, 4 meetings of the Related Party Transaction Control Committee, and 4 meetings of the Inclusive Finance Development and Consumer Rights and Interests Protection Committee, considered 44 proposals in total and heard 36 reports.

iii. Attendance of Directors at Board Meetings

Director	Shareholder's 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
Incumbent Directors									
Wang Jiang	-	-	-	-	-	-	-	-	-
Wu Lijun	0/1	4/6	1/2	-	-	-	-	-	-
Fu Wanjun	1/1	6/6	2/2	-	5/5	-	-	-	4/4
Yao Zhongyou	1/1	6/6	-	-	5/5	-	-	-	-
Qu Liang	1/1	5/6	-	-	-	-	-	-	4/4
Yao Wei	0/1	4/6	-	2/2	-	-	-	-	4/4
Liu Chong	1/1	6/6	-	-	5/5	-	-	-	4/4
Li Wei	1/1	6/6	-	-	5/5	-	-	4/4	-
Wang Liguo	0/1	6/6	-	2/2	5/5	-	1/1	4/4	-
Shao Ruiqing	1/1	6/6	-	2/2	5/5	-	1/1	4/4	-
Hong Yongmiao	1/1	6/6	2/2	-	-	3/3	1/1	3/4	-
Li Yinquan	1/1	6/6	-	2/2	-	3/3	1/1	4/4	-
Han Fuling	1/1	6/6	-	-	-	3/3	1/1	4/4	4/4
Liu Shiping	0/1	6/6	2/2	2/2	-	3/3	-	4/4	-
Former Directors									
Li Xiaopeng	-	2/2	-	-	-	1/1	-	-	-
Xu Hongcai	-	-	-	-	-	-	-	-	-

Notes:

1. Directors newly appointed in 2022 would start to perform their duties after their appointment qualifications are approved by CBIRC.
2. For changes in 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.

iv. Duty Performance of Independent Non-executive Directors

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, major related party transactions, internal control and audit. In all Board committees, each of the Independent Non-executive Directors leveraged on their expertise and provided professional and constructive opinions and recommendations on issues under discussion. When the Board of Directors was not in session, the Independent Non-executive Directors kept themselves updated of the Bank's internal documents and information on the Bulletin of the Board and participated in the director communication meetings, so as to be well informed of strategy implementation, business innovation, 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 contact with the Bank via emails and phone calls. The Independent Non-executive Directors' recommendations were highly valued, and some were adopted by the Senior Management, playing a positive role in improving the risk prevention and control and promoting business development of the Bank.

IV. BOARD OF SUPERVISORS AND ITS SPECIAL COMMITTEES

i. Meetings of the Board of Supervisors

During the reporting period, the Board of Supervisors of the Bank convened 4 meetings, including 2 on-site meetings, namely the 18th and 20th meetings of the Eighth Session of the Board of Supervisors, and 2 meetings via written resolutions, namely the 17th and 19th meetings of the Eighth Session of the Board of Supervisors. The Board of Supervisors considered 19 proposals and heard 34 reports, effectively performing its supervisory duty.

Please refer to the *Articles of Association* of the Bank for the duties and responsibilities of the Board of Supervisors.

ii. Meetings of Special Committees of the Board of Supervisors

The special committees of the Board of Supervisors convened 6 meetings in total, including 4 meetings of the Supervision Committee and 2 meetings of the Nomination Committee, considered 11 proposals and heard 4 reports.

iii. Attendance of Supervisors at Meetings of the Board of Supervisors

Supervisors	Board of Supervisors Number of attendance in	Special Committees of the Board of Supervisors	
		Nomination Committee person/Number of meetings	Supervision Committee during the term of office
Lu Hong	4/4	2/2	–
Wu Junhao	4/4	–	4/4
Li Yinzong	4/4	2/2	–
Wu Gaolian	4/4	2/2	4/4
Wang Zhe	4/4	2/2	4/4
Qiao Zhimin	4/4	2/2	4/4
Xu Keshun	4/4	2/2	–
Sun Jianwei	4/4	–	4/4
Shang Wencheng	4/4	–	4/4

Note: "Number of attendance in person" includes on-site attendance and attendance via written resolutions.

Corporate Governance

iv. Duty Performance of External Supervisors

The Bank had 3 External Supervisors, no less than one third of the members of the Board of Supervisors. According to the *Articles of Association* of the Bank, Chairman of both the Nomination Committee and the Supervision Committee of the Board of Supervisors shall be acted by External Supervisors. During the reporting period, External Supervisors performed their duties in good faith and with due diligence in strict compliance with laws, regulations, regulatory requirements and the *Articles of Association* of the Bank, and attended meetings of the Board of Supervisors and its special committees in person. The time they spent on the supervision work of the Bank was 14 working days on average. The External Supervisors could maintain independence, 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 reports, nomination and appointment of Directors, Supervisors and Senior Management members 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 duty performance, and maintained close contact with the Bank through emails and phone calls. They paid attention to protecting the legitimate rights and interests of minority shareholders and other stakeholders, and played an active role in the Board of Supervisors' duty performance.

v. Review of the 2022 Interim Report by the Board of Supervisors

The Board of Supervisors reviewed the interim report and issued a written review opinion. The Board of Supervisors held that the preparation and review procedures of the *2022 Interim Report* complied with relevant laws, regulations, regulatory requirements, the *Articles of Association* of the Bank and the Bank's internal management systems. The content and format of this 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 the first half of 2022. No personnel involved in the preparation and review of the interim report was found to have violated confidentiality provisions.

V. SENIOR MANAGEMENT

The Senior Management of the Bank is responsible for operation and management work, including organizing the implementation of resolutions of the Board of Directors, implementing strategic plans, business plans and investment plans approved by the Board of Directors, drafting the setup plan and basic management rules for internal management institutions, and formulating specific management measures, etc.

VI. INFORMATION DISCLOSURE

During the reporting period, the Bank released the *2021 Annual Report* and *First Quarterly Report of 2022* as scheduled, and enriched the contents disclosed by emphasizing the business features and highlights in the reports. In strict compliance with the regulatory rules for information disclosure, 50 announcements and 34 announcements were published on website of SSE and website of HKEXnews respectively. The Bank disclosed H-share announcements on website of SSE and A-share announcements on website of HKEXnews pursuant to the parallel disclosure principle. It continued to strengthen the management of insiders to prevent leakage of sensitive information, and ensure the rights of investors to have fair access to the information of the Bank.

VII. INVESTOR RELATIONS MANAGEMENT

During the reporting period, the Bank held the 2021 annual results announcement (A+H shares) and press conference via video link and online streaming. Institutional investors, banking analysts and media correspondents from home and abroad participated in this communication event. Besides, the Bank received visits from domestic and overseas investment banking analysts and institutional investors, participated in 20 domestic and overseas securities companies' investment strategy seminars and directly communicated with over 200 investors, introducing the Bank's strategy implementation, business features, future development direction, etc. Additionally, it answered over 220 phone calls from domestic and overseas investors and replied over 100 emails for consultation. It interacted with investors via online platforms such as "SSE e-interaction", and updated the contents of the Bank's website both in Chinese and English versions, facilitating investors to keep informed of the Bank's operation.

VIII. 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* during the six months ended 30 June 2022. The Bank has also formulated guidelines regarding the dealing of the Bank's securities by relevant employees and the guidelines are no less exacting than the *Model Code*. It has not come to the attention of the Bank that any employee was in violation of the guidelines during the reporting period.

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

During the six months ended 30 June 2022, the Bank applied the principles of the *Corporate Governance Code* stipulated in Appendix 14 to the Hong Kong Listing Rules, and complied with all the code provisions.

- 光大银行30周年 -

和光同行 稳健成长

专注财富管理，成就理想未来



Report on Review of Interim Financial Information

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

INTRODUCTION

We have reviewed the accompanying interim financial information of China Everbright Bank Company Limited (the “Bank”) and its subsidiaries (together, the “Group”), which comprises the condensed consolidated statement of financial position as at 30 June 2022 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standards Board.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

26 August 2022

Unaudited Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2022

(Expressed in millions of Renminbi, unless otherwise stated)

	Note III	For the six months ended 30 June	
		2022 Unaudited	2021 Unaudited (Restated)
Interest income		118,396	113,085
Interest expense		(61,721)	(57,188)
Net interest income	1	56,675	55,897
Fee and commission income		16,255	16,324
Fee and commission expense		(1,420)	(1,265)
Net fee and commission income	2	14,835	15,059
Net trading gains	3	1,319	1,230
Dividend income		2	1
Net gains arising from investment securities	4	4,808	4,317
Net gains on derecognition of financial assets measured at amortised cost		768	85
Net foreign exchange (losses)/gains		(297)	82
Other net operating income		421	534
Operating income		78,531	77,205
Operating expenses	5	(20,257)	(21,280)
Credit impairment losses	6	(29,024)	(28,734)
Other impairment losses		(1)	21
Operating profit		29,249	27,212
Losses on investments in joint ventures		(32)	(7)
Profit before tax		29,217	27,205
Income tax	7	(5,771)	(4,682)
Net profit		23,446	22,523
Net profit attributable to:			
Equity shareholders of the Bank		23,299	22,445
Non-controlling interests		147	78
Earnings per share			
Basic earnings per share (in RMB/share)	8	0.38	0.37
Diluted earnings per share (in RMB/share)	8	0.35	0.34

The notes form an integral part of this Interim Financial Information.

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022

(Expressed in millions of Renminbi, unless otherwise stated)

	Note III	For the six months ended 30 June	
		2022 Unaudited	2021 Unaudited (Restated)
Net profit		23,446	22,523
Other comprehensive income, net of tax:			
Items that will not be reclassified to profit or loss:			
– Equity instruments at fair value through other comprehensive income			
– Net change in fair value		(1)	2
– Related income tax effect	21(b)	–	(1)
Subtotal		(1)	1
Items that will be reclassified to profit or loss:			
– Debt instruments at fair value through other comprehensive income			
– Net change in fair value		(2,290)	492
– Changes in allowance for expected credit losses		432	428
– Reclassified to the profit or loss upon disposal		(654)	(102)
– Related income tax effect	21(b)	601	(212)
– Exchange difference on translation of foreign operations		85	(36)
Subtotal		(1,826)	570
Other comprehensive income, net of tax		(1,827)	571
Total comprehensive income		21,619	23,094
Total comprehensive income attributable to:			
Equity shareholders of the Bank		21,471	23,016
Non-controlling interests		148	78
		21,619	23,094

The notes form an integral part of this Interim Financial Information.

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2022

(Expressed in millions of Renminbi, unless otherwise stated)

	Note III	30 June 2022 Unaudited	31 December 2021 Audited (Restated)
Assets			
Cash and deposits with the central bank	9	333,500	378,263
Deposits with banks and other financial institutions	10	42,619	51,189
Precious metals		8,419	6,426
Placements with banks and other financial institutions	11	115,052	138,349
Derivative financial assets	12	13,821	13,705
Financial assets held under resale agreements	13	107,955	31,164
Loans and advances to customers	14	3,439,869	3,239,396
Finance lease receivables	15	107,005	109,053
Financial investments	16	1,944,980	1,836,016
– Financial assets at fair value through profit or loss		391,435	383,666
– Debt instruments at fair value through other comprehensive income		425,768	325,695
– Equity instruments at fair value through other comprehensive income		1,124	1,125
– Financial investments measured at amortised cost		1,126,653	1,125,530
Investments in joint ventures	17(b)	187	256
Property, plant and equipment	18	25,523	25,155
Right-of-use assets	19	10,512	10,953
Goodwill	20	1,281	1,281
Deferred tax assets	21	32,336	19,895
Other assets	22	74,188	40,968
Total assets		6,257,247	5,902,069
Liabilities and equity			
Liabilities			
Due to the central bank	24	76,273	101,180
Deposits from banks and other financial institutions	25	442,953	526,259
Placements from banks and other financial institutions	26	206,851	179,626
Financial liabilities at fair value through profit or loss	27	64	67
Derivative financial liabilities	12	10,972	13,337
Financial assets sold under repurchase agreements	28	87,194	80,600
Deposits from customers	29	3,947,612	3,675,743
Accrued staff costs	30	17,129	16,777
Taxes payable	31	10,314	6,535
Lease liabilities	32	10,300	10,736
Debt securities issued	33	911,033	763,532
Other liabilities	34	44,017	43,311
Total liabilities		5,764,712	5,417,703

The notes form an integral part of this Interim Financial Information.

	Note III	30 June 2022 Unaudited	31 December 2021 Audited (Restated)
Liabilities and equity (Continued)			
Equity			
Share capital	35	54,032	54,032
Other equity instruments	36	109,062	109,062
of which: Preference shares		64,906	64,906
Perpetual bonds		39,993	39,993
Capital reserve	37	58,434	58,434
Other comprehensive income	38	1,324	3,152
Surplus reserve	39	26,245	26,245
General reserve	39	76,509	75,596
Retained earnings	40	164,924	155,968
Total equity attributable to equity shareholders of the Bank		490,530	482,489
Non-controlling interests		2,005	1,877
Total equity		492,535	484,366
Total liabilities and equity		6,257,247	5,902,069

Approved and authorised for issue by the board of directors on 26 August 2022.

Wang Jiang
Chairman,
Non-Executive Director

Fu Wanjun
President,
Executive Director

Sun Xinhong
General Manager of
Financial Accounting Department

The notes form an integral part of this Interim Financial Information.

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

(Expressed in millions of Renminbi, unless otherwise stated)

For the six months ended 30 June 2022

	Note III	Unaudited											
		Attributable to equity shareholders of the Bank										Non-controlling interests	Total
		Other equity instruments				Other							
		Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	comprehensive income	Surplus reserve	General reserve	Retained earnings	Subtotal		
Balance at 1 January 2022		54,032	64,906	39,993	4,163	58,434	3,152	26,245	75,596	155,968	482,489	1,877	484,366
Changes in equity for the period:													
Net profit		-	-	-	-	-	-	-	-	23,299	23,299	147	23,446
Other comprehensive income	38	-	-	-	-	-	(1,828)	-	-	-	(1,828)	1	(1,827)
Appropriation of profit:	40												
- Appropriation to general reserve		-	-	-	-	-	-	-	913	(913)	-	-	-
- Dividends to ordinary shareholders		-	-	-	-	-	-	-	-	(10,860)	(10,860)	(20)	(10,880)
- Dividends to other equity instrument holders		-	-	-	-	-	-	-	-	(2,570)	(2,570)	-	(2,570)
Balance at 30 June 2022		54,032	64,906	39,993	4,163	58,434	1,324	26,245	76,509	164,924	490,530	2,005	492,535

For the six months ended 30 June 2021 (Restated)

	Note III	Unaudited											
		Attributable to equity shareholders of the Bank										Non-controlling interests	Total
		Other equity instruments				Other							
		Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	comprehensive income	Surplus reserve	General reserve	Retained earnings	Subtotal		
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 period:													
Net profit		-	-	-	-	-	-	-	-	22,445	22,445	78	22,523
Other comprehensive income		-	-	-	-	-	571	-	-	-	571	-	571
Appropriation of profit:	40												
- Appropriation to general reserve		-	-	-	-	-	-	-	98	(98)	-	-	-
- Dividends to ordinary shareholders		-	-	-	-	-	-	-	-	(11,347)	(11,347)	(20)	(11,367)
- Dividends to other equity instrument holders		-	-	-	-	-	-	-	-	(2,570)	(2,570)	-	(2,570)
Balance at 30 June 2021		54,032	64,906	39,993	4,163	58,434	1,964	26,245	67,800	145,032	462,569	1,628	464,197

The notes form an integral part of this Interim Financial Information.

2021

	Audited													
	Attributable to equity shareholders of the Bank												Non-controlling interests	Total
	Note III	Other equity instruments				Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Subtotal			
	Share capital	Preference shares	Perpetual bonds	Others										
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	38	-	-	-	-	-	1,759	-	-	-	1,759	-	1,759	
Capital injection by non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	95	95	
Appropriation of profit:	40													
- Appropriation to general reserve		-	-	-	-	-	-	-	7,894	(7,894)	-	-	-	
- Dividends to ordinary shareholders		-	-	-	-	-	-	-	-	(11,347)	(11,347)	(20)	(11,367)	
- Dividends to other equity instrument holders		-	-	-	-	-	-	-	-	(4,800)	(4,800)	-	(4,800)	
Balance at 31 December 2021		54,032	64,906	39,993	4,163	58,434	3,152	26,245	75,596	155,968	482,489	1,877	484,366	

The notes form an integral part of this Interim Financial Information.

Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2022

(Expressed in millions of Renminbi, unless otherwise stated)

	For the six months ended 30 June	
	2022 Unaudited	2021 Unaudited (Restated)
Cash flows from operating activities		
Profit before tax	29,217	27,205
<i>Adjustments for:</i>		
Credit impairment losses	29,024	28,734
Other impairment losses	1	(21)
Depreciation and amortisation	3,108	2,843
Unwinding of discount	(348)	(397)
Dividend income	(2)	(1)
Unrealised foreign exchange (gains)/losses	(365)	78
Interest income from investment securities and net gains on disposal	(30,919)	(29,076)
Net gains on derecognition of financial assets measured at amortised cost	(768)	(85)
Losses on investments in joint ventures	32	7
Net gains on disposal of trading securities	(1,625)	(753)
Revaluation losses/(gains) on financial instruments at fair value through profit or loss	523	(1,883)
Interest expense on debt securities issued	11,660	7,826
Interest expense on lease liabilities	218	233
Net losses on disposal of property, plant and equipment	22	14
	39,778	34,724
<i>Changes in operating assets</i>		
Net increase in deposits with the central bank, banks and other financial institutions	(10,097)	(7,864)
Net increase in placements with banks and other financial institutions	(10,292)	(7,619)
Net increase in financial assets held for trading	(39,843)	(36,675)
Net increase in loans and advances to customers	(229,587)	(253,331)
Net increase in financial assets held under resale agreements	(76,794)	(53,322)
Net increase in other operating assets	(31,742)	(23,311)
	(398,355)	(382,122)
<i>Changes in operating liabilities</i>		
Net decrease in deposits from banks and other financial institutions	(82,559)	(3,716)
Net increase in placements from banks and other financial institutions	27,275	9,243
Net increase/(decrease) in financial assets sold under repurchase agreements	6,576	(60)
Net decrease in amounts due to the central bank	(25,463)	(13,734)
Net increase in deposits from customers	265,200	209,858
Income tax paid	(13,890)	(9,538)
Net increase in other operating liabilities	2,657	12,137
	179,796	204,190
Net cash flows used in operating activities	(178,781)	(143,208)
Cash flows from investing activities		
Proceeds from disposal and redemption of investments	408,531	384,825
Investment income received	32,760	30,118
Proceeds from disposal of property, plant and equipment and other long-term assets	96	10
Payments on acquisition of investments	(483,009)	(452,120)
Payments on acquisition of property, plant and equipment, intangible assets and other long-term assets	(2,139)	(1,648)
Net cash flows used in investing activities	(43,761)	(38,815)

The notes form an integral part of this Interim Financial Information

	Note III	For the six months ended 30 June	
		2022	2021 Unaudited (Restated)
Cash flows from financing activities			
Proceeds from insurance of debts		542,997	298,213
Repayments of debts issued		(394,056)	(111,824)
Interest paid on debt securities issued		(13,100)	(8,021)
Dividends paid		(10,869)	(2,590)
Other net cash flows from financing activities		(1,592)	(1,557)
Net cash flows from financing activities		123,380	174,221
Effect of foreign exchange rate changes on cash and cash equivalents		2,344	(1,010)
Net decrease in cash and cash equivalents	44(a)	(96,818)	(8,812)
Cash and cash equivalents as at 1 January		222,583	145,076
Cash and cash equivalents as at 30 June	44(b)	125,765	136,264
Interest received		92,928	85,942
Interest paid (excluding interest expense on debt securities issued)		(43,679)	(44,304)

The notes form an integral part of this Interim Financial Information

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

(Expressed in millions of Renminbi, unless otherwise stated)

I BACKGROUND INFORMATION

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

The Bank is licensed as a financial institution by the China Banking and Insurance Regulatory Commission (the “CBIRC”), formerly the China Banking Regulatory Commission, with the license number 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 III 17(a)) (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 this interim financial information, 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.

This interim financial information has been approved by the Board of Directors on 26 August 2022.

II BASIS OF PREPARATION

1 Compliance with International Financial Reporting Standards (“IFRSs”)

The unaudited interim financial information for the six months ended 30 June 2022 has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) and should be read in conjunction with the annual financial statements for the year ended 31 December 2021.

Except as described in Note II 3 below, the principal accounting policies adopted in the preparation of the unaudited interim financial information are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2021.

2 Use of estimates and assumptions

The preparation of the interim financial information requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results in the future may differ from those reported as a result of the use of estimates and assumptions about future conditions. The nature and assumptions related to the Group’s accounting estimates are consistent with those adopted in the Group’s financial statements for the year ended 31 December 2021, except for the adoption of new amendments effective as of 1 January 2022.

II BASIS OF PREPARATION (CONTINUED)

3 Significant accounting policies

3.1 Amendments effective in 2022

On 1 January 2022, the Group adopted the following amendments.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to IFRSs 2018-2020 (issued in May 2020)	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41</i>

3.2 Standard and amendments that are not yet effective and have not been early adopted by the Group in 2022

		Effective for annual periods beginning on or after
IFRS 17 and Amendments*	<i>Insurance Contracts</i>	1 January 2023
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Effective date has been deferred indefinitely

* As a consequence of the amendments to IFRS 17 issued in June 2020, the effective date of IFRS 17 was deferred to 1 January 2023, and IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023.

The adoption of the above standard and amendments did not have any significant impact on the financial performance, financial position and comprehensive income of the Group.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Net interest income

	Note	For the six months ended 30 June	
		2022	2021
Interest income			
Deposits with the central bank		2,253	2,439
Deposits with banks and other financial institutions		52	195
Placements with banks and other financial institutions		1,591	484
Loans and advances to customers	(a)		
– Corporate loans and advances		39,904	38,051
– Personal loans and advances		43,755	41,335
– Discounted bills		1,327	1,048
Finance lease receivables		3,035	3,094
Financial assets held under resale agreements		445	273
Investments		26,034	26,166
Subtotal		118,396	113,085
Interest expenses			
Due to the central bank		1,325	3,404
Deposits from banks and other financial institutions		5,193	5,831
Placements from banks and other financial institutions		1,795	1,912
Deposits from customers			
– Corporate customers		30,463	28,206
– Individual customers		10,709	9,741
Financial assets sold under repurchase agreements		576	268
Debt securities issued		11,660	7,826
Subtotal		61,721	57,188
Net interest income		56,675	55,897

Note:

(a) The interest income arising from impaired financial assets for the six months ended 30 June 2022 amounted to RMB348 million (Six months ended 30 June 2021: RMB397 million).

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 Net fee and commission income

	For the six months ended 30 June	
	2022	2021
Fee and commission income		
Bank card service fees	6,570	6,583
Wealth management service fees	2,260	1,961
Agency services fees	2,061	2,177
Settlement and clearing fees	1,240	1,329
Custody and other fiduciary business fees	1,167	1,064
Acceptance and guarantee fees	911	924
Underwriting and advisory fees	775	801
Others	1,271	1,485
Subtotal	16,255	16,324
Fee and commission expense		
Bank card transaction fees	899	884
Settlement and clearing fees	95	90
Others	426	291
Subtotal	1,420	1,265
Net fee and commission income	14,835	15,059

3 Net trading gains

	For the six months ended 30 June	
	2022	2021
Trading financial instruments		
– Derivatives	87	115
– Debt securities	1,302	1,118
Subtotal	1,389	1,233
Precious metal contracts	(70)	(3)
Total	1,319	1,230

4 Net gains arising from investment securities

	For the six months ended 30 June	
	2022	2021
Net gains arising from financial investments at fair value through profit or loss	4,154	4,419
Net gains/(losses) arising from debt instruments at fair value through other comprehensive income	267	(129)
Net gains arising from loans and advances to customers at fair value through other comprehensive income	387	27
Total	4,808	4,317

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5 Operating expenses

	For the six months ended 30 June	
	2022	2021
Staff costs		
– Salaries and bonuses	8,560	8,860
– Pension and annuity	1,157	1,632
– Housing allowances	560	522
– Staff welfares	248	227
– Others	1,183	1,106
Subtotal	11,708	12,347
Premises and equipment expenses		
– Depreciation of right-of-use assets	1,379	1,346
– Depreciation of property, plant and equipment	1,170	1,027
– Amortisation of intangible assets	397	315
– Interest expense on lease liabilities	218	233
– Rental and property management expenses	216	196
– Amortisation of other long-term assets	162	155
Subtotal	3,542	3,272
Tax and surcharges	912	821
Other general and administrative expenses	4,095	4,840
Total	20,257	21,280

6 Credit impairment losses

	For the six months ended 30 June	
	2022	2021
Loans and advances to customers		
– measured at amortised cost	24,989	26,446
– measured at fair value through other comprehensive income	108	401
Debt instruments at fair value through other comprehensive income	307	24
Financial investments measured at amortised cost	2,682	758
Finance lease receivables	392	322
Others	546	783
Total	29,024	28,734

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7 Income tax

(a) Income tax:

	Note III	For the six months ended 30 June	
		2022	2021
Current tax		17,364	6,913
Deferred tax	21(b)	(11,840)	(2,155)
Adjustments for prior years	7(b)	247	(76)
Total		5,771	4,682

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

	Note	For the six months ended 30 June	
		2022	2021
Profit before tax		29,217	27,205
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		7,304	6,801
Effect of different tax rates applied by certain subsidiaries		(1)	–
Non-deductible expenses and others		1,043	537
Non-taxable gains			
– Non-taxable income	(i)	(2,822)	(2,580)
Subtotal		5,524	4,758
Adjustments for prior years		247	(76)
Income tax		5,771	4,682

Note:

(i) Non-taxable income mainly includes interest income of debt securities issued by government in mainland China and dividends of funds.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8 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 period.

	For the six months ended 30 June	
	2022	2021
Net profit attributable to equity holders of the Bank	23,299	22,445
Less: Dividends on preference shares declared	2,570	2,570
Net profit attributable to ordinary shareholders of the Bank	20,729	19,875
Weighted average number of ordinary shares in issue (in million shares)	54,032	54,032
Basic earnings per share (in RMB/share)	0.38	0.37

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

	For the six months ended 30 June	
	2022	2021
Issued ordinary shares as at 1 January	54,032	54,032
Add: Weighted average number of new issued ordinary shares in current period	–	–
Weighted average number of ordinary shares in issue	54,032	54,032

Diluted earnings per share was computed by dividing the net profit attributable to the ordinary shareholders of the Bank based on assuming conversion of all dilutive potential shares for the period by the adjusted weighted average number of ordinary shares in issue. The Bank had convertible bonds as dilutive potential ordinary shares.

	For the six months ended 30 June	
	2022	2021
Net profit attributable to ordinary shareholders of the Bank	20,729	19,875
Add: Interest expense on convertible bonds, net of tax for the six months ended 30 June	391	384
Net profit used to determine diluted earnings per share	21,120	20,259
Weighted average number of ordinary shares in issue (in million shares)	54,032	54,032
Add: Weighted average number of ordinary shares assuming conversion of all dilutive shares (in million shares)	6,817	6,436
Weighted average number of ordinary shares for diluted earnings per share (in million shares)	60,849	60,468
Diluted earnings per share (in RMB/share)	0.35	0.34

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9 Cash and deposits with the central bank

	Notes	30 June 2022	31 December 2021
Cash on hand		7,712	4,005
Deposits with the central bank			
– Statutory deposit reserves	(a)	286,414	281,760
– Surplus deposit reserves	(b)	33,321	90,168
– Fiscal deposits and others		5,929	2,195
Subtotal		333,376	378,128
Accrued interest		124	135
Total		333,500	378,263

Notes:

- (a) The Group places statutory deposit reserves with the People's Bank of China (the "PBOC") in accordance with relevant regulations. As at the end of the period, the statutory deposit reserve ratios applicable to the Bank were as follows:

	30 June 2022	31 December 2021
Reserve ratio for RMB deposits	7.75%	8.00%
Reserve ratio for foreign currency deposits	8.00%	9.00%

The statutory deposit reserves are not available for the Group's daily business. The RMB deposit reserve ratio of the Group's subsidiaries in Mainland China is executed in accordance with the relevant regulations of the PBOC. The amounts of statutory deposit reserves placed with the central banks of overseas are determined by local regulatory authorities.

- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of clearing.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10 Deposits with banks and other financial institutions

Analysed by type and location of counterparty

	30 June 2022	31 December 2021
Deposits in Mainland China		
– Banks	15,592	25,855
– Other financial institutions	2,711	418
Deposits outside Mainland China		
– Banks	24,782	25,348
Subtotal	43,085	51,621
Accrued interest	4	27
Total	43,089	51,648
Less: Provision for impairment losses	(470)	(459)
Net balances	42,619	51,189

11 Placements with banks and other financial institutions

Analysed by type and location of counterparty

	30 June 2022	31 December 2021
Placements in Mainland China		
– Banks	7,380	11,795
– Other financial institutions	70,290	78,469
Placements outside Mainland China		
– Banks	37,721	48,268
Subtotal	115,391	138,532
Accrued interest	212	221
Total	115,603	138,753
Less: Provision for impairment losses	(551)	(404)
Net balances	115,052	138,349

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12 Derivatives and hedge accounting

Derivative financial instruments included forward, swaps, futures 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 period. The notional amounts of the derivatives indicate the volume of transactions outstanding at the end of the period, while they do not represent exposure at risk.

(a) Analysed by nature of contract

	30 June 2022		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
– Interest rate swaps	1,048,027	5,875	(5,765)
– Treasury futures	643	4	–
Currency derivatives			
– Foreign exchange forwards	30,687	367	(360)
– Foreign exchange swaps and cross-currency interest rate swaps	661,840	7,027	(4,804)
– Foreign exchange options	12,619	546	(43)
Credit derivatives	80	2	–
Total	1,753,896	13,821	(10,972)

	31 December 2021		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
– Interest rate swaps	1,020,673	6,470	(6,723)
Currency derivatives			
– Foreign exchange forwards	38,778	602	(496)
– Foreign exchange swap and cross-currency interest rate swaps	801,008	6,031	(6,077)
– Foreign exchange options	22,829	601	(41)
Credit derivatives	80	1	–
Total	1,883,368	13,705	(13,337)

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12 Derivatives and hedge accounting (continued)

(b) Analysed by credit risk-weighted amount

	30 June 2022	31 December 2021
Counterparty default risk-weighted assets		
– Interest rate derivatives	1,434	1,459
– Currency derivatives	3,137	2,311
Credit value adjustment risk-weighted assets	4,221	1,882
Total	8,792	5,652

The risk-weighted assets for counterparty credit risk (“CCR”) of derivatives of the Group were calculated in accordance with “Regulation Governing Capital of 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 have been calculated in accordance with the Assets Measurement Rules for Counterparty Default Risks of Derivatives since 1 January 2019.

(c) Hedge accounting

The Group uses interest rate swaps to hedge fair value changes caused by interest rate changes, and the hedged item is fixed interest debt securities. As at 30 June 2022, the notional amount of the derivative financial instruments used by the Group for the fair value hedging instrument in the hedge accounting was RMB3,501 million (31 December 2021: RMB3,270 million). In the above hedging instrument, derivative financial assets was RMB308 million (31 December 2021: RMB41 million), derivative financial liabilities was RMB0 million (31 December 2021: RMB11 million).

For the six months ended 30 June 2022 and 30 June 2021, the fair value changes recognised in profit or loss attributed to the ineffective hedging were not significant.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13 Financial assets held under resale agreements

(a) Analysed by type and location of counterparty

	30 June 2022	31 December 2021
In Mainland China		
– Banks	9,685	2,300
– Other financial institutions	98,211	28,731
Outside Mainland China		
– Banks	17	2
– Other financial institutions	47	133
Subtotal	107,960	31,166
Accrued interest	10	2
Total	107,970	31,168
Less: Provision for impairment losses	(15)	(4)
Net balances	107,955	31,164

(b) Analysed by type of security held

	30 June 2022	31 December 2021
Debt securities		
– Government debt securities	14,796	7,586
– Other debt securities	93,164	23,580
Subtotal	107,960	31,166
Accrued interest	10	2
Total	107,970	31,168
Less: Provision for impairment losses	(15)	(4)
Net balances	107,955	31,164

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**14 Loans and advances to customers****(a) Analysed by nature**

	30 June 2022	31 December 2021
Loans and advances to customers measured at amortised cost		
Corporate loans and advances	1,828,274	1,720,006
Discounted bills	632	901
Personal loans and advances		
– Personal housing mortgage loans	585,567	565,296
– Personal business loans	236,141	203,600
– Personal consumer loans	208,170	214,068
– Credit cards	450,036	447,786
Subtotal	1,479,914	1,430,750
Loans and advances to customers at fair value through other comprehensive income		
Fox-domestic credit	80,611	70,813
Discounted bills	123,100	84,834
Subtotal	203,711	155,647
Total	3,512,531	3,307,304
Accrued interest	8,948	8,981
Gross loans and advances to customers	3,521,479	3,316,285
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(81,610)	(76,889)
Net loans and advances to customers	3,439,869	3,239,396
Provision for impairment losses of loans and advances to customers at fair value through other comprehensive income	(582)	(474)

As at the end of the reporting period, part of the above loans and advances to customers was pledged for repurchase agreements. See Note III 23(a).

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 Loans and advances to customers (continued)

(b) Analysed by economic sector

	30 June 2022		
	Amount	Percentage	Loans and advances secured by collateral
Manufacturing	371,961	10.58%	96,264
Water, environment and public utility management	328,867	9.36%	127,944
Leasing and commercial services	252,741	7.20%	67,870
Real estate	187,821	5.35%	128,552
Wholesale and retail trade	162,708	4.63%	45,529
Construction	145,661	4.15%	45,747
Transportation, storage and postal services	100,666	2.87%	35,559
Finance	89,510	2.55%	7,018
Agriculture, forestry, husbandry and fishery	67,913	1.93%	20,882
Production and supply of electricity, gas and water	63,864	1.82%	13,466
Others	137,173	3.91%	36,994
Subtotal of corporate loans and advances	1,908,885	54.35%	625,825
Personal loans and advances	1,479,914	42.13%	805,263
Discounted bills	123,732	3.52%	119,236
Total	3,512,531	100.00%	1,550,324
Accrued interest	8,948		
Gross loans and advances to customers	3,521,479		
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(81,610)		
Net loans and advances to customers	3,439,869		
Provision for impairment losses of loans and advances to customers at fair value through other comprehensive income	(582)		

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 Loans and advances to customers (continued)

(b) Analysed by economic sector (continued)

	31 December 2021		Loans and advances secured by collateral
	Amount	Percentage	
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)		

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 Loans and advances to customers (continued)

(c) Analysed by type of collateral

	30 June 2022	31 December 2021
Unsecured loans	1,137,248	1,076,478
Guaranteed loans	824,959	765,976
Secured loans		
– By tangible assets other than monetary assets	1,175,152	1,117,183
– By monetary assets	375,172	347,667
Total	3,512,531	3,307,304
Accrued interest	8,948	8,981
Gross loans and advances to customers	3,521,479	3,316,285
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(81,610)	(76,889)
Net loans and advances to customers	3,439,869	3,239,396
Provision for impairment losses of loans and advances to customers at fair value through other comprehensive income	(582)	(474)

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**14 Loans and advances to customers (continued)****(d) Analysed by geographical sector**

	30 June 2022		
	Loan balance	Percentage	Loans and advances secured by collateral
Yangtze River Delta	819,536	23.32%	334,894
Central	610,351	17.38%	332,950
Pearl River Delta	496,841	14.14%	299,402
Bohai Rim	455,461	12.97%	250,343
Western	446,994	12.73%	233,074
Northeastern	107,399	3.06%	76,814
Overseas	114,370	3.26%	13,072
Head Office	461,579	13.14%	9,775
Total	3,512,531	100.00%	1,550,324

	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

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 Loans and advances to customers (continued)

(d) Analysed by geographical sector (continued)

As at the end of the reporting period, 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:

	30 June 2022			
	Impaired loans and advances	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)
Pearl River Delta	11,248	(6,169)	(3,000)	(4,808)
Yangtze River Delta	5,249	(10,026)	(2,535)	(2,850)
Bohai Rim	5,146	(3,295)	(2,081)	(3,791)
Central	4,868	(5,983)	(3,846)	(2,723)
Western	4,223	(4,335)	(3,940)	(2,442)
Total	30,734	(29,808)	(15,402)	(16,614)

	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)

For the definition of regional divisions, see Note III 47(b).

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 Loans and advances to customers (continued)

(e) Overdue loans analysed by overdue period

	30 June 2022				Total
	Overdue within three months or less (inclusive)	Overdue more than three months to one year (inclusive)	more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	13,349	9,536	1,521	223	24,629
Guaranteed loans	5,446	3,260	2,531	279	11,516
Secured loans					
– By tangible assets other than monetary assets	10,953	8,021	8,982	901	28,857
– By monetary assets	1,959	728	1,071	90	3,848
Subtotal	31,707	21,545	14,105	1,493	68,850
Accrued interest	295	–	–	–	295
Total	32,002	21,545	14,105	1,493	69,145
As a percentage of gross loans and advances to customers	0.91%	0.61%	0.40%	0.04%	1.96%

	31 December 2021				Total
	Overdue within three months or less (inclusive)	Overdue more than three months to one year (inclusive)	more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	14,526	10,872	1,329	176	26,903
Guaranteed loans	2,912	3,263	2,111	344	8,630
Secured loans					
– By tangible assets other than monetary assets	7,985	9,295	5,841	865	23,986
– By monetary assets	4,416	909	858	2	6,185
Subtotal	29,839	24,339	10,139	1,387	65,704
Accrued interest	645	–	–	–	645
Total	30,484	24,339	10,139	1,387	66,349
As a percentage of gross loans and advances to customers	0.92%	0.73%	0.31%	0.04%	2.00%

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

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 Loans and advances to customers (continued)

(f) Loans and advances and provision for impairment losses

	30 June 2022				Stage 3 loans and advances as a percentage of loans and advances
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total	
Loan principal	3,332,184	134,148	46,199	3,512,531	1.32%
Accrued interest	7,605	926	417	8,948	
Gross loans and advances to customers	3,339,789	135,074	46,616	3,521,479	
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(34,385)	(20,742)	(26,483)	(81,610)	
Net loans and advances to customers	3,305,404	114,332	20,133	3,439,869	

	31 December 2021				Stage 3 loans and advances as a percentage of loans and advances
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total	
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	

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 Loans and advances to customers (continued)

(g) Reconciliation of provision for impairment losses

	For the six months ended 30 June 2022			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
As at 1 January 2022	(31,363)	(19,935)	(25,591)	(76,889)
Transfer to Stage 1	(1,399)	1,104	295	–
Transfer to Stage 2	948	(1,208)	260	–
Transfer to Stage 3	227	2,877	(3,104)	–
Net charge for the period	(2,777)	(3,578)	(18,634)	(24,989)
Write-off and disposal	–	–	23,862	23,862
Recovery of loans and advances written off	–	–	(3,919)	(3,919)
Interest income arising from impaired loans	–	–	348	348
Exchange fluctuation and others	(21)	(2)	–	(23)
As at 30 June 2022	(34,385)	(20,742)	(26,483)	(81,610)
	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)
Interest income arising from impaired loans	–	–	907	907
Exchange fluctuation and others	8	(1)	–	7
As at 31 December 2021	(31,363)	(19,935)	(25,591)	(76,889)

Note:

- (i) The above reconciliation of provision for impairment losses only represents provision for impairment losses of loans and advances to customers measured at amortised cost. As at 30 June 2022, the balance of provision for impairment losses of loans and advances to customers at fair value through other comprehensive income was RMB582 million (31 December 2021: RMB474 million).

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 Loans and advances to customers (continued)

(h) Rescheduled loans and advances to customers

	30 June 2022	31 December 2021
Rescheduled loans and advances to customers	4,514	4,634
Of which: Rescheduled loans and advances to customers overdue more than 90 days	259	70

15 Finance lease receivables

	30 June 2022	31 December 2021
Minimum finance lease receivables	125,012	127,150
Less: Unearned finance lease income	(14,900)	(15,556)
Present value of minimum lease receivables	110,112	111,594
Accrued interest	1,061	1,223
Less: Provision for impairment losses	(4,168)	(3,764)
Net balance	107,005	109,053

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

	30 June 2022	31 December 2021
Less than 1 year (inclusive)	37,080	36,337
1 year to 2 years (inclusive)	30,302	29,568
2 years to 3 years (inclusive)	24,923	24,301
3 years to 4 years (inclusive)	16,809	17,585
4 years to 5 years (inclusive)	8,395	10,763
More than 5 years	7,503	8,596
Total	125,012	127,150

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Financial investments

	Notes	30 June 2022	31 December 2021
Financial assets at fair value through profit or loss	(a)	391,435	383,666
Debt instruments at fair value through other comprehensive income	(b)	425,768	325,695
Equity instruments at fair value through other comprehensive income	(c)	1,124	1,125
Financial investments measured at amortised cost	(d)	1,126,653	1,125,530
Total		1,944,980	1,836,016

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

	Notes	30 June 2022	31 December 2021
Debt instruments held for trading	(i)	92,070	50,891
Other financial assets at fair value through profit or loss	(ii)	299,365	332,775
Total		391,435	383,666

(i) Debt instruments held for trading

	Notes	30 June 2022	31 December 2021
Analysed by type and location of counterparty:			
In Mainland China			
– Government		6,810	4,146
– Banks and other financial institutions		29,417	33,820
– Other institutions	(1)	18,053	11,243
Outside Mainland China			
– Government		333	797
– Banks and other financial institutions		36,887	351
– Other institutions		570	534
Total	(2)	92,070	50,891
Listed	(3)	2,344	2,051
Of which: Listed in Hong Kong		1,220	881
Unlisted		89,726	48,840
Total		92,070	50,891

Notes:

- (1) At the end of the reporting period, 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 reporting period, some of the debt instruments held for trading were pledged for repurchase agreements. See Note III 23(a).
- (3) Listed investments include debt instruments traded on a stock exchange.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Financial investments (continued)

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

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

	30 June 2022	31 December 2021
Fund investments	222,827	253,537
Equity instruments	4,291	4,088
Others	72,247	75,150
Total	299,365	332,775

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

(i) Analysed by type and location of counterparty:

	Notes	30 June 2022	31 December 2021
In Mainland China			
– Government		173,436	125,286
– Banks and other financial institutions	(1)	136,007	98,420
– Other institutions	(2)	60,904	58,904
Outside Mainland China			
– Government		3,665	93
– Banks and other financial institutions		25,279	15,835
– Other institutions		20,515	22,211
Subtotal		419,806	320,749
Accrued interest		5,962	4,946
Total	(3)(4)	425,768	325,695
Listed	(5)	65,470	56,394
Of which listed in Hong Kong		37,970	38,665
Unlisted		354,336	264,355
Subtotal		419,806	320,749
Accrued interest		5,962	4,946
Total		425,768	325,695

Notes:

- (1) Debt instruments issued by banks and other financial institutions mainly represent debt securities issued by banks and other financial institutions in Mainland China.
- (2) Debt instruments issued by other institutions mainly represent debt securities issued by state-owned enterprises and joint stock enterprises in Mainland China.
- (3) As at 30 June 2022, the provision for impairment losses of the debt instruments at fair value through other comprehensive income approximated to RMB1,011 million (31 December 2021: RMB687 million).
- (4) At the end of the reporting period, part of the debt instruments at fair value through other comprehensive income were pledged for repurchase agreements and time deposits, see Note III 23(a).
- (5) Listed investments include debt instruments traded on a stock exchange.

Notes to the Unaudited Condensed Consolidated Financial Statements

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Financial investments (continued)

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

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

	For the six months ended 30 June 2022			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
As at 1 January 2022	(410)	(104)	(173)	(687)
Transfer to Stage 2	54	(74)	20	–
Net charge for the period	(163)	(136)	(8)	(307)
Exchange fluctuation and others	(17)	–	–	(17)
As at 30 June 2022	(536)	(314)	(161)	(1,011)

	2021			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
As at 1 January 2021	(420)	–	(36)	(456)
Transfer to Stage 2	7	(7)	–	–
Transfer to Stage 3	6	–	(6)	–
Net charge for the year	(5)	(97)	(131)	(233)
Exchange fluctuation and others	2	–	–	2
As at 31 December 2021	(410)	(104)	(173)	(687)

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

	Notes	30 June 2022	31 December 2021
Equity instruments at fair value through other comprehensive income	(i)	1,124	1,125
Listed	(ii)	22	23
Of which: Listed in Hong Kong		–	–
Unlisted		1,102	1,102
Total		1,124	1,125

Notes:

(i) The Group designated the equity instruments not held for trading as measured at fair value through other comprehensive income. As at 30 June 2022, the fair value of equity instruments was RMB1,124 million (31 December 2021: RMB1,125 million). For the six months ended 30 June 2022, the Group has not received dividends from the above equity instruments (for the six months ended 30 June 2021: Nil).

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

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Financial investments (continued)

(d) Financial investments measured at amortised cost

	Notes	30 June 2022	31 December 2021
Debt securities and asset-backed instruments	(i)	1,010,713	978,630
Others	(ii)	112,894	139,573
Subtotal		1,123,607	1,118,203
Accrued interest		15,568	17,652
Total		1,139,175	1,135,855
Less: Provision for impairment losses		(12,522)	(10,325)
Net balance		1,126,653	1,125,530
Listed	(iii)	195,367	157,553
Of which: Listed in Hong Kong		21,520	15,725
Unlisted		915,718	950,325
Subtotal		1,111,085	1,107,878
Accrued interest		15,568	17,652
Net balance		1,126,653	1,125,530

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

	Notes	30 June 2022	31 December 2021
In Mainland China			
– Government		347,823	364,017
– Banks and other financial institutions	(1)	383,505	405,557
– Other institutions	(2)	220,065	187,762
Outside Mainland China			
– Government		26,069	5,260
– Banks and other financial institutions		24,201	6,572
– Other institutions		9,050	9,462
Subtotal		1,010,713	978,630
Accrued interest		14,466	16,823
Total	(3)	1,025,179	995,453
Less: Provision for impairment losses		(4,623)	(3,981)
Net balance		1,020,556	991,472
Fair value		1,041,537	1,003,770

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 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: (continued)

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 issued by other institutions mainly represent debt securities issued by state-owned enterprises and joint stock enterprises in Mainland China.
- (3) As at the end of the period, part of the debt securities measured at amortised cost were pledged for repurchase agreements, time deposits and derivative transactions. See Note III 23(a).

(ii) Other financial investments measured at amortised cost mainly include fund investments and other income right investments.

(iii) Listed investments include debt instruments traded on a stock exchange.

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

	For the six months ended 30 June 2022			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
As at 1 January 2022	(1,361)	(1,315)	(7,649)	(10,325)
Transfer to Stage 2	3	(3)	–	–
Transfer to Stage 3	150	1,369	(1,519)	–
Net charge for the period	(325)	(127)	(2,230)	(2,682)
Write-off and transfer out	–	–	501	501
Exchange fluctuation and others	(16)	–	–	(16)
As at 30 June 2022	(1,549)	(76)	(10,897)	(12,522)

	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)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Investments in subsidiaries and joint ventures

(a) Investments in subsidiaries

	30 June 2022	31 December 2021
Everbright Financial Leasing Co., Ltd.	4,680	4,680
CEB International Investment Co., Ltd.	2,267	2,267
Shaoshan Everbright Rural Bank Co., Ltd.	105	105
Jiangsu Huai'an Everbright Rural Bank Co., Ltd.	70	70
China Everbright Bank Company Limited (Europe)	156	156
Jiangxi Ruijin Everbright Rural Bank Co., Ltd.	105	105
Everbright Wealth Co., Ltd.	5,000	5,000
Beijing Sunshine Consumer Finance Co., Ltd.	600	600
Total	12,983	12,983

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

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Investments in subsidiaries and joint ventures (continued)

(b) Investments in joint ventures

	For the six months ended 30 June 2022	2021
As at 1 January 2022	256	257
(Decrease)/Increase capital	(47)	93
Investment losses under the equity method	(32)	(90)
Foreign currency conversion difference	10	(4)
As at 30 June 2022	187	256

18 Property, plant and equipment

	Premises (Note (i))	Aircraft (Note (ii))	Construction in progress	Electronic equipment	Others	Total
Cost						
As at 1 January 2022	13,529	10,134	2,656	9,151	4,818	40,288
Additions	14	–	288	681	134	1,117
Transfer in/(out)	694	–	(694)	–	–	–
Disposals	–	–	–	(391)	(104)	(495)
Foreign currency conversion difference	–	525	–	–	–	525
As at 30 June 2022	14,237	10,659	2,250	9,441	4,848	41,435
Accumulated depreciation						
As at 1 January 2022	(4,895)	(882)	–	(5,582)	(3,611)	(14,970)
Charge for the period	(216)	(190)	–	(582)	(182)	(1,170)
Disposals	–	–	–	374	68	442
Foreign currency conversion difference	–	(51)	–	–	–	(51)
As at 30 June 2022	(5,111)	(1,123)	–	(5,790)	(3,725)	(15,749)
Provision for impairment losses						
As at 1 January 2022	(163)	–	–	–	–	(163)
As at 30 June 2022	(163)	–	–	–	–	(163)
Net balances						
As at 30 June 2022	8,963	9,536	2,250	3,651	1,123	25,523

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Property, plant and equipment (continued)

	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
Transfer 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 losses						
As at 1 January 2021	(163)	–	–	–	–	(163)
As at 31 December 2021	(163)	–	–	–	–	(163)
Net balances						
As at 31 December 2021	8,471	9,252	2,656	3,569	1,207	25,155

Notes:

- (i) As at 30 June 2022, title deeds were not yet finalised for the premises with a carrying amount of RMB37 million (31 December 2021: RMB38 million). Management of the Group expected that there would be no significant cost in obtaining the title deeds.
- (ii) As at 30 June 2022, Everbright Financial Leasing, the Group's subsidiary leased certain aircraft and aircraft engines which were included in "Aircraft" to third parties under operating lease arrangements, with a net book value of RMB9,536 million (31 December 2021: RMB9,252 million). As at the end of the reporting period, part of the finance lease receivables was pledged for borrowings from banks. See Note III 23(a).

The net balances of premises at the end of the reporting period are analysed by the remaining terms of leases as follows:

	30 June 2022	31 December 2021
Held in Mainland China		
– Medium term leases (10 to 50 years)	8,447	8,002
– Short term leases (less than 10 years)	516	469
Total	8,963	8,471

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20 Goodwill

	30 June 2022	31 December 2021
Gross amount	6,019	6,019
Less: Provision for impairment losses	(4,738)	(4,738)
Net balances	1,281	1,281

As approved by the PBOC, the Bank and China Development Bank (“CDB”) jointly signed the “Agreement between China Development Bank and China Everbright Bank for the transfer of assets, liabilities and banking premises of China Investment Bank” (the “Agreement”) on 18 March 1999. According to the Agreement, CDB transferred the assets, liabilities, equity and 137 outlets of 29 branches of the former China Investment Bank (“CIB”) to the Bank. The Agreement became effective on 18 March 1999. The Bank assessed the fair value of the transferred assets and liabilities, and recognised the excess of the purchase cost over the sum of the fair value of the net assets transferred and deferred tax assets as goodwill.

21 Deferred tax assets and liabilities

(a) Analysed by nature

	30 June 2022		31 December 2021	
	Temporary difference	Deferred tax assets/ (liabilities)	Temporary difference	Deferred tax assets/ (liabilities)
Deferred income tax assets	129,344	32,336	79,583	19,895
Deferred income tax liabilities	–	–	–	–
Total	129,344	32,336	79,583	19,895

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21 Deferred tax assets and liabilities (continued)

(b) Movements of deferred tax

	Provision for impairment losses Note(i)	Fair value changes of financial instruments Note(ii)	Accrued staff costs and others	Net balance of deferred tax assets/(liabilities)
As at 1 January 2022	17,847	(953)	3,001	19,895
Recognised in profit or loss	11,295	61	484	11,840
Recognised in other comprehensive income	(83)	684	–	601
As at 30 June 2022	29,059	(208)	3,485	32,336

	Provision for impairment losses (Note (i))	Fair value changes of financial instruments (Note (ii))	Accrued staff costs and others	Net balance of deferred tax assets/(liabilities)
As at 1 January 2021	17,324	137	2,126	19,587
Recognised in profit or loss	507	(389)	875	993
Recognised in other comprehensive income	16	(701)	–	(685)
As at 31 December 2021	17,847	(953)	3,001	19,895

Notes:

- (i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets at the end of the period. 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 period, 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.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22 Other assets

	Note	30 June 2022	31 December 2021
Other receivables	(a)	57,674	25,058
Accrued interest		6,231	5,713
Intangible assets		2,676	2,684
Refundable deposits		2,062	2,148
Prepayments for property, plant and equipment purchase		1,048	1,004
Long-term deferred expense		876	950
Repossessed assets		300	327
Land use rights		80	83
Others		3,241	3,001
Total		74,188	40,968

Note:

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

23 Pledged assets

(a) Assets pledged as collateral

The Group's 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 assets pledged as securities as at 30 June 2022 was RMB179.785 billion (as at 31 December 2021: RMB160.10 billion).

(b) Collateral received

The Group accepted securities as collateral for those which are permitted to be sold or re-pledged in connection with reverse repurchase agreements with banks and other financial institutions in the six months ended 30 June 2022. As at 30 June 2022, the Group had no collateral received from banks and other financial institutions (31 December 2021: Nil). As at 30 June 2022, the Group had no collateral that was sold or re-pledged but was obligated to return (31 December 2021: Nil). These transactions are conducted under standard terms in the normal course of business.

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24 Due to the central bank

	30 June 2022	31 December 2021
Due to the central bank	74,680	100,143
Accrued interest	1,593	1,037
Total	76,273	101,180

25 Deposits from banks and other financial institutions

Analysed by type and location of counterparty

	30 June 2022	31 December 2021
Deposits in Mainland China		
– Banks	137,776	163,919
– Other financial institutions	302,273	359,030
Deposits outside Mainland China		
– Banks	1,867	1,526
Subtotal	441,916	524,475
Accrued interest	1,037	1,784
Total	442,953	526,259

26 Placements from banks and other financial institutions

Analysed by type and location of counterparty

	30 June 2022	31 December 2021
Placements in Mainland China		
– Banks	118,027	111,353
– Other financial institutions	11,469	12,102
Placements outside Mainland China		
– Banks	76,698	55,464
Subtotal	206,194	178,919
Accrued interest	657	707
Total	206,851	179,626

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27 Financial liabilities at fair value through profit or loss

	30 June 2022	31 December 2021
Short position in debt securities	64	67
Total	64	67

28 Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparty

	30 June 2022	31 December 2021
In Mainland China		
– Banks	73,237	72,963
Outside Mainland China		
– Banks	13,683	7,439
– Other financial institutions	244	183
Subtotal	87,164	80,585
Accrued interest	30	15
Total	87,194	80,600

(b) Analysed by collateral

	30 June 2022	31 December 2021
Debt securities	85,713	78,170
Bank acceptance bills	1,451	2,415
Subtotal	87,164	80,585
Accrued interest	30	15
Total	87,194	80,600

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29 Deposits from customers

	30 June 2022	31 December 2021
Demand deposits		
– Corporate customers	905,482	843,252
– Individual customers	254,026	251,609
Subtotal	1,159,508	1,094,861
Time deposits		
– Corporate customers	1,633,737	1,606,347
– Individual customers	689,193	602,576
Subtotal	2,322,930	2,208,923
Pledged deposits	401,023	313,623
Other deposits	2,061	2,915
Subtotal deposits from customers	3,885,522	3,620,322
Accrued interest	62,090	55,421
Total	3,947,612	3,675,743

30 Accrued staff costs

	Notes	30 June 2022	31 December 2021
Salary and welfare payable		14,154	13,845
Pension and annuity payable	(a)	263	220
Supplementary retirement benefits payable	(b)	2,712	2,712
Total		17,129	16,777

Notes:

(a) Pension scheme

Pursuant to the relevant laws and regulations in the PRC, the Group operates a defined contribution scheme for its employees arranged by local government labour and social security organisations. The Group makes contributions to the retirement scheme at the applicable rates based on the amounts stipulated by the relevant government organisations.

The Group provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to its employees' gross wages in the prior year, which are expensed to profit or loss when the contributions are made.

(b) Supplementary retirement benefits ("SRB")

The Group pays SRB for eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting period. The Group's obligations in respect of the SRB were assessed, using projected unit credit method by qualified staff (a member of society of Actuaries in America) of an external independent actuary, Wills Towers Watson Management Consulting (Shenzhen) Co., Ltd..

Except for (a) and (b) above, the Group has no other major responsibilities for the payment of employee retirement benefits and other post-retirement benefits.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 Taxes payable

	30 June 2022	31 December 2021
Income tax payable	6,810	3,089
Value added tax payable	3,107	2,965
Others	397	481
Total	10,314	6,535

32 Lease liabilities

	30 June 2022	31 December 2021
Within 1 year (inclusive)	2,788	2,841
1 year to 2 years (inclusive)	2,229	2,340
2 years to 3 years (inclusive)	1,772	1,851
3 years to 5 years (inclusive)	2,551	2,601
More than 5 years	2,312	2,546
Total undiscounted lease liabilities	11,652	12,179
Lease liabilities	10,300	10,736

33 Debt securities issued

	Notes	30 June 2022	31 December 2021
Subordinated debts issued	(a)	–	6,700
Financial bonds issued	(b)	81,368	42,174
Tier-two capital bonds issued	(c)	13,592	41,434
Convertible bonds issued	(d)	23,790	23,498
Interbank deposits issued	(e)	718,609	586,331
Certificates of deposit issued	(f)	49,101	35,309
Medium term notes	(g)	23,054	25,127
Subtotal		909,514	760,573
Accrued interest		1,519	2,959
Total		911,033	763,532

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For the six months ended 30 June 2022

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33 Debt securities issued (continued)

(a) Subordinated debts issued

	Note	30 June 2022	31 December 2021
Subordinated fixed rate debts maturing in June 2027	(i)	–	6,700
Total		–	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 was 5.25% per annum. At the end of the tenth year, the issuer could redeem the debts. The Group redeemed the debts on 8 June 2022 at the nominal amount.
- (ii) As at 30 June 2022, the fair value of the total subordinated debts issued approximated to RMB0 million (31 December 2021: RMB6,767 million).

(b) Financial bonds issued

	Notes	30 June 2022	31 December 2021
Fixed rate financial bonds maturing in January 2022	(i)	–	800
Fixed rate financial bonds maturing in March 2024	(ii)	39,991	39,988
Floating rate financial bonds maturing in May 2024	(iii)	1,381	1,386
Fixed rate financial bonds maturing in February 2025	(iv)	39,996	–
Total		81,368	42,174

Notes:

- (i) Fixed rate financial bonds of RMB0.80 billion with a term of three years were issued by Everbright Financial Leasing on 18 January 2019. The coupon rate was 3.49% per annum.
- (ii) Fixed rate financial bonds for Small and Micro Enterprises Loans in 2021 of RMB40.00 billion with a term of three years were issued by the Bank on 22 March 2021. The coupon rate is 3.45% per annum.
- (iii) Floating rate financial bonds of AUD0.30 billion with a term of three years were issued by the Bank's Sydney branch on 18 May 2021. The initial coupon rate is 0.68% per annum.
- (iv) Fixed rate financial bonds for Small and Micro Enterprises Loans in 2022 of RMB40.00 billion with a term of three years were issued by the Bank on 21 February 2022. The coupon rate is 2.73% per annum.
- (v) As at 30 June 2022, the fair value of the total financial bonds issued approximated to RMB81,995 million (31 December 2021: RMB42,824 million).

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33 Debt securities issued (continued)

(c) Tier-two capital bonds issued

	Notes	30 June 2022	31 December 2021
Fixed rate tier-two capital rate bonds maturing in March 2027	(i)	–	27,992
Fixed rate tier-two capital rate bonds maturing in August 2027	(ii)	11,996	11,996
Fixed rate tier-two capital rate bonds maturing in September 2030	(iii)	1,596	1,446
Total		13,592	41,434

Notes:

- (i) Fixed rate tier-two capital bonds of RMB28.00 billion with a term of ten years were issued on 2 March 2017. The coupon rate is 4.60% per annum. At the end of the fifth year, the issuer could redeem the debts. The Group redeemed 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 30 June 2022, the fair value of the total tier-two capital bonds issued approximated to RMB13,704 million (31 December 2021: RMB41,739 million).

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33 Debt securities issued (continued)

(d) Convertible bonds issued

	30 June 2022	31 December 2021
Fixed rate six years convertible bonds issued in March 2017	23,790	23,498

The convertible corporate bonds issued have been split into the liability and equity components as follows:

	Note	Liability component	Equity component Note III 36	Total
Nominal value of convertible bonds		24,826	5,174	30,000
Direct transaction costs		(64)	(13)	(77)
Balance as at the issuance date		24,762	5,161	29,923
Accumulated amortisation as at 1 January 2022		4,183	–	4,183
Accumulated conversion amount as at 1 January 2022		(5,447)	(998)	(6,445)
Balance as at 1 January 2022		23,498	4,163	27,661
Amortisation during the period		292	–	292
Conversion amount during the period	(iv)	–	–	–
Balance as at 30 June 2022		23,790	4,163	27,953

Notes:

- (i) Pursuant to the approval of 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 17 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 period ("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.
- (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 of 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 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 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 30 June 2022, the conversion price was RMB3.35 per share.
- (iv) As at 30 June 2022, a total of RMB5,801 million (31 December 2021: RMB5,801 million) convertible bonds have been converted into ordinary shares, the cumulative convertible number of shares is 1,542,826,588 (31 December 2021: 1,542,823,195).

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33 Debt securities issued (continued)

(e) Interbank deposits issued

For the six months ended 30 June 2022, 131 inter-bank deposits were issued by the Bank and measured at amortised cost with a carrying amount of RMB503,000 million (six months ended 30 June 2021: RMB249,330 million). The carrying amount of interbank deposits due in the six months ended 30 June 2022 was RMB371,090 million (six months ended 30 June 2021: RMB117,360 million). As at 30 June 2022, the fair value of its outstanding interbank deposits issued was RMB710,896 million (31 December 2021: RMB579,510 million).

(f) Certificates of deposit issued

As at 30 June 2022, the certificates of deposit were issued by the Bank's Hong Kong Branch, Seoul Branch, Sydney Branch and Luxembourg Branch measured at amortised cost. The fair value of the certificates of deposit issued approximated to their carrying amount.

(g) Medium term notes

	Notes	30 June 2022	31 December 2021
Medium term notes with floating rate maturing on 24 June 2022	(i)	–	3,182
Medium term notes with floating rate maturing on 11 December 2022	(ii)	3,343	3,182
Medium term notes with floating rate maturing on 3 August 2023	(iii)	4,680	4,455
Medium term notes with fixed rate maturing on 11 March 2024	(iv)	3,677	3,500
Medium term notes with fixed rate maturing on 15 June 2024	(v)	4,011	3,818
Medium term notes with fixed rate maturing on 14 September 2024	(vi)	3,341	3,181
Medium term notes with fixed rate maturing on 1 December 2024	(vii)	2,005	1,909
Medium term notes with fixed rate maturing on 15 December 2024	(viii)	1,997	1,900
Total		23,054	25,127

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33 Debt securities issued (continued)

(g) Medium term notes (continued)

Notes:

- (i) Floating rate medium term notes of USD500 million with a term of three years were issued by the Bank's Hong Kong branch on 17 June 2019. The initial coupon rate was 3.13% per annum.
- (ii) Floating rate medium term notes of USD500 million with a term of three years were issued by the Bank's Hong Kong branch on 4 December 2019. The initial coupon rate is 2.59% per annum.
- (iii) Floating rate medium term notes of USD700 million with a term of three years were issued by the Bank's Hong Kong branch on 27 July 2020. The initial coupon rate is 1.10% per annum.
- (iv) Fixed rate medium term notes of USD550 million with a term of three years were issued by the Bank's Hong Kong branch on 4 March 2021. The coupon rate is 0.93% per annum.
- (v) Fixed rate medium term notes of USD600 million with a term of three years were issued by the Bank's Hong Kong branch on 8 June 2021. The coupon rate is 0.84% per annum.
- (vi) Fixed rate medium term notes of USD500 million with a term of three years were issued by the Bank's Luxembourg branch on 14 September 2021. The coupon rate is 0.83% per annum.
- (vii) Fixed rate medium term notes of USD300 million with a term of three years were issued by the Bank's Hong Kong branch on 1 December 2021. The coupon rate is 1.27% per annum.
- (viii) Fixed rate medium term notes of USD300 million with a term of three years were issued by the Bank's subsidiary CEB International on 9 December 2021. The coupon rate is 2.00% per annum.
- (ix) As at 30 June 2022, the fair value of the medium term notes approximated to RMB22,362 million (31 December 2021: RMB22,409 million).

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34 Other liabilities

	Notes	30 June 2022	31 December 2021
Bank loans	(a)	9,488	10,841
Deposit payable of finance leases		6,312	6,100
Payment and collection clearance accounts		4,534	4,885
Dividend payables		2,603	22
Provisions	(b)	2,545	2,213
Dormant accounts		856	408
Others		17,679	18,842
Total		44,017	43,311

Notes:

(a) 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. As at 30 June 2022, the amount of the long-term bank loans was RMB9,488 million (31 December 2021: RMB10,841 million).

(b) Provisions

	30 June 2022	31 December 2021
Expected credit losses on off-balance sheet items	2,306	1,979
Litigation losses	160	165
Others	79	69
Total	2,545	2,213

The movement of the provision was as follows:

	For the six Months ended 30 June 2022	31 December 2021
As at 1 January 2022	2,213	4,280
Net charge for the period/year	340	(2,057)
Payments for the period/year	(8)	(10)
As at 30 June 2022/31 December 2021	2,545	2,213

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35 Share capital

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

	30 June 2022	31 December 2021
Ordinary shares listed in Mainland China (A share)	41,353	41,353
Ordinary shares listed in Hong Kong (H share)	12,679	12,679
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.

36 Other equity instruments

	Note III	30 June 2022	31 December 2021
Preference shares (Notes (a), (b), (c), (e))		64,906	64,906
Equity of convertible bonds	33(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 period

Issue date	Dividend rate	Issue price (RMB/share)	Number of shares issued (million)	Issue amount (RMB million)	Conversion condition
Everbright P1 2015-6-19	4.45%	100	200	20,000	Mandatory conversion triggering events
Everbright P2 2016-8-8	4.01%	100	100	10,000	Mandatory conversion triggering events
Everbright P3 2019-7-15	4.80%	100	350	35,000	Mandatory conversion triggering events
Subtotal				65,000	
Less: Issuing costs				(94)	
Book value				64,906	

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36 Other equity instruments (continued)

(b) Main clauses of preference shares

(i) Dividend

The rate is fixed 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 if 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 the ordinary shareholders.

(v) Mandatory conversion triggering events

Upon the occurrence of an Additional Tier-one Capital Triggering Event (adequacy ratio of common equity tier-one capital 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 adequacy ratio of common equity tier-one capital of the Group to above 5.125%; If preference shares were converted to A shares, they cannot be converted to preference shares again.

Upon the occurrence of a non-viability triggering event (the 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.

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36 Other equity instruments (continued)

(b) Main clauses of preference shares (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 (annual dividend of the preference shares payment day) 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 directors 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 period.

(c) Changes in preference shares outstanding

	1 January 2022		Additions for the period		30 June 2022	
	Number of shares (million)	Carrying value	Number of shares (million)	Carrying value	Number of shares (million)	Carrying value
Preference shares	650	64,906	–	–	650	64,906

	1 January 2021		Additions for the year		31 December 2021	
	Number of shares (million)	Carrying value	Number of shares (million)	Carrying value	Number of shares (million)	Carrying value
Preference shares	650	64,906	–	–	650	64,906

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36 Other equity instruments (continued)

(d) Main clauses of perpetual bonds

With the approvals of the relevant regulatory authorities in China, the Bank issued non-dated capital bonds (the “Bonds”) of RMB40 billion which issued 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 thereafter.

The duration of the 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 Bonds in whole or in part on each distribution payment date 5 years after the issuance date of the Bonds. Upon the occurrence of a trigger event for the write-downs, with the consent of the CBIRC and the bank doesn’t need bondholders’ consent, the Bank has the right to write down all or part of the Bonds issued and existing at that time in accordance with the total par value. The claims of the holders of the 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 Bonds.

The Bonds are paid with non-cumulative interest. The Bank shall have the right to cancel distributions on the 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. However, the Bank shall not distribute profits to ordinary shareholders until the full resumption of interest payment.

Capital raised from the issuance of the 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	30 June 2022	31 December 2021
Total equity attributable to equity holders of the Bank	490,530	482,489
– Equity attributable to ordinary equity holders of the Bank	385,631	377,590
– Equity attributable to other equity holders of the Bank	104,899	104,899
Total equity attributable to non-controlling interests	2,005	1,877
– Equity attributable to non-controlling interests of ordinary shares	2,005	1,877

37 Capital reserve

	30 June 2022	31 December 2021
Share premium	58,434	58,434

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Other comprehensive income

	30 June 2022	31 December 2021
Items that will not be reclassified to profit or loss		
Fair value changes on equity instruments at fair value through other comprehensive income	15	16
Remeasurement of a defined benefit plan	(568)	(568)
Subtotal	(553)	(552)
Items that will be reclassified to profit or loss		
Debt instruments at fair value through other comprehensive income	1,956	3,868
– Net change in fair value	668	2,929
– Net change in expected credit loss	1,288	939
Exchange differences on translation of foreign operations	(79)	(164)
Subtotal	1,877	3,704
Total	1,324	3,152

Other comprehensive income attributable to equity holders of the Bank in the condensed 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 foreign operations	Remeasurement of a defined benefit plan	Total
As at 1 January 2021	928	811	16	(81)	(281)	1,393
Changes in amount for the previous year	2,001	128	–	(83)	(287)	1,759
As at 1 January 2022	2,929	939	16	(164)	(568)	3,152
Changes in amount for the period	(2,261)	349	(1)	85	–	(1,828)
As at 30 June 2022	668	1,288	15	(79)	(568)	1,324

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Surplus reserve and general reserve

(a) Surplus reserve

The surplus reserve at the end of the reporting period 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 RMB913 million of profits to the general reserve for the six months ended 30 June 2022 (2021: RMB7,894 million). The Bank appropriated RMB0 million of profits to the general reserve for the six months ended 30 June 2022 (2021: RMB6,806 million).

40 Appropriation of profits

(a) At the Annual General Meeting of Shareholders held on 19 May 2022, the Shareholders approved the following profit appropriations for the year ended 31 December 2021:

- Under the Company Law of the PRC, the Bank's statutory surplus reserve has reached 50% of its registered capital, so no further statutory surplus reserve shall be withdrawn for this profit distribution;
- Appropriated RMB6,806 million to general reserve;
- Declared cash dividends of RMB10,860 million to all ordinary shareholders at 31 December 2021, representing RMB2.01 per 10 shares before tax.

(b) At the Board Meeting held on 25 March 2022, the dividend distribution of the Everbright P3 for the year ended 2021 was approved by the Board of Directors:

- Declared cash dividends to preference shareholders of RMB1,680 million before tax, representing RMB4.80 per share before tax, accruing from 1 January 2021, and are calculated using the 4.80% of dividend yield ratio for the Everbright P3;

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40 Appropriation of profits (continued)

- (c) **At the Board Meeting held on 27 May 2022, the dividend distribution of the Everbright P1 for the year ended 2022 was approved by the Board of Directors:**
- Declared cash dividends to preference shareholders of RMB890 million before tax, representing RMB4.45 per share before tax, accruing from 25 June 2021, and are calculated using the 4.45% of dividend yield ratio for the Everbright P1;
- (d) **At the Board Meeting held on 27 May 2022, the dividend distribution of the Everbright P2 for the year ended 2022 was approved by the Board of Directors:**
- Declared cash dividends to preference shareholders of RMB401 million before tax, representing RMB4.01 per share before tax, accruing from 11 August 2021, and are calculated using the 4.01% of dividend yield ratio for the Everbright P2.
- (e) **The Bank distributed the interest on the Undated Capital Bonds amounting to RMB1,840 million on 22 September 2021.**
- (f) **At the Annual General Meeting of Shareholders held on 29 June 2021, the Shareholders 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;
 - Declared cash dividends of RMB11,347 million to all ordinary shareholders of 54,032 million shares as at 31 December 2020, representing RMB2.10 per 10 shares before tax.
- (g) **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.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40 Appropriation of profits (continued)

(h) At the Board Meeting held on 28 May 2021, the dividend distribution of the Everbright P1 for the year ended 2021 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.

(i) At the Board Meeting held on 28 May 2021, the dividend distribution of the Everbright P2 for the year ended 2021 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.

41 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 interests 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.

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 reporting period:

	30 June 2022		31 December 2021	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Financial assets at fair value through profit or loss				
– Fund investments	222,827	222,827	252,528	252,528
– Asset management plans	56,388	56,388	56,578	56,578
Financial investments measured at amortised cost				
– Asset management plans	106,097	106,097	133,980	133,980
– Asset-backed securities	137,013	137,013	143,736	143,736
Total	522,325	522,325	586,822	586,822

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41 Involvement with structured entities (continued)

(b) Structured entities sponsored by the Group which the Group does not consolidate but hold interests 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. Interests held by the Group include investments in units issued by these structured entities and fees charged by providing management services. As at 30 June 2022, the carrying amounts of the investments in the notes issued by these structured entities and management fee receivables being recognised were not material in the statement of financial positions.

As at 30 June 2022, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products which are sponsored by the Group was RMB1,185,060 million (31 December 2021: RMB1,067,464 million). The aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January 2022 but matured before 30 June 2022 was RMB832 million (Six months ended 30 June 2021: Nil).

For the six months ended 30 June 2022, the amount of fee and commission income received from the unconsolidated structured entities by the Group was RMB2,260 million (Six months ended 30 June 2021: RMB1,961 million).

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 30 June 2022, the balance of above transactions was Nil (31 December 2021: Nil). For the six months ended 30 June 2022, the amount of interest receivables from the above financing transactions was Nil.

In addition, please refer to Note III 42 for the interests in the unconsolidated structured entities of asset securitisation transactions held by the Group as at 30 June 2022. For the six months ended 30 June 2022, the Group's income from these structured entities was immaterial.

In accordance with the Guiding Opinions on Regulating the Asset Management Business of Financial Institutions jointly issued by the PBOC and three other ministries as well as the PBOC's announcement. In addition to the remaining balances that have been applied to the regulatory authorities for case handling, the Group has completed various rectification work for existing wealth management, and confirmed the impact of rectification on provisions and credit impairment losses in the financial statements at the end of June 2022. The Group will duly implement relevant policies and regulatory requirements, and continue to assess and disclose the relevant impact, and strive to complete the rectification work as soon as possible.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41 Involvement with structured entities (continued)

(c) Consolidated structured entities

The consolidated structured entities of the Group are primarily the principal guaranteed wealth management products. The Group promises to provide investors with principal guarantee for the principal guaranteed wealth management products, which are sponsored and managed by the Group, 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.

42 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 derecognition of the financial assets concerned in accordance with IFRSs. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

Credit assets backed securitisation

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 derecognition, 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 30 June 2022 (31 December 2021: Nil).

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the transferred credit assets are recognised on the statement of financial position to the extent of the Group's continuing involvement. As at 30 June 2022, the Group has no continuing involvement in credit asset-backed securities (31 December 2021: Nil).

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42 Transferred financial assets (continued)

Transfer of right to earnings

The Group enters into transactions of transfer of right to earnings of credit assets in the normal course of business by which it transfers the right to earnings to structured entities which sell share of trust to investors.

With respect to the credit assets that were transferred and qualified for derecognition, the Group derecognised the transferred credit assets in their entirety. As at 30 June 2022, the Group held no share in corresponding transaction.

As the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial assets and it has retained control on them, these financial assets are recognised on the statement of financial position to the extent of the Group's continuing involvement. The extent of the Group's continuing involvement is the extent to which the Group is exposed to changes in the value of the transferred assets. As at 30 June 2022, loans with an original carrying amount of RMB1,998 million (31 December 2021: RMB1,998 million) had been transferred by the Group under arrangements in which the Group retains a continuing involvement in such assets in the form of subordinated tranches, which were accounted for in other assets and other liabilities. As at 30 June 2022, the carrying amount of assets that the Group continues to recognise amounted to RMB251 million (31 December 2021: RMB251 million).

43 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.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43 Capital management (continued)

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 semi-annually and 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)”. Each systemically important 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, individual subsidiaries or branches of these banks incorporated outside Mainland China are also directly regulated and supervised by their respective local banking supervisors. There are 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 period, the Group complied with the capital requirements imposed by the regulatory authorities.

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43 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:

	30 June 2022	31 December 2021
Total common equity tier-one capital	386,776	378,813
Share capital	54,032	54,032
Qualifying portions of capital reserve, other equity instruments and other comprehensive income	63,921	65,749
Surplus reserve	26,245	26,245
General reserve	76,509	75,596
Retained earnings	164,943	155,968
Qualifying portions of non-controlling interests	1,126	1,223
Common equity tier-one capital deductions	(4,011)	(4,021)
Goodwill	(1,281)	(1,281)
Other intangible assets other than land use rights	(2,676)	(2,684)
Net deferred tax assets arising from operating losses that depend on future profits	(54)	(56)
Net common equity tier-one capital	382,765	374,792
Additional tier-one capital	105,049	105,062
Additional tier-one capital instruments	104,899	104,899
Qualifying portions of non-controlling interests	150	163
Net tier-one capital	487,814	479,854
Tier-two capital	54,900	82,400
Qualifying portions of tier-two capital instruments issued and share premium	11,996	42,258
Excess loan loss provisions	41,534	38,677
Qualifying portions of non-controlling interests	1,370	1,465
Net capital base	542,714	562,254
Total risk-weighted assets	4,454,362	4,204,733
Common equity tier-one capital adequacy ratio	8.59%	8.91%
Tier-one capital adequacy ratio	10.95%	11.41%
Capital adequacy ratio	12.18%	13.37%

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Notes to consolidated cash flow statements

(a) Net changes in cash and cash equivalents

	For the six months ended 30 June	
	2022	2021
Cash and cash equivalents as at 30 June	125,765	136,264
Less: Cash and cash equivalents as at 1 January	222,583	145,076
Net decrease in cash and cash equivalents	(96,818)	(8,812)

(b) Cash and cash equivalents

	30 June 2022	30 June 2021
Cash on hand	7,712	7,524
Deposits with the central bank	33,321	60,857
Deposits with banks and other financial institutions	39,784	30,000
Placements with banks and other financial institutions	44,948	37,883
Total	125,765	136,264

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45 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 set up in China.

Approved by the State Council of the PRC, China Investment Corporation (“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. The uniform social credit code of Huijin is 911000007109329615. 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 tradable bearer bonds 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 amounts and balances with related parties and transactions between the Group and the ultimate parent company and its subsidiaries are listed in Note III 45(b).

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45 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 III 45(b).

The affiliated companies that have related party transactions with the Group are as follows:

Related parties

- China Everbright Group Limited
- China Everbright Limited (Everbright Limited)
- Everbright Securities Co., Ltd. (Everbright Securities)
- China Everbright industry (Group) Co., Ltd.
- Everbright Financial Holdings Asset Management Co., Ltd.
- Everbright Life Insurance Co., Ltd.
- Everbright Xinglong Trust Co., Ltd.
- Everbright Prudential Fund Management Co., Ltd.
- Everbright Futures Co., Ltd.
- Everbright Fortune Investment Co., Ltd.
- Everbright Capital Investment Co., Ltd.
- Sun Light Everbright Asset Management Co., Ltd.
- China Everbright international Trust and Investment Corporation
- Everbright Jinou Asset Management Co., Ltd.
- China CYTS Group Corporation
- Cachet Pharmaceutical Co., Ltd.
- Everbright Technology Co., Ltd.
- Everbright Happiness International Leasing Co., Ltd.
- Everbright Sunshine Asset Management Co., Ltd.
- Hangzhou Jinou Asset Management Co., Ltd.
- Guokaitai Industrial Development Co., Ltd.
- Zhongqing Chuangyi Investment Management Co., Ltd.
- Shenzhen Qianhai Everbright Investment Management Co., Ltd.
- Everbright Securities Asset Management Co., Ltd.
- Everbright Guangzi Investment Management Co., Ltd.
- Shanghai Guiyun Asset Management Co., Ltd.
- Everbright Senior Healthcare Industry Development Co., Ltd.
- Everbright Culture Investment Co., Ltd.
- Everbright Development Investment Co., Ltd.
- Beijing Everbright Huichen Pension Service Co., Ltd.
- CYTS Holding Co., Ltd.
- Beijing Damei Parent-Child Investment Group Co., Ltd.
- Shanghai Guangkong Zhongsheng Health Asset Management Co., Ltd.
- Shenzhen Qianhai Ruida Fund Management Co., Ltd.
- Zhongguang Holding Co., Ltd.
- CYTS Industry Development Co., Ltd.
- Zhuhai Guangkong Zhongheng Investment Management Co., Ltd.
- Everbright Prestige Capital Asset Management Co., Ltd.

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45 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 over which key management personnel or their close family members have significant influence, 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 amounts and balances of transactions between the Group and other related parties are shown in Note III 45(b).

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45 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:

	For the six months ended 30 June	
	2022	2021
Interest income	239	236
Interest expense	(1,876)	(2,270)

The Group's material balances with CIC, Huijin and its affiliates at the end of the reporting period are summarised as follows:

	30 June 2022	31 December 2021
Deposits with banks and other financial institutions	7,438	13,788
Placements with banks and other financial institutions	32,174	26,467
Derivative financial assets	2,526	2,338
Financial assets held under resale agreements	8,550	1,732
Loans and advances to customers	–	2,228
Financial investments	335,403	298,941
Financial assets at fair value through profit or loss	112,572	81,369
Debt instruments at fair value through other comprehensive income	49,580	44,614
Financial investments measured at amortised cost	173,251	172,958
Other assets	6,824	14,227
Deposits from banks and other financial institutions	31,918	56,181
Placements from banks and other financial institutions	78,333	57,899
Derivative financial liabilities	2,294	3,020
Financial assets sold under repurchase agreements	52,880	27,478
Deposits from customers	87,885	101,898
Other liabilities	2,258	11

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45 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 leasing 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 and at the end of the reporting period are summarised as follows:

	China Everbright Group (Note III 45(a))	Affiliated companies	Others	Total
Transactions with related parties for the six months ended 30 June 2022:				
Interest income	–	1,144	466	1,610
Interest expense	(36)	(149)	(454)	(639)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45 Related party relationships and transactions (continued)

(b) Related party transactions (continued)

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

	China Everbright Group (Note III 45(a))	Affiliated companies	Others	Total
Balances with related parties as at 30 June 2022:				
Placements with banks and other financial institutions	–	4,200	1,000	5,200
Derivative financial assets	–	–	15	15
Financial assets held under resale agreements	–	–	1,216	1,216
Loans and advances to customers	–	19,264	5,229	24,493
Financial investments	930	54,929	4,937	60,796
Financial assets at fair value through profit or loss	460	17,346	3,265	21,071
Debt instruments at fair value through other comprehensive income	470	40	509	1,019
Equity instruments at fair value through other comprehensive income	–	–	98	98
Financial investments at amortised cost	–	37,543	1,065	38,608
Other assets	–	345	8,185	8,530
Total	930	78,738	20,582	100,250
Deposits from banks and other financial institutions	–	12,495	14,911	27,406
Derivative financial liabilities	–	–	22	22
Deposits from customers	4,194	12,971	64,935	82,100
Total	4,194	25,466	79,868	109,528
Other significant items with related parties as at 30 June 2022:				
Guarantee granted (Note)	180	–	–	180

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45 Related party relationships and transactions (continued)

(b) Related party transactions (continued)

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

	China Everbright Group (Note III 45(a))	Affiliated companies	Others	Total
Transactions with related parties for the six months ended 30 June 2021:				
Interest income	–	981	724	1,705
Interest expense	(36)	(234)	(215)	(485)
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
Other significant items with related parties as at 31 December 2021:				
Guarantee granted (Note)	180	–	–	180

Note: As at 30 June 2022, the Bank has guarantee obligations relating to China Everbright Group's outstanding interest obligation of RMB180 million (31 December 2021: RMB180 million) due to one of the state-owned commercial banks.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45 Related party relationships and transactions (continued)

(b) Related party transactions (continued)

(iv) Remuneration of directors, supervisors and senior management

	For the six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Remuneration	12,754	14,148
Retirement benefits	963	1,950
Of which: Basic social pension insurance	280	272

(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:

	30 June 2022 RMB'000	31 December 2021 RMB'000
Aggregate amount of relevant loans outstanding as at the end of period	8,908	9,290
Maximum aggregate amount of relevant loans outstanding during the period	8,988	9,376

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**46 Statement of financial position of the Bank**

	Note III	30 June 2022	31 December 2021
Assets			
Cash and deposits with the central bank		333,350	377,846
Deposits with banks and other financial institutions		41,417	49,555
Precious metals		8,419	6,426
Placements with banks and other financial institutions		124,490	149,588
Derivative financial assets		13,816	13,705
Financial assets held under resale agreements		107,891	32,507
Loans and advances to customers		3,432,851	3,231,445
Financial investments		1,929,695	1,822,297
– Financial assets at fair value through profit or loss		384,554	378,113
– Debt instruments at fair value through other comprehensive income		418,665	318,343
– Equity instruments at fair value through other comprehensive income		1,119	1,120
– Financial investments measured at amortised cost		1,125,357	1,124,721
Investments in subsidiaries	17(a)	12,983	12,983
Property, plant and equipment		15,923	15,836
Right-of-use assets		10,331	10,780
Goodwill		1,281	1,281
Deferred tax assets		30,937	18,517
Other assets		70,709	38,633
Total assets		6,134,093	5,781,399

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46 Statement of financial position of the Bank (continued)

	30 June 2022	31 December 2021
Liabilities and equity		
Liabilities		
Due to the central bank	76,118	101,036
Deposits from banks and other financial institutions	446,519	528,061
Placements from banks and other financial institutions	122,131	98,520
Derivative financial liabilities	10,971	13,336
Financial assets sold under repurchase agreements	84,078	79,382
Deposits from customers	3,946,125	3,674,204
Accrued staff costs	16,772	16,385
Taxes payable	9,445	5,362
Lease liabilities	10,124	10,562
Debt securities issued	907,385	759,340
Other liabilities	21,983	19,953
Total liabilities	5,651,651	5,306,141
Equity		
Share capital	54,032	54,032
Other equity instruments	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	1,632	3,390
Surplus reserve	26,245	26,245
General reserve	72,821	72,821
Retained earnings	160,216	151,274
Total equity	482,442	475,258
Total liabilities and equity	6,134,093	5,781,399

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Segment reporting

The Group manages its business by business line and by geographical area. 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 financial business

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, debt assets 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.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Segment reporting (continued)

(a) Segment profit, assets and liabilities (continued)

Reconciliation between segment assets, liabilities and total assets and total liabilities:

	Note III	30 June 2022	31 December 2021
Segment assets		6,223,630	5,880,893
Goodwill	20	1,281	1,281
Deferred tax assets	21	32,336	19,895
Total assets		6,257,247	5,902,069
Segment liabilities		5,762,109	5,417,681
Dividend payables	34	2,603	22
Total liabilities		5,764,712	5,417,703

(b) Geographical information

The Group operates principally in China with branches located in main provinces, autonomous regions and municipalities directly under the central government. Also, the Group has set up branches in Hong Kong, Luxembourg, Seoul and Sydney, with subsidiaries located in Beijing, Wuhan city of Hubei Province, Shaoshan city of Hunan Province, Huaï'an city of Jiangsu Province, Ruijin city of Jiangxi Province, Qingdao 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: Shanghai, Nanjing, Hangzhou, Suzhou, Ningbo and Wuxi where the branches of the Bank and Huaï'an Everbright Bank operate;
- “Pearl River Delta” refers to the areas: Guangzhou, Shenzhen, Fuzhou, Xiamen and Haikou where the branches of the Bank operate;
- “Bohai Rim” refers to the areas: Beijing, Tianjin, Shijiazhuang, Jinan, Qingdao and Yantai where the branches of the Bank, Everbright Wealth and Sunshine Consumer operate;
- “Central” refers to the areas: Beijing, Tianjin, Shijiazhuang, Jinan, Qingdao and Yantai where the subsidiaries and branches of the Bank, Everbright Financial Leasing, Shaoshan Everbright Bank and Ruijin Everbright Bank operate;
- “Western” refers to the areas: Xi'an, Chengdu, Chongqing, Kunming, Nanning, Hohhot, Urumqi, Guiyang, Lanzhou, Xining, Yinchuan and Lhasa where the branches of the Bank operate;
- “Northeastern” refers to the areas: Heilongjiang, Changchun, Shenyang and Dalian where the branches of the Bank operate;
- “Overseas” refers to the areas: Hong Kong, Seoul, Luxembourg, Sydney where the branches of the Bank, CEB International and CEB Europe operate; and
- “Head Office” refers to the head office of the Bank.

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Segment reporting (continued)

(b) Geographical information (continued)

	Operating income								
	Yangtze River Delta	Bohai Rim	Head Office	Central	Pearl River Delta	Western	North eastern	Overseas	Total
For the six months ended 30 June 2022	14,659	14,110	11,401	13,399	11,078	9,292	3,038	1,554	78,531
For the six months ended 30 June 2021	14,774	13,564	10,980	13,295	10,467	9,639	3,105	1,381	77,205

	Non-current assets (Note(i))								
	Yangtze River Delta	Bohai Rim	Head Office	Central	Pearl River Delta	Western	North eastern	Overseas	Total
30 June 2022	3,790	3,354	11,423	12,845	2,859	2,759	1,250	511	38,791
31 December 2021	3,698	3,342	11,580	12,683	2,846	2,831	1,338	557	38,875

Note:

(i) Including property, plant and equipment, right-of-use assets, intangible assets and land use rights.

48 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 reasons, and the Group's objectives, policies and procedures for measuring and managing these risks.

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.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Risk management (continued)

(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 is responsible for the management of all types of risks and ensuring 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 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 Banking/E-cloud Banking Services Department and other business lines carry out corporate and retail credit business in accordance with the risk management policies and procedures of the Bank. The business lines of the Bank 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.
- The Bank's main responsible departments for credit risk management are the Risk Management Department, Credit Approval Department, Risk Monitoring Department, and Special Assets Operation and Management Department/Asset Management Department. They are the second line of defence of the internal control in credit risk management, and they are responsible for the overall supervision of credit risk management. The functional departments of credit risk management determine their functional positioning in accordance with the basic procedures of "Policy and technology – Investigation and approval – During and post-lending monitoring – Collection and Resolution".
- The Internal Audit Department is the third line of defence of credit risk management, and undertakes the responsibility of supervision and performance evaluation.

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Risk management (continued)

(a) Credit risk (continued)

Credit business (continued)

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 credit businesses, the Group has established industry-specific limits for credit and investment approval. It has put in place dynamic monitoring mechanism, with regular reporting of credit exposures to the board. The Group's credit risk management covers key operational phases, including pre-lending evaluations, credit approval, loan payment and post-lending monitoring. With respect to pre-lending evaluations, the Group assesses customer credit ratings and performs integrated analysis on the risk and return of the loan. In the credit approval phase, the Group has established standardised 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 standardised 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 its value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process in accordance with its standardised loan recovery procedures.

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.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Risk management (continued)

(a) Credit risk (continued)

Credit business (continued)

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 Bank conducts recheck and optimisation 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 24 grades as AAA+, AAA, AAA-, 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 increasing the Bank's credit risk, actions are taken, to the extent possible, to strengthen the Group's security position.

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.

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Risk management (continued)

(a) Credit risk (continued)

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 categories financial instruments into three stages and calculates their ECL:

Stage 1: Financial instruments without significant increases in credit risk after initial recognition are included in Stage 1 to calculate their impairment allowance at an amount equivalent to the ECL of the financial instrument for the next 12 months;

Stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage 2, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;

Stage 3: Financial assets with objective evidence of impairment at the end of the reporting year are included in Stage 3, with their impairment allowance measured at the amount equivalent to the ECL for the lifetime of the financial instruments.

For the previous accounting year, the impairment allowance was measured at the amount equivalent to the ECL over the entire lifetime of the financial instrument. However, at the end of the reporting period, if the financial instrument no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Group measures the impairment allowance of the financial instruments at the end of the reporting period according to the ECL in the next 12 months.

For purchased or originated credit-impaired financial assets, the Group only recognises the lifetime cumulative change in ECL after initial recognition at the end of the reporting period as impairment allowance. At the end of each reporting period, the Group recognises the amount of the changes in ECL as an impairment loss or gain in profit or loss.

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.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Risk management (continued)

(a) Credit risk (continued)

Credit risk measurement (continued)

Measurement of ECL (continued)

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 assets
- Parameters for measuring ECL
- Forward-looking information
- Management overlays
- 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.

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:

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Risk management (continued)

(a) Credit risk (continued)

Credit risk measurement (continued)

Measurement of ECL (continued)

Quantitative criterion

- 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 criterion

- The debtor's contractual payments (including principal and interest) are more than 30 days past due

The Group continued to make judgements 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.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Risk management (continued)

(a) Credit risk (continued)

Credit risk measurement (continued)

Measurement of ECL (continued)

Definition of credit-impaired financial asset

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 being in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments;
- 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;
- 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; and
- The debtor leaving 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.

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Risk management (continued)

(a) Credit risk (continued)

Credit risk measurement (continued)

Measurement of ECL (continued)

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.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Risk management (continued)

(a) Credit risk (continued)

Credit risk measurement (continued)

Measurement of ECL (continued)

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 and investment in property, plant and equipment.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. The Group used the method of combining statistic model and experts' judgement in this process, and according to the result of model and experts' judgement, the Group predicts the value of these indicators on a quarterly basis and determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

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 predicted expected credit loss shall not exceed 5% of the current expected credit loss.

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Risk management (continued)

(a) Credit risk (continued)

Credit risk measurement (continued)

Measurement of ECL (continued)

Management overlay

There was no business failure or default 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 derecognition 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 therefore does not result in derecognition 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. According to the judgment of the group, the credit risk of the assets has been significantly improved after the modification of the contract, so the relevant assets have been transferred from stage 3 or stage 2 to stage 1, and the impairment allowance is measured at an amount equal to the 12-month ECL instead of the lifetime ECL.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 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 III 51(a).

	30 June 2022				
	Stage 1	Stage 2	Stage 3	N/A	Total
Assets					
Cash and deposits with the central bank	333,500	–	–	–	333,500
Deposits with banks and other financial institutions	42,619	–	–	–	42,619
Placements with banks and other financial institutions	114,918	–	134	–	115,052
Financial assets held under resale agreements	107,955	–	–	–	107,955
Loans and advances to customers	3,305,404	114,332	20,133	–	3,439,869
Finance lease receivables	104,242	2,495	268	–	107,005
Financial investments	1,531,711	2,641	18,069	105,662	1,658,083
Others (Note)	62,000	–	–	13,821	75,821
Total	5,602,349	119,468	38,604	119,483	5,879,904
	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)	29,495	–	–	13,705	43,200
Total	5,274,685	120,802	32,647	81,889	5,510,023

Note: Others comprise derivative financial assets and assets from wealth management business, interests receivable, other receivables and refundable deposits recorded in other assets.

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 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:

	30 June 2022	31 December 2021
<i>Impaired</i>		
Carrying amount	300	300
Provision for impairment losses	(166)	(166)
Subtotal	134	134
<i>Neither overdue nor impaired</i>		
– grade A to AAA	256,343	209,720
– grade B to BBB	872	1,118
– unrated (Note)	8,282	9,730
Subtotal	265,497	220,568
Total	265,631	220,702

Note: Mainly represent placements with other financial institutions and debt securities held under resale agreements with other financial institutions.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Risk management (continued)

(a) Credit risk (continued)

(ii) Credit rating (continued)

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:

	30 June 2022	31 December 2021
<i>Impaired</i>		
Carrying amount	28,966	18,814
Provision for impairment losses	(10,897)	(7,649)
Subtotal	18,069	11,165
<i>Neither overdue nor impaired</i>		
Bloomberg Composite		
– grade AAA	55	–
– grade AA- to AA+	6,922	3,599
– grade A- to A+	26,119	20,275
– grade lower than A–	15,665	12,790
Subtotal	48,761	36,664
<i>Other agency ratings</i>		
– grade AAA	1,158,269	964,608
– grade AA- to AA+	274,513	310,143
– grade A- to A+	15,331	29,168
– grade lower than A–	16,446	17,619
– unrated	126,694	150,042
Subtotal	1,591,253	1,471,580
Total	1,658,083	1,519,409

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 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 estimate 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, and then by assuming interest rate changes, measure the impact of interest rate changes on the impact on net interest income.

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 deposit withdrawal in advance used in scenario simulation analysis.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Risk management (continued)

(b) Market risk (continued)

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 changes 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 refers to the risk arising from the inconsistent changes in the benchmark interest rate of different banking books' businesses on balance sheet or off balance sheet with different pricing benchmark interest rates, although the terms are 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 changes in the fair value of its investment portfolios given a 1 basis point (0.01%) movement in the interest rates.

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 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 reporting period:

	30 June 2022						
	Effective interest rate (*)	Total	Non-Interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets							
Cash and deposits with the central bank	1.43%	333,500	27,861	305,639	–	–	–
Deposits with banks and other financial institutions	0.26%	42,619	4	42,615	–	–	–
Placements with banks and other financial institutions	2.25%	115,052	346	58,908	35,288	20,510	–
Financial assets held under resale agreements	1.85%	107,955	10	107,945	–	–	–
Loans and advances to customers	5.02%	3,439,869	31,614	2,548,150	773,710	83,557	2,838
Finance lease receivables	5.55%	107,005	1,329	19,609	63,918	17,049	5,100
Financial investments	3.55%	1,944,980	368,770	130,918	194,377	857,658	393,257
Others	–	166,267	161,695	1,751	–	–	2,821
Total assets	4.30%	6,257,247	591,629	3,215,535	1,067,293	978,774	404,016

	30 June 2022						
	Effective interest rate (*)	Total	Non-Interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Liabilities							
Due to the central bank	2.99%	76,273	1,593	27,109	47,571	–	–
Deposits from banks and other financial institutions	2.20%	442,953	1,037	407,642	34,274	–	–
Placements from banks and other financial institutions	1.85%	206,851	663	156,902	48,236	1,050	–
Financial assets sold under repurchase agreements	1.73%	87,194	30	84,773	572	1,819	–
Deposits from customers	2.26%	3,947,612	68,053	2,084,442	984,506	810,611	–
Debt securities issued	2.66%	911,033	1,519	294,046	520,448	95,020	–
Others	–	92,796	83,012	6,228	1,732	1,824	–
Total liabilities	2.31%	5,764,712	155,907	3,061,142	1,637,339	910,324	–
Asset-liability gap	1.99%	492,535	435,722	154,393	(570,046)	68,450	404,016

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 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 reporting period: (continued)*

	31 December 2021						
	Effective interest rate (*)	Total	Non-Interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
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

* *The effective interest rate represents the ratio of interest income/expense to the average interest-bearing assets/liabilities.*

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 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 30 June 2022, assuming other variables remain unchanged, an increase in the estimated interest rate of one hundred basis points will cause the Group's net profit to decrease by RMB4,185 million (31 December 2021: decrease by RMB2,177 million), and equity to decrease by RMB13,809 million (31 December 2021: decrease by RMB9,296 million); a decrease in the estimated interest rate of one hundred basis points will cause the Group's net profit to increase by RMB4,317 million (31 December 2021: increase by RMB2,333 million), and equity to increase by RMB14,558 million (31 December 2021: increase by RMB9,855 million).

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualised net profit or loss and equity would have been affected by the repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at the end of the reporting period apply to all derivative and non-derivative financial instruments of the Group;
- An interest rate movement is one hundred basis points 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.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Risk management (continued)

(b) Market risk (continued)

Foreign currency risk (continued)

The Group's currency exposures as at the end of the period are as follows:

	30 June 2022			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with the central bank	317,861	14,381	1,258	333,500
Deposits with banks and other financial institutions	12,949	21,987	7,683	42,619
Placements with banks and other financial institutions	75,096	34,491	5,465	115,052
Financial assets held under resale agreements	107,891	–	64	107,955
Loans and advances to customers	3,278,160	97,326	64,383	3,439,869
Finance lease receivables	106,253	752	–	107,005
Financial investments	1,819,194	95,414	30,372	1,944,980
Others	155,666	6,949	3,652	166,267
Total assets	5,873,070	271,300	112,877	6,257,247
Liabilities				
Due to the central bank	76,273	–	–	76,273
Deposits from banks and other financial institutions	440,418	542	1,993	442,953
Placements from banks and other financial institutions	97,226	77,995	31,630	206,851
Financial assets sold under repurchase agreements	73,248	4,457	9,489	87,194
Deposits from customers	3,730,420	185,963	31,229	3,947,612
Debt securities issued	845,233	59,861	5,939	911,033
Others	88,703	465	3,628	92,796
Total liabilities	5,351,521	329,283	83,908	5,764,712
Net position	521,549	(57,983)	28,969	492,535
Off-balance sheet credit commitments	1,340,712	47,476	15,958	1,404,146
Derivative financial instruments (Note)	(27,821)	57,239	(32,638)	(3,220)

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Risk management (continued)

(b) Market risk (continued)

Foreign currency risk (continued)

	31 December 2021			Total (RMB Equivalent)
	RMB	USD (RMB Equivalent)	Others (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
Finance lease receivables	108,230	823	–	109,053
Financial investments	1,744,976	66,766	24,274	1,836,016
Others	103,446	13,758	1,435	118,639
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)

Note: Derivative financial instruments reflect the net notional amounts of derivatives.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 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 financial reporting date, the exchange rate changes of the currencies to which the Group had significant exposure are as follows:

	30 June 2022	31 December 2021
Exchange rates against RMB for the HKD	0.8532	0.8176
Exchange rates against RMB for the USD	6.6939	6.3748

The Group uses sensitivity analysis to measure the potential effect of changes in the Group's exchange rates on the Group's net profit or loss and equity. As at 30 June 2022, assuming other variables remain unchanged, an appreciation of one hundred basis points in the USD against the RMB would decrease both the Group's net profit and equity by RMB5 million (31 December 2021: increase by RMB5 million); a depreciation of one hundred basis points in the USD against the RMB would increase both the Group's net profit and equity by RMB5 million (31 December 2021: decrease by RMB5 million).

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and the relevant analysis is based on the following assumptions:

- The foreign exchange sensitivity is the gain and loss recognised as a result of the fluctuation of one hundred basis points in the foreign currency exchange rates (central parity) against RMB;
- At the end of the reporting period, 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 USD and HKD, other foreign currencies are converted into USD 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.

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Risk management (continued)

(b) Market risk (continued)

Price risk

Price risk mainly arises from equity investments held by the Group and the trading precious metal investments. The Group's risk of commodity or share price from investments 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;
- 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.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Risk management (continued)

(c) Liquidity risk (continued)

The following tables provide an analysis of assets and liabilities of the Group by maturity grouping based on the remaining periods to repayment at the end of the reporting period:

	30 June 2022							Total
	Overdue/ indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	292,343	41,157	-	-	-	-	-	333,500
Deposits with banks and other financial institutions	-	42,237	195	187	-	-	-	42,619
Placements with banks and other financial institutions	134	-	48,983	10,005	35,337	20,593	-	115,052
Financial assets held under resale agreements	-	-	107,955	-	-	-	-	107,955
Loans and advances to customers	43,802	429,710	152,968	196,961	949,352	813,714	853,362	3,439,869
Finance lease receivables	54	325	3,732	5,162	22,178	69,471	6,083	107,005
Financial investments	24,999	218,697	28,422	56,385	262,603	928,431	425,443	1,944,980
Others	82,749	65,125	1,175	3,138	5,546	5,520	3,014	166,267
Total assets	444,081	797,251	343,430	271,838	1,275,016	1,837,729	1,287,902	6,257,247

	30 June 2022							Total
	Overdue/ indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Liabilities								
Due to the central bank	-	-	2,162	25,625	48,486	-	-	76,273
Deposits from banks and other financial institutions	-	317,137	26,311	65,231	34,274	-	-	442,953
Placements from banks and other financial institutions	-	6	81,740	75,648	48,405	1,052	-	206,851
Financial assets sold under repurchase agreements	-	-	80,195	4,605	573	1,821	-	87,194
Deposits from customers	-	1,554,255	260,374	305,117	958,583	869,283	-	3,947,612
Debt securities issued	-	-	125,440	137,896	545,021	102,676	-	911,033
Others	-	55,523	863	1,557	8,730	19,209	6,914	92,796
Total liabilities	-	1,926,921	577,085	615,679	1,644,072	994,041	6,914	5,764,712
Net position	444,081	(1,129,670)	(233,655)	(343,841)	(369,056)	843,688	1,280,988	492,535
Notional amount of derivative financial instruments	-	-	249,267	159,458	533,749	809,328	2,094	1,753,896

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Risk management (continued)

(c) Liquidity risk (continued)

The following tables provide an analysis of assets and liabilities of the Group by maturity grouping based on the remaining periods to repayment at the end of the reporting period: (continued)

	31 December 2021							Total
	Overdue/ indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
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 assets 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							Total
	Overdue/ indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
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

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 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 reporting period:

	30 June 2022							
	Carrying amount	Contractual undiscounted cash flows	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Due to the central bank	76,273	76,909	-	2,164	25,755	48,990	-	-
Deposits from banks and other financial institutions	442,953	445,673	317,302	27,007	66,402	34,962	-	-
Placements from banks and other financial institutions	206,851	208,455	6	81,854	76,185	49,056	1,354	-
Financial assets sold under repurchase agreements	87,194	87,225	-	80,203	4,621	576	1,825	-
Deposits from customers	3,947,612	4,018,976	1,554,255	263,577	310,384	994,115	896,645	-
Debt securities issued	911,033	916,299	-	132,477	147,203	529,802	106,817	-
Other financial liabilities	51,836	54,864	25,568	211	821	4,828	14,917	8,519
Total non-derivative financial liabilities	5,723,752	5,808,401	1,897,131	587,493	631,371	1,662,329	1,021,558	8,519
Derivative financial liabilities								
Derivative financial instruments settled on net basis		717	-	2	18	169	338	190
Derivative financial instruments settled on gross basis								
- Cash inflow		689,036	-	231,043	125,650	319,797	12,546	-
- Cash outflow		(573,170)	-	(173,981)	(106,623)	(281,859)	(10,707)	-
Total derivative financial liabilities		115,866	-	57,062	19,027	37,938	1,839	-

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 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 reporting period: (continued)

	31 December 2021							
	Carrying amount	Contractual undiscounted cash flows	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
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)	-

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 reporting period:

	30 June 2022			Total
	Within one year	Between one year and five years	More than five years	
Loan and credit card commitments	356,833	706	2,924	360,463
Guarantees, acceptances and other credit commitments	998,522	44,114	1,047	1,043,683
Total	1,355,355	44,820	3,971	1,404,146

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 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 reporting period: (continued)

	31 December 2021			Total
	Within one year	Between one year and five years	More than five years	
Loan and credit card commitments	357,503	957	2,925	361,385
Guarantees, acceptances and other credit commitments	962,529	44,584	1,106	1,008,219
Total	1,320,032	45,541	4,031	1,369,604

(d) Operational risk

Operational risk refers to the risk of losses associated with internal process 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 financial business, 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 with the code value that, the effective risk management could create value. It is supported by 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.

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49 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 reporting period.

(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 reporting period.

(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 are due within one year. Accordingly, the carrying amounts approximate the fair values.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49 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 Loan Prime Rate (LPR). 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 measured at amortised cost 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, amounts due to the central bank and debt securities issued. Except for 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 period:

	Carrying value		Fair value	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Financial assets				
Debt securities and asset-backed instruments measured at amortised cost	1,020,556	991,472	1,041,537	1,003,770
Financial liabilities				
Debt securities issued	911,033	763,532	899,615	751,799

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49 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 flow models. Valuation parameters include market interest rates, expected future default rates, prepayment rates and market liquidity. The fair values of RMB bonds are mainly determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd.

The fair values of debt securities issued are calculated based on quoted market prices. For those bonds where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

(c) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value in the statement of financial position across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The definitions of three levels are as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e., prices) or indirectly (i.e., derived from prices). This level includes bonds and a majority of OTC derivative contracts. Input parameters like ChinaBond interbank yield curves or LIBOR yield curves are sourced from ChinaBond, Bloomberg, Thomson Reuters and Shanghai Clearing House.

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs). This level includes complicated unlisted equity, derivative contracts and debt instruments held for trading 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 that of another instrument that is substantially the same.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49 Fair value (continued)

(c) Fair value hierarchy (continued)

Assets and liabilities measured at fair value

	30 June 2022			
	Level 1	Level 2	Level 3	Total
Assets				
<i>Derivative financial assets</i>				
– Currency derivatives	–	7,940	–	7,940
– Interest rate derivatives	4	5,875	–	5,879
– Credit derivatives	–	–	2	2
<i>Loans and advances to customers</i>	–	203,711	–	203,711
<i>Financial assets at fair value through profit or loss</i>				
– Debt instruments held for trading	2,061	89,726	283	92,070
– Other financial assets at fair value through profit or loss	225,434	63,694	10,237	299,365
<i>Debt instruments at fair value through other comprehensive income</i>	66,093	359,602	73	425,768
<i>Equity instruments at fair value through other comprehensive income</i>	22	–	1,102	1,124
Total	293,614	730,548	11,697	1,035,859
Liabilities				
<i>Financial liabilities at fair value through profit or loss</i>	64	–	–	64
<i>Derivative financial liabilities</i>				
– Currency derivatives	–	5,207	–	5,207
– Interest rate derivatives	–	5,765	–	5,765
Total	64	10,972	–	11,036

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49 Fair value (continued)

(c) Fair value hierarchy (continued)

Assets and liabilities measured at fair value (continued)

	31 December 2021			Total
	Level 1	Level 2	Level 3	
Assets				
<i>Derivative financial assets</i>				
– Currency derivatives	–	7,234	–	7,234
– Interest rate derivatives	–	6,470	–	6,470
– Credit derivatives	–	–	1	1
<i>Loans and advances to customers</i>				
	–	155,647	–	155,647
<i>Financial assets at fair value through profit or loss</i>				
– Debt instruments held for trading	2,051	48,840	–	50,891
– Other financial assets at fair value through profit or loss	255,682	66,775	10,318	332,775
<i>Debt instruments at fair value through other comprehensive income</i>				
	56,912	268,716	67	325,695
<i>Equity instruments at fair value through other comprehensive income</i>				
	23	–	1,102	1,125
Total	314,668	553,682	11,488	879,838
Liabilities				
<i>Financial liabilities at fair value through profit or loss</i>				
	67	–	–	67
<i>Derivative financial liabilities</i>				
– Currency derivatives	–	6,614	–	6,614
– Interest rate derivatives	–	6,723	–	6,723
Total	67	13,337	–	13,404

During the reporting period, there were no significant transfers within the fair value hierarchy of the Group.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49 Fair value (continued)

(c) Fair value hierarchy (continued)

Assets and liabilities measured at fair value (continued)

The movements during the period ended 30 June 2022 in the balance of Level 3 fair value measurements are as follows:

	Derivative financial assets	Financial assets at fair value through profit or loss	Equity instruments at fair value through other comprehensive income	Debt instruments at fair value through other comprehensive income	Total assets	Derivative financial liabilities	Total liabilities
As at 1 January 2022	1	10,318	1,102	67	11,488	-	-
Total gains or losses:							
- Recognised in profit or loss	1	(18)	-	-	(17)	-	-
- Recognised in other comprehensive income	-	-	-	6	6	-	-
Purchases	-	1,537	-	-	1,537	-	-
Settlements	-	(1,317)	-	-	(1,317)	-	-
As at 30 June 2022	2	10,520	1,102	73	11,697	-	-
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period	1	(18)	-	-	(17)	-	-

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)	-	-

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49 Fair value (continued)

(c) Fair value hierarchy (continued)

Financial assets and liabilities not measured at fair value

The tables below summarise the fair values in three levels of “debt securities and asset-backed instruments measured at amortised cost” and “debt securities issued”, which are not presented at fair value on the statement of financial position:

	30 June 2022			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities and asset-backed instruments measured at amortised cost	198,456	843,081	–	1,041,537
Financial liabilities				
Debt securities issued	21,899	877,716	–	899,615
	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

(d) Valuation of financial instruments with significant unobservable inputs

Financial instruments valued with significant unobservable inputs are primarily unlisted equity, derivative contracts and debt instruments held for trading. 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 30 June 2022, the carrying amounts of financial instruments valued with significant unobservable inputs were immaterial, and the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were also immaterial.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 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.

	30 June 2022	31 December 2021
Entrusted loans	96,136	105,138
Entrusted funds	96,136	105,138

51 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.

	30 June 2022	31 December 2021
Loan commitments		
– Original contractual maturity within one year	15,561	15,635
– Original contractual maturity more than one year (inclusive)	7,166	7,564
Credit card commitments	337,736	338,186
Subtotal	360,463	361,385
Acceptances	746,660	669,088
Letters of guarantee	118,597	121,565
Letters of credit	178,241	217,381
Guarantees	185	185
Total	1,404,146	1,369,604

The Group may be exposed to credit risk in all the credit businesses above. The Group's 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.

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III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Commitments and contingent liabilities (continued)

(b) Credit risk-weighted amount of credit commitments

	30 June 2022	31 December 2021
Credit risk-weighted amount of credit commitments	416,235	409,233

The credit risk-weighted amount of credit commitments represents the amount calculated with reference to the Regulation Governing Capital of Commercial Banks (provisional). The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights ranged from 0% to 100% for credit commitments.

(c) Capital commitments

As at the end of the reporting period, the Group's authorised capital commitments are as follows:

	30 June 2022	31 December 2021
Contracted but not paid		
– Purchase of property and equipment	1,937	2,139
Approved but not contracted for		
– Purchase of property and equipment	5,302	4,530
Total	7,239	6,669

(d) Underwriting and redemption commitments

The Group had no unexpired commitments for underwriting bonds as at the end of the reporting period.

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 reporting period, the underwritten, sold and immature national bonds' redemption commitments at nominal value are as follows:

	30 June 2022	31 December 2021
Redemption commitments	5,267	5,393

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Commitments and contingent liabilities (continued)

(e) Outstanding litigations and disputes

As at 30 June 2022, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB618 million (31 December 2021: RMB674 million). Provisions have been made for the estimated losses from such litigations based upon the opinions of the Group's internal and external legal counsels (Note III 34). The Group considers that the provisions made are reasonable and adequate.

52 Subsequent events

The Group has no significant subsequent events.

53 Comparative figures

On 29 June 2021, proposal on CEB International Investment Co., Ltd., a wholly-owned subsidiary of the Bank, investing in Everbright Cloud Payment Technology Co., Ltd has been approved in the 28th meeting of the Eighth Session of the Board of Directors of the Bank. 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 Everbright Cloud Payment Technology Limited, 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 the 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 not be 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.

	30 June 2022
Liquidity coverage ratio	114.99%
High Quality Liquid Assets	876,134
Net cash outflows in 30 days from the end of the reporting period	761,891

Liquidity Ratio*

	As at 30 June 2022	Average for the six months ended 30 June 2022	As at 31 December 2021	Average for the year ended 31 December 2021
RMB current assets to RMB current liabilities	68.62%	68.53%	75.58%	67.88%
Foreign current assets to foreign current liabilities	123.62%	128.97%	125.41%	128.12%

* Liquidity ratio is calculated in accordance with the banking level.

1 LIQUIDITY COVERAGE RATIO, LIQUIDITY RATIO, LEVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

Leverage Ratio

	30 June 2022
Leverage Ratio	6.63%

Pursuant to the Leverage Ratio Management of Commercial Banks which has been effective since 1 April 2015, a minimum leverage ratio of 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 funding 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 funding ratio is not 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 30 June 2021, the Group met the supervision requirement with the net stable funding ratio standing at 104.06%.

Indicators	30 June 2022
Available and stable funds	3,489,134
Required stable funds	3,352,889
Net stable funding ratio	104.06%

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

2 CURRENCY CONCENTRATIONS

	30 June 2022			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	271,300	51,457	61,420	384,177
Spot liabilities	(329,283)	(41,666)	(42,242)	(413,191)
Forward purchases	380,452	855	7,886	389,193
Forward sales	(323,213)	(6,799)	(34,580)	(364,592)
Net (short)/long position	(744)	3,847	(7,516)	(4,413)
Net structural position	–	125	79	204

	31 December 2021			
	USD (RMB equivalent)	HKD (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

The net structural position of the Group includes the structural positions from foreign currency settlement, of the Bank's Hong Kong branch, Seoul branch, Luxembourg branch and Sydney branch. 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 30 June 2022			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	122,363	7,174	47,760	177,297
– of which: attributed to Hong Kong	29,610	2,480	18,417	50,507
Europe	18,355	–	25,110	43,465
North and South America	23,618	24,272	16,337	64,227
Total	164,336	31,446	89,207	284,989

	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

4 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES

(a) By geographical segment

	30 June 2022	31 December 2021
Pearl River Delta	8,717	8,017
Head Office	6,770	8,276
Northeastern	5,287	5,363
Yangtze River Delta	4,159	4,068
Central	4,088	3,579
Bohai Rim	3,923	3,869
Western	3,853	2,685
Overseas	346	8
Total	37,143	35,865

The above analysis includes loans and advances overdue for more than 90 days. Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

4 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES (CONTINUED)

(b) By overdue day

	30 June 2022	31 December 2021
Gross loans and advances which have been overdue with respect to either principal or interest for periods of:		
– between 3 and 6 months (inclusive)	11,788	10,715
– between 6 months and 1 year (inclusive)	9,757	13,624
– over 1 year	15,598	11,526
Total	37,143	35,865
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.33%	0.32%
– between 6 months and 1 year (inclusive)	0.28%	0.41%
– over 1 year	0.44%	0.35%
Total	1.05%	1.08%

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

	30 June 2022	31 December 2021
Covered portion of loans and advances past due but not impaired	9,001	11,643
Uncovered portion of loans and advances past due but not impaired	18,381	17,062
Total loans and advances past due but not impaired	27,382	28,705
Of which: Current market value of collateral held against the covered portion of loans and advances past due but not impaired	26,545	23,474

5 EXPOSURE TO NON-BANK INSTITUTIONS

The Bank is a commercial bank established in the PRC with its banking business conducted in Mainland China. As at 30 June 2022, substantial amounts of the Group's exposures arose from businesses with Mainland China entities or individuals.

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