

春意起 乘风行



Contents

| | | |
|------------|--|-----|
| | Important Notes | 01 |
| | Chairman's Statement | 02 |
| Section 1 | Company Profile | 06 |
| Section 2 | Accounting Data and Financial Indicators | 20 |
| Section 3 | Management Discussion and Analysis | 32 |
| Section 4 | Corporate Governance | 104 |
| Section 5 | Environmental and Social Responsibilities | 143 |
| Section 6 | Significant Matters | 150 |
| Section 7 | Changes in Shares and Shareholders | 157 |
| Section 8 | Preference Shares | 165 |
| Section 9 | Corporate Bonds | 169 |
| Section 10 | Financial Report | 170 |
| | List of Documents Available for Inspection | 360 |

Notes for Important Content

1. The board of directors (hereinafter referred to as the “Board”), the Supervisory Committee, the directors, the supervisors and senior management of the Ping An Bank Co., Ltd. (hereinafter referred to as the “Bank” guarantee the authenticity, accuracy and completeness of this Annual Report, in which there are no false representations, misleading statements or material omissions, and are severally and jointly liable for its contents.
2. Xie Yonglin (the Bank’s Chairman), Hu Yuefei (the President), Xiang Youzhi (the Vice President and the Chief Financial Officer) and Zhu Peiqing (the head of the Accounting Department) declare that they guarantee the authenticity, accuracy and completeness of the financial reports included in this Annual Report.
3. The 6th meeting of the 12th session of the Board of the Bank deliberated the 2022 Annual Report together with its summary. The quorum of the Board meeting was 13, and 12 directors attended the Board meeting. Cai Hongbin (the independent director) was not present at the meeting due to business matter and entrusted Yang Rusheng (the independent director) to exercise the voting right. The Annual Report was approved unanimously at the meeting.
4. The 2022 annual financial reports prepared by the Bank were audited by Ernst & Young Hua Ming LLP (hereinafter referred to as “EY”) according to the *China Standards on Auditing* and EY issued a standard unqualified auditor’s report.
5. The forward-looking statements such as plans for the future involved in the Report do not constitute a substantial commitment for investors. Investors and stakeholders shall be aware of risks therein and appreciate the distinctions between plans, forecasts and commitments.
6. The Bank advises investors to read the full text of the Annual Report with particular attention to the following risk factors: the risks the Bank is exposed to during its business activities mainly include credit risk, market risk, liquidity risk, operational risk, country risk, interest rate risk on its banking account, reputation risk, strategic risk, information technology risk and legal and compliance risk, and the Bank has taken various measures to effectively manage and control these business risks, as discussed in detail under Section III 3.6 Risk Management.
7. The Bank’s profit distribution proposal of ordinary shares which has been approved at the Board meeting is based on the total share capital of 19,405,918,198 shares as at 31 December 2022. Cash dividends of RMB2.85 (tax inclusive) will be distributed to all shareholders for every 10 shares. There was no proposal to issue bonus shares or to convert reserve funds into share capital.

Interpretations

| Item | refer(s) to | Interpretations |
|---|-------------|--|
| Ping An Bank, the Bank | refer(s) to | the bank formed and so renamed following the integration of Shenzhen Development Bank Co., Ltd. (“Shenzhen Development Bank” or “Shenzhen Development”) and the former Ping An Bank Co., Ltd. (the “Former Ping An Bank”) in 2012 through the acquisition of the Former Ping An Bank by Shenzhen Development |
| The Group | refer(s) to | Ping An Bank Co., Ltd. and its wholly-owned subsidiary Ping An Wealth Management Co., Ltd. |
| Shenzhen Development Bank or Shenzhen Development | refer(s) to | the national joint-stock commercial bank established on 22 December 1987 and renamed to Ping An Bank after its acquisition of the Former Ping An Bank |
| Former Ping An Bank | refer(s) to | the joint-stock commercial bank established in June 1995 and deregistered on 12 June 2012 |
| China Ping An and Ping An Group | refer(s) to | Ping An Insurance (Group) Company of China, Ltd. |
| Ping An Wealth Management | refer(s) to | Ping An Wealth Management Co., Ltd. |
| Ping An Life Insurance | refer(s) to | Ping An Life Insurance Company of China, Ltd. |
| PBOC | refer(s) to | The People’s Bank of China |
| CSRC | refer(s) to | China Securities Regulatory Commission |
| CBIRC | refer(s) to | China Banking and Insurance Regulatory Commission |

Chairman's Statement

Adhering to the road of high-quality development, joint-stock banks have bright prospects

The report of the 20th CPC National Congress stressed the need to accelerate the creation of a new development pattern and pursue high-quality development. Under the new development pattern, China has to firmly grasp the strategic base point of expanding domestic demand, and the national economic cycle is being deeply reconstructed. With the requirement of high-quality development, high-quality economic development is a significant component of it. The financial sector, as the lifeblood of the real economy, should have a greater and brighter prospect.

In the past, due to the imperfect credit system and underdeveloped technological means, financial institutions, to a certain extent, experienced a structural imbalance in financial supply and demand in view of risk, cost and other factors. At the enterprise end, entities with powerful economic strength and pledged assets held rich financial resources, in contrast, growing enterprises, micro, small and medium-sized enterprises were generally faced with financing difficulties and expensive problems. At the residential end, banks allocated their limited operating resources and service capabilities to high-value customers and generally lacked services for the mass long-tail customers.

Under the new development pattern, in order to boost the dynamism and reliability of the domestic economy, financial institutions must identify key areas and weak links of economic development and support high-quality economic development through financial supply-side reform. Joint-stock banks shall brave difficulties and grasp the nettle by combining their endowment of agility, innovation, and marketization to make greater contributions and breakthroughs to high-quality development.

In combination with Ping An Bank's own practice, we take the new value culture of "expertise creates value" as the guideline, begin with the end in mind, analyze the pain points of financial serving entities in depth. We continuously seek solutions with perseverance, integrate self-development with practice of our mission, forming a virtuous circle that complements each other.

First, disrupting development pattern by technological capabilities and helping "inclusive finance" and "rural revitalization". With respect to retail business, leveraging big data and AI capability, we build the "Smart Bank 3.0", construct a customer-centric and data driven management system to provide mass customer groups with professional, accurate, and "warm" financial services. At the end of 2022, the assets under management (AUM) of retail customers amounted to RMB3.6 trillion, up by 12.7% from the end of last year. The penetration rate of investment and wealth management customers in mass ten-thousand level increased by 6 percentage points from the end of last year. We help customers preserve and increase their wealth through professional and accessible financial services, enhance people's confidence in consumption, and contribute to the prosperous revitalization and diversified development of the consumer market.



Xie Yonglin

PING AN BANK Chairman

Chairman's Statement

With respect to corporate business, we continue to upgrade supply chain finance through technological capabilities. First, we continue to improve the online and intelligent level of corporate services, using data capability to reduce business processing time for enterprises. Second, we use an integrated data network of "Internet of Things + Satellite", optimize data risk control model, and continue to expand service range for micro, small and medium-sized enterprises at the end of supply chain. We hope to optimize customers' financial experience with continuous improvement in technological system capability to reduce financial costs. At the end of 2022, the total customers of the inclusive loans to micro and small-sized enterprises exceeded one million, the small and micro-sized and individual business owners at the bottom of the industrial chain and supply chain representing the absolute majority. The loan balance reached over RMB500,000 million, up by 38.2% as compared with the end of last year.

It is worth mentioning that we have also applied our technological capabilities to the national strategy of rural revitalization. The sheep in the cliff villages in Sichuan, the tea garden in Zijin County, Guangdong, and the mango orchards in Baise, Guangxi, are all equipped with IoT devices, the data applied can not only monitor the growth status of crops and assist farmers in breeding and farming scientifically, but also help us provide data-based loans to farmers to solve their capital turnover problems.

Second, deepening industry development with professional capabilities and facilitating "industrial upgrading". As a joint-stock bank, one of the paths to integrate into high-quality development is to integrate into modern industries and penetrate deeply into the industrial chain and supply chain. Using the unique industrial banking structure in the industry, Ping An Bank upgrades its new service system of "customer map, product map and operation map", conducts in-depth research on key industries, builds ecosystems of funds and bonds based on its comprehensive financial advantages, and provides customers with a package of solutions including "direct financing + indirect financing", which not only improves customer financing efficiency and reduces financing costs, but also helps specialized, refined, distinctive and innovative enterprises obtain financing in a targeted manner to help them achieve rapid development.

To sum up, we hope to use our professional capabilities to channel financial resources into business operations and industrial upgrading in an agile and efficient manner, and commit ourselves to transforming from a "financing channel" to a "growth partner" for our customers to create greater value for entities.

In the past year, in terms of key industries, the balance of the Bank's green finance business increased by 49.5% compared with the end of last year, and the growth of the balance of medium and long-term loans to manufacturing of the Bank increased by 35.3%. There are also some typical cases. For example, we have guided comprehensive financial funds of more than RMB12,000 million into a semiconductor industry fund, which not only solved the problem of project capital, but also solved the daily operation problems, making financial contributions to the solutions of "key and core projects".

Third, promoting model upgrade with openness and practicing "sustainable development". Internally, we promoted the openness and cooperation of all service lines, catalyze the chemical reaction of "1 + 1 > 2", and provide customers with more comprehensive and innovative services. We use our financial market trading capabilities to help entities lock in exchange rate risks and prevent "Black Swan" in the import and export process. In 2022, the transaction volume of this business increased by 54% year-on-year. We open up the open banking capabilities for our retail and corporate businesses to serve a large number of merchants and consumers in batches and efficiently through joint operation and joint construction of ecology with platforms.

Externally, we open our banking capacities, adhere to the customer-centric principle, and share common prosperity with our customers to help our partners achieve high-quality development. For example, we use our digital operation capability to improve the digital level of a cargo transportation platform, making scheduling more accurate and efficient, allowing drivers to wait less and take more orders, and providing credit financing according to the platform data to solve the cash turnover problem of drivers. The same digital capability has also been applied to animal husbandry and breeding industry, helping the rapid development of smart agriculture and animal husbandry.

In 2022, Ping An Group issued a new value culture system, calling for people-centered and national rejuvenation as its own responsibility, highlighting the focus of financial support for the real economy and promoting high-quality development. As a national joint-stock commercial bank in the Ping An family, only by putting the original spirit of “finance for the people” into practice and implementing the political and people-oriented requirements of financial work into every specific work such as technology, professionalism and openness can we live up to the mission entrusted to us by the times. With the high-quality development of finance, we will contribute to the high-quality development of the economy, and ultimately promote the high-quality development of the whole society so that everyone can enjoy a better life. In this great and promising process, we should and will play a more active role.

Company Profile

1.1 Company profile

1.1.1 Company information

| | | | |
|--|---|------------|--------|
| Stock Abbreviation | Ping An Bank | Stock code | 000001 |
| Traded on | Shenzhen Stock Exchange | | |
| Name of the company in Chinese | 平安银行股份有限公司 | | |
| Abbreviation in Chinese | 平安银行 | | |
| Name of the company in English | Ping An Bank Co., Ltd. | | |
| Abbreviation in English | PAB | | |
| Legal Representative of the company | Xie Yonglin | | |
| Place of registration | No. 5047, Shennan East Road, Luohu District, Shenzhen, Guangdong Province, the PRC. The Bank established on 22nd December 1987, and the registration address was No.1, Caiwuwei Xinshifang, Luohu District, Shenzhen, Guangdong Province, the PRC. The Bank's registration address was changed to Floor 1-6, Hubei Bao Feng Building, No.45, Baoan South Road, Shenzhen, Guangdong Province, the PRC on 6th November 1990 due to relocation of the head office. | | |
| Change history of the company's registration address | The Bank's registration address was changed to No. 178, Shennan Middle Road, Luohu District, Shenzhen, Guangdong Province, the PRC on 24th April 1998 due to relocation of the head office. The Bank's registration address was changed to No. 5047, Shennan East Road, Luohu District, Shenzhen, Guangdong Province, the PRC on 27th April 2002 due to change in doorplate of the head office building. | | |
| Postal code of the registration address | 518001 | | |
| Office Address | No. 5047, Shennan East Road, Luohu District, Shenzhen, Guangdong Province, the PRC. Block B, Ping An Financial Centre, No. 5023, Yitian Road, Futian District, Shenzhen, Guangdong, the PRC. | | |
| Postal code of the office address | 518001, 518033 | | |
| Website | http://bank.pingan.com | | |
| E-mail | PAB_db@pingan.com.cn | | |
| Service Hotline | 95511 ext. 3 | | |

1.1.2 Contact information

| | Secretary of the Board | Representative of Securities Affairs |
|-----------|--|--|
| Name | Zhou Qiang | Lv Xuguang |
| Address | Board Office of Ping An Bank, Block B, Ping An Financial Center, No. 5023, Yitian Road, Futian District, Shenzhen, Guangdong, the PRC. | Board Office of Ping An Bank, Block B, Ping An Financial Center, No. 5023, Yitian Road, Futian District, Shenzhen, Guangdong, the PRC. |
| Telephone | (0755) 82080387 | (0755) 82080387 |
| Facsimile | (0755) 82080386 | (0755) 82080386 |
| E-mail | PAB_db@pingan.com.cn | PAB_db@pingan.com.cn |

1.1.3 Information disclosure and filing location

| | |
|--|---|
| Website of stock exchange that disclose the Annual Report of the company | Shenzhen Stock Exchange http://www.szse.cn |
| Name and website of media that disclose the Annual Report of the company | <i>China Securities Journal, Securities Times, Shanghai Securities News, Securities Daily</i> CNINFO http://www.cninfo.com.cn |
| Filing location of the Annual Report | Shenzhen Stock Exchange, Board Office of Ping An Bank |

Company Profile

1.1 Company profile (Continued)

1.1.4 Change of registered information

| | |
|-------------------|--|
| Organization Code | 91440300192185379H(Unified social credit code) |
|-------------------|--|

| | |
|--|------|
| Change of main business after listing (if any) | None |
|--|------|

China Ping An is the controlling shareholder of the Bank.

In May 2010, Newbridge Asia AIV III, L.P. (“Newbridge”), the previous largest shareholder of the Bank, transferred all of its 520,414,439 shares of the Bank to China Ping An. In June 2010, the Bank issued 379,580,000 shares in a non-public manner to Ping An Life Insurance, a holding subsidiary of China Ping An. After the issuance, China Ping An and its holding subsidiary Ping An Life Insurance held a total of 1,045,322,687 shares of the Bank, approximately accounting for 29.99% of the total issued share capital of the Bank.

In July 2011, the Bank completed the issuance of 1,638,336,654 shares to China Ping An to purchase 7,825,181,106 shares of Ping An Bank formerly held by it and raise RMB2,690,052,300 for its major asset reorganization. After the completion of the major asset reorganization, the total share capital of the Bank increased to 5,123,350,416 shares. China Ping An and its holding subsidiary Ping An Life Insurance held a total of 52.38% of the shares of the Bank and became the controlling shareholders of the Bank.

Changes of all previous controlling shareholders

In December 2013, the Bank issued 1,323,384,991 shares to China Ping An in a non-public manner. After the issuance, the total share capital of the Bank increased to 9,520,745,656 shares. China Ping An and its holding subsidiary Ping An Life Insurance, holding a total of 59% of the shares of the Bank, were the controlling shareholders of the Bank.

In May 2015, the Bank issued 598,802,395 shares of the ordinary shares to eligible domestic investors in a non-public manner, and China Ping An subscribed 210,206,652 shares. After the issuance, the total share capital of the Bank increased to 14,308,676,139 shares. China Ping An and its holding subsidiary Ping An Life Insurance, holding a total of 58% of the shares of the Bank, were the controlling shareholders of the Bank.

In January 2019, the Bank made a public issuance of RMB26 billion of convertible corporate bonds. China Ping An and Ping An Life Insurance, as shareholders of the Bank, had the priority in placement in full amount. In August 2019, the Bank exercised the conditional right to redeem the convertible corporate bonds. Due to the conversion of convertible bonds, the total share capital of the Bank increased from 17,170,411,366 shares to 19,405,918,198 shares. China Ping An and its holding subsidiary Ping An Life Insurance, holding a total of 58% of the shares of the Bank, were the controlling shareholders of the Bank.

1.1.5 Others relevant information

Accounting firm employed by the company

| | |
|-----------------------------|--|
| Name of Accounting Firm | Ernst & Young Hua Ming LLP |
| Address of Accounting Firm | Room 01-12, Level 17, Ernst & Young Tower, Oriental Plaza, No.1 East Changan Ave. Dongcheng District, Beijing. |
| Names of Signing Accountant | Chang Hua, Wang Yangyan |

The sponsor institution appointed by the company to perform the duty of continuous supervision during the reporting period

Applicable Not applicable

The financial advisor appointed by the company to perform the duty of continuous supervision during the reporting period

Applicable Not applicable

Company Profile

1.2 Main businesses of the company during the reporting period

The year 2022 was a significant year in the history of the Communist Party of China (CPC) and the nation. The nation successfully convened the 20th CPC National Congress, which depicted a grand blueprint for building a modern socialist country in an all-round way. Facing the stormy international environment and arduous tasks of reform, development and stability at home, under the strong leadership of the CPC Central Committee with Comrade Xi Jinping as its core, the whole Party and Chinese people rose to difficulties, forged ahead, coordinated the two major situations domestically and internationally, coordinated development and security, increased macro-control efforts, and responded to the impact of factors beyond expectations. The quality of development has been steadily improved, scientific and technological innovation has been fruitful, reform and opening up has been comprehensively deepened, employment and prices have been basically stable, food security, energy security and people's livelihood have been effectively guaranteed, and the general economic and social stability has been maintained.

The banking industry actively implements the spirit of the 20th CPC National Congress: continuously gives priority to serving the real economy and people's well-being; sticks to the general tone of seeking improvement stably; continuously promotes the financial supply side reform; enhances the financial support to private enterprises, small and micro enterprises, manufacturing, agriculture and other fields; actively helps expand domestic demand; fully supports the policy of "ensuring stability on six key fronts and maintaining security in six key areas"; actively practices green finance; vigorously supports rural revitalization; comprehensively strengthens prevention and control of financial risks; and strives to facilitate high-quality economic development.

The Bank is the first listed national joint-stock commercial bank in Chinese mainland. After years of development, the Bank has gradually grown into a joint stock commercial bank with a complete range of financial services, wide outlets coverage, mature and stable operation and management, and leading brand influence. At the same time, the Bank strives to build a unique competitiveness in the industry, and it has formed distinct operating features in the fields of being technology-driven, comprehensive finance, and retail transformation.

As approved by relevant regulatory authorities, the Bank engages in the following commercial banking activities: (I) absorption of public deposits; (II) advances of short, medium and long-term loans; (III) domestic and overseas settlement; (IV) bill acceptance and discounting; (V) issuance of financial bonds; (VI) agent of issuing, cashing and underwriting government bonds; (VII) trading of government bonds and financial bonds; (VIII) interbank lending and borrowing; (IX) trading of foreign exchange on its behalf and as an agent; (X) bank cards; (XI) provision of letter of credit service and guarantee; (XII) agency for collection and payment and insurance agency; (XIII) safe deposit box service; (XIV) foreign exchange settlement and sale; (XV) off-shore banking; (XVI) assets custody; (XVII) gold service; (XVIII) financial advisory, credit investigation, consultation and witness services; and (XIX) other businesses approved by relevant regulatory authorities.

1.3 Development strategy and core competence of the Bank

1.3.1 Development strategy of the Bank

Aiming at the strategic goal of being a “China’s most outstanding, world-leading smart retail bank”, the Bank upholds the strategic principle of “being technology-driven, pursuing breakthroughs in retail banking, and reinventing its corporate banking”, continues to deepen strategic transformation, and strives to build its three business cards of “a digital bank, an ecosystem and a platform”. The Bank continuously upgrades operating strategies for retail business, corporate business and interbank capital business, deepens holistic digital operation, and reshapes asset-liability structure operation. At the same time, the Bank actively responds to national strategy and regulatory requirements, comprehensively enhances the ability of supporting consumption and serving micro, small and medium-sized enterprises; continuously and vigorously supports rural revitalization; actively practices green finance; enhances the financial support to private enterprises, small and micro enterprises, manufacturing, agriculture and other fields; and fully supports the development of the real economy.

(1) Being technology-driven

The Bank holistically improves capabilities of technology, data, agility, talent and innovation through advancing comprehensive Cloud Native transformation, consolidates digital base, supports digital transformation by adopting cutting-edge technologies, gives play to the concept of technology driving value in terms of service marketing, risk control, operation support and management empowerment, and creates a leading FinTech capability, infusing powerful technology energy into the strategic transformation.

“Five leading scientific and technological capabilities” >>>

Technology capability

Driving comprehensive upgrades of technology capability through architecture transformation, the Bank puts efforts into promoting technological upgrades including new generation infrastructure, technology middle platform, integrated technique of development, operation and maintenance all-in-one, laying a strong technological foundation. By promoting comprehensive Cloud Native transformation, the Bank holistically upgrades technology system and engineering system, promotes transformation from technology architecture to Cloud Native technology, so as to realize all applications on the cloud. By creating an enterprise-level technology middle platform, the Bank intensifies the research on leading technologies, forms a highly reusable and sharing technical platform, and enhances enterprise-level architecture support capabilities. The Bank constructs an integral platform of development, operation and maintenance all-in-one, and continuously improves the collaboration among them and their efficiency of delivering applications.

Data capability

With the goal of maximizing the business value with data, the Bank improves basic data management level and data service level by data capitalized management and construction of data middle platform respectively, builds a leading data capability to provide a powerful data engine for business development and operating management. The Bank strengthens data governance, and increases the standardization, labeling and granulation level of the underlying data, so as to improve data quality in all respects. The Bank also builds data capitalized management system, releases the value potential of data elements, and empowers operating management to improve quality and efficiency. Furthermore, the Bank constructs the platform-based data capability and data middle platform, strengthens data service capability, realizes data empowerment, and drives operation management by data to achieve prevention, early warning, and prediction, being more advance in capturing information, decision-making and taking actions, improving effectiveness, efficiency and productivity, and reducing cost, risk and human resources.

Company Profile

1.3 Development strategy and core competence of the Bank(Continued)

1.3.1 Development strategy of the Bank(Continued)

(1) Being technology-driven(Continued)

Agility capability

The Bank improves technology governance models and deepens agile transformation. It also cultivates agile culture; tightens the integration between technology and business; organizes agile team; hastens the pace of product research, development and iteration; and improves delivery quality and customer experience in an all-around way. Enabled by technology and business, the technology teams have gradually transformed from technical service providers to business partners, and the delivery of technology products has gradually transformed from efficiency-oriented to value- and effectiveness-oriented.

Talent capability

Benchmarking with the leading Internet companies, the Bank makes a prospective planning for technical talent resources, establishes a competitive salary system and incentive mechanism that creates a good career development path for each technical personnel. In addition, the Bank continues to bring in global top technology elites, forms a leading talent team in financial technology and accelerates the construction of compound talent team in terms of “Finance + Technology”, so as to forge a talent team with expertise in “technology, business and management”.

Innovation capability

The Bank adheres to self-dependent innovation, gives full play to the advantages of financial technology, empowers the construction of an industrial ecosystem, and promotes deep integration of the digital economy and the real economy, fully improving the capability of financial service to the real economy. Intensifying the application of leading technologies, the Bank deepens the innovative applications in the financial fields including Internet of Things, blockchain, AI and big data, and promotes digital and intelligent upgrading of operation and management. To improve the innovation mechanism, the Bank holds various innovation contests to motivate the innovative vitality of all staff, such as the Innovation Committee and the “Innovation Garage”. To create an innovation culture, the Bank improves all staff’s understanding of financial technology and consciousness of innovation through financial technology certification, and helps them form the thinking patterns of innovating and solving problems by technological measures. The Bank also enhances intellectual property (IP) management, encourages application for IP patent, motivates individual innovation, and drives financial technology innovation and brand development.

(2) Pursuing breakthroughs in retail banking

The Bank deeply advances transformation and upgrade in the retail business, and comprehensively implements the new model of retail transformation in which combining open bank, AI bank, remote bank, offline bank and comprehensive bank with interconnection and organic integration. The Bank constantly enhances technology-driven development, promotes business mode reform, and creates the “Smart Bank 3.0¹” for retail business. The Bank actively fulfills the original aspiration of providing financial service to the real economy and serving people’s well-being, and infuses new energy into the sustainable development of retail business.

¹The Bank divides its retail transformation into three phases, of which the Smart Bank 1.0 started from the end of 2016 to the end of 2018, laying the foundation for the comprehensive digitalization of retail business; the Smart Bank 2.0 started from the beginning of 2019 to the end of 2020, with the construction of AI bank and open bank as the strategic focus, starting the process of comprehensive digitalization; the Bank has launched the new model of retail transformation since 2021, it actively led the change of business model, and opened up a new development phase of Smart Bank 3.0.

Three missions of retail business development >>>

The Bank adheres to the customer-centric principle with “building warm and excellent financial service capability in the retail business, benefiting tens of thousands of households with top-quality financial products” as its mission. The Bank aims to achieve following goals:

To meet the wealth management needs of customers, the Bank provides them with professional asset allocation and wealth management services, and grows together with customers.

To meet the credit needs of customers, the Bank provides customized credit services to customers who were neglected by the traditional financial system but have a strong willingness and ability to repay debts, so as to help them enjoy peace and contentment in work and life.

To meet the customized needs of high-end customer groups, the Bank provides them with comprehensive financial and life services covering all phases of personal, family and business development, so as to support the long-lasting prosperity of their family and businesses.

Building the new model of retail transformation and advancing “Smart Bank 3.0” >>>

Being customer-centric and data-driven, the Bank conducts combined innovation and upgrades for the development and operation strategies of retail business to build the new model of retail transformation. The new model consists of five elements: open bank, AI bank, remote bank, offline bank and comprehensive bank, which are interconnected and integrated to form an organic system.

Open bank is the fountain of the development of retail business. The Bank achieves “joint efforts to operate, construct ecology and assist entities” through the combination of “going out” and “bring in” plus platform cooperation with scenario providers. The open bank makes the financial services “everywhere, capable of doing anything and taking care of everything meticulously”.

Portable bank, i.e., “AI + T + Offline” (AI bank + Remote bank + Offline bank), is the operation chain and service network for the development of retail business. By building a market-leading intelligent customer management system that takes both professionalism and hospitality into account, the Bank assigns dedicated professionals to every customer and provides them with tailor-made financial services throughout their whole life cycle to meet any of their needs at any time.

Comprehensive bank is the engine for development of the retail business. By constructing a retail business’s middle platform that includes data, product, rights, technology and risk, the Bank digitalizes and modularizes basic product, service capability and customer portrait, and provides customers with high-quality and comprehensive financial and lifestyle solutions that are complete, all-inclusive and all-at-once, so as to improve the customers’ integrated service experience.

Combing with the development requirements of the new model, the Bank constructs a scientific customer segmentation mechanism and a smart management system driven by the decision-making engine of the “AI Brain” from headquarter, promotes more accurate customer demand insight, more suitable product and service supply and more intelligent operating strategy, so as to achieve customers management through their lifetime in a refine and intelligent way and fully advance “Smart Bank 3.0”.

The “Smart Bank 3.0” is committed to achieve the following goals:

Firstly, it reshapes the customer management model, and provides customers with more professional and more accurate services through intelligent and data-based operation methods, so as to improve customer satisfaction. Secondly, it upgrades internal operation management, and advances integrated and high-efficiency management, so as to facilitate the teams’ soaring development. Thirdly, it realizes the unity of social value and business value and enhances the breadth and depth of inclusive finance and people’s access to and contentment in financial services through low-threshold, wider coverage and intelligentized service mean.

Company Profile

1.3 Development strategy and core competence of the Bank(Continued)

1.3.1 Development strategy of the Bank(Continued)

(3) Refining its corporate banking

● Corporate business

The Bank follows the national strategy, actively implements the spirit of the 20th National Congress, conforms to the national trend of building modern industries to promote the new development strategy of “2 + 3 + 4 + 1” for corporate business which includes concentrating on two racing tracks of “new transaction bank driven by digitalization and modern industrial finance driven by industrialization”, consolidating three maps of “customer, product and operation”, improving four capabilities of “digitalization, openness, industrialization and integration”, and fostering “one group of core customers” that makes core contributions to deposits, assets and operating income of the corporate business. The Bank insists on customer-centric principle; fosters and strengthens the core customer groups through focusing on key industries, key areas and key customers. On the one hand, the Bank increases customers’ share of wallet by implementing in-depth management to consolidate corporate business development base. On the other hand, the Bank strictly maintains “one lifeline” of asset quality and ensures stable asset quality to advance sustainable and high-quality development road.

The Bank’s corporate business follows the trend of the times, leverages the advantages of Ping An’s comprehensive finance and technology empowerment, and seeks high-quality customers and business opportunities in the right track to drive high-quality business development. Focusing on the layout of the two racing tracks:

First, as for industrial digitization, the Bank creates a new transaction bank driven by digitization. On the one hand, with the account service advantage plus using a digital account as the entry point, relying on digitalized customer management platform such as Digital Pocket and Digital Treasury, the Bank reaches a large number of micro, small and medium-sized customer groups from the industrial chain and Internet platform, constantly innovates and iterates service capability of supply chain finance by leveraging the advantages of “Nebula-IoT platform” and massive data and adopting online, modularized and automated technological means. On the other hand, through “Nebula Open Alliance” to strengthen ecological cooperation, the Bank openly outputs its capability of finance and technology in a modularized and standardized way to the “4 + 1” key node customer groups² and massive users behind and enhances the accessibility and inclusiveness of financial and non-financial services. The Bank continuously upgrades online and offline integrated operation system, strengthens the customer base, promotes transactions and enhances value. Leveraging the advantages of account, transaction, data and openness, the Bank forges the differentiated service capability for its transaction bank to resolve the lack of financing, high financing costs, operational difficulties and relevant high costs for micro, small and medium-sized enterprises. The Bank also practices the reporting spirit of the 20th CPC National Congress and effectively fulfills our original aspiration of serving the real economy.

Second, as for modern industries, the Bank constructs a modern industrial finance driven by industrialization. In line with the general trend of modern industry and capital market development, the Bank actively supports the development of the real economy, focuses on new energy, new infrastructure, new manufacturing and other fields, and deeply explores the industrial chains of ITAI (Information Technology Application Innovation industry), semiconductor, new energy vehicles, wind power and photovoltaic, biomedicine, transportation infrastructure, etc. The Bank gives full play to Ping An Group’s comprehensive financial advantages and provides customers with one-stop financial services through comprehensive solutions of “commercial banking + investment bank + investment” to help enterprises’ industrial transformation and upgrading. At the same time, in order to improve customer service, the Bank continuously strengthens investment bank’s expertise, focuses on fund ecosystem and bond ecosystem, creates a whole chain product system of “fund raising, investment, management and withdrawal” for funds, and deepens the integrated operation of “soliciting, researching and marketing” for bonds. The Bank also constructs M&A bank consortium ecosystem and capital market interbank circle and helps the rapid development of strategic emerging industries with diversified and full cycle financial services.

²“4+1” key node customer groups refer to Internet platform, software and data service provider, hardware service provider, supply chain scenario provider and PE/VC.

● Interbank capital business

Adhering to the concept of “serving the financial market, interbank customers and the real economy” for interbank capital business, the Bank builds a core “moat” with two professional capabilities of “transaction + sales”, creates the five golden business cards: “the industry’s top financial trading expert”, “the industry’s first-class risk aversion expert”, “the leading service provider of institutional sales for financial products”, “the leading custody bank of the digital ecosystem” and “the open wealth management platform with the most all-inclusive categories”, forming business value chain. The Bank also strives to promote business development for “intuitive + risk aversion” customers with the new model of customer management for interbank capital transformation. Facing the new era and new opportunities, the Bank’s interbank capital business consolidates the fundamentals, lays out new tracks, strengthens risk control, accelerates digital transformation, and lays a long-term healthy development with sound and balanced business layout to promote high-quality development.

“Five golden business cards” of interbank capital business >>>

Financial transaction

The Bank gives full play to its four trading advantages of “internationalized professional team, leading trading system, real-time risk control capability and outstanding pricing capability”, continuously upgrades trading technologies, optimizes investment efficiency, gradually enriches investment categories, comprehensively enhances risk management, and plays a positive role in improving market liquidity and market pricing efficiency. In addition, relying on its investment transaction capability, the Bank deeply develops cooperation with other interbank institutions in the field of financial transactions.

Risk aversion service

The Bank continuously improves its service system of “Ping An Risk Aversion”, upholds the principle of risk-neutral, vigorously promotes model innovation of risk aversion products and services, and combines with “transaction capability + technology capability + service capability” to effectively serve micro, small and medium-sized enterprises.

Financial interbank

The Bank deeply implements the business philosophy of “customer-centric”, using “Hang-E-Tong” as a vehicle to create a new brand of interbank institutional sales. Moreover, the Bank further develops the cooperation with various financial institutions in ways, improving customers’ total value to build a multi-stakeholder ecosystem with mutual benefit and win-win results.

Asset custody

Continuously promoting the improvement of comprehensive service capabilities and building a big data platform for asset custody, the Bank creates an integrated service ecosystem of “investment, financing and custody”. Based on the customers’ needs of investment, financing and custody, the Bank creates the custody service system with diversified selection and ultimate experience to facilitate the improvement of customers’ value.

Asset management

The Bank pursues a market-oriented, specialized and refined business strategy. While rolling out more net-value-based products that meet requirements of new asset management regulations, the Bank also builds an industry-leading product system to maintain the stable development of the wealth management business of Ping An.

New business model of interbank capital customer >>>

Comprehensive bank

The Bank connects the capabilities of quoting, market-making, F-side (financial institution) portrait sales, risk aversion, and custody to create a diversified portfolio of financial products for front-line sales teams.

Company Profile

1.3 Development strategy and core competence of the Bank(Continued)

1.3.1 Development strategy of the Bank(Continued)

(3) Reinventing its corporate banking(Continued)

● Interbank capital business(Continued)

AI bank

The Bank adopts quoting robots and algorithmic engines to create a one-stop “production line” for market-making business to efficiently serve institutional clients and consolidates its leading position in the FICC (fixed income, foreign exchange and commodities) business in the industry.

Remote bank

The internationalized professional team of FICC provides professional solution and consultation through remote connection and more efficient, professional and warmer trading services to our institutional clients. The expert team of Ping An Risk Aversion products provides services remotely to enhance the coverage of customized and special risk aversion services.

Offline bank

With the “customer-centric” principle, the Bank upgrades the construction of “1 + N” service team (1 account manager and N product managers), develops professional sales team, and comprehensively and deeply manages customers based on customer profile and customer comprehensive service solutions.

Open bank

“Hang-E-Tong” customer collection platform builds rich and diverse product categories for institutional customers and a completed customer rights and benefits system with strong technological empowerment. At the same time, the Bank integrates the Ping An Group’s resources and tools to build a value-creating research system and provides support for a full range of accompanying investment services.

1.3.2 Core competence of the Bank

Clearly science-based development strategy

The Bank actively implements the spirit of the 20th CPC National Congress, insists on the development concept of people-centric, stays within the trend of the times, and gives full play to its own advantages. Adhering to the strategic principle of “being technology-driven, pursuing breakthroughs in retail banking, and reinventing its corporate banking”, the Bank continuously deepens strategic transformation and strives to build its three business cards of “a digital bank, an ecosystem and a platform”. The retail business focuses on building the new model of retail transformation, the corporate business strives to lay out the “two racing tracks”, and the interbank capital business concentrates on enhance the “five golden business cards”. The Bank holistically deepens digital operation and puts efforts in becoming a “China’s most outstanding, world-leading smart retail bank”.

Outstanding comprehensive finance advantages

Comprehensive finance is the unique core competence of the Bank. Based on the close combination of Ping An Group’s operation condition and its massive individual customer base, powerful capital funding capability, strong branding influence, various financial licenses and all other advantages, the Bank has built strong comprehensive finance advantages through resource coordination and collaboration. The Bank has developed a mature management mode, system/mechanism, and service platform for comprehensive finance, which has opened wider space for its strategic transformation and business development.

Technology empowering model innovation

Upholding the principle of “being technology-driven”, the Bank invigorates its digital transformation by leveraging the leading digital technologies, and consistently improves technology-empowerment of financial services.

In terms of technology empowering the retail business, the Bank creates the new model of retail transformation; provides customers with life-long accompanying services; realizes low-cost, high-accuracy reaching and customer activation relying on AI customer manager; covers more customer groups with high-quality retail financial services; and continuously enhances its financial service capability of the retail business.

In terms of technology empowering the corporate business, the Bank focuses on “two racing tracks”. First, it reaches to micro, small and middle-sized enterprises from industrial chain and Internet platform based on the advantages of account, transaction, data and openness to create digitization-driven new transaction bank. Second, it integrates commercial bank, investment bank, investment and technological service capability, constructs industrialization-driven modern industrial finance, and promotes upgrade of business operation towards ecological model.

In terms of technology empowering the capital business, the Bank deeply integrated technology innovation with capital business scenarios and builds a top transaction capability of “human-machine integration”. The Bank also continuously improves its product-based transaction ability, improve the full chain service capability of capital market, so as to develop the sales and service advantages of “customer-centric” and holistic institution to open up the space for diversified value creation.

Deeply rooted value culture

The Bank integrates and reshapes its new value culture system. Using the core concept of “expertise creates value” as corporate culture, the Bank adopts the maximized value as the only criteria of testing all work, and achieves the match of “words, actions and results”. Upholding the principle of short-term value is subject to long-term value and business value is subject to social value, the Bank constantly creates the maximized value for customers, employees and shareholders with professional capabilities and services. The culture gene of “innovation, execution and compliance” is also deeply rooted in the new value culture, the Bank ensures that product and service make the concept of “expertise creates value” prominent through effective mechanism of innovation, performance evaluation, tracking and supervision, and long-term compliance, and serves the real economy and people.

Company Profile

1.4 Honors and awards

In 2022, honors and awards obtained by the Bank from activities of domestic and foreign institutions are as follow:

January

- In January 2022, the Bank's private bank won two awards of "China's Best Private Bank - Best Customer Service Award" and "Best Wealth Management Family Office" in the "2021 International Private & Family Wealth Management" Awards held by *WEALTH*.

February

- In February 2022, the Bank's "Smart Anti-fraud Robot" won the "Best FinTech Security Award" in the 8th "Golden Pine Award" in the FinTech industry in 2021.

March

- In March 2022, the Bank won the awards of "VISA - 2021 Outstanding Acquiring Business Partner Award", "MasterCard - 2021 Outstanding Acquiring Bank", "American Express - Outstanding Acquiring Partner Award" and "JCB - 2021 Outstanding Partner Award" issued by those international card organizations.

April

- In April 2022, the Bank won the awards of "Best Investor Relations Award for Listed Companies in China" and "Best Board of Directors Award for Investor Relations for Listed Companies in China" in the 13th China Listed Investor Relations Tianma Awards announced by *Securities Times*.
- In April 2022, *DIRECTORS & BOARDS* magazine released the 17th "Round Table" winner list, the Bank won the "Special Contribution to Corporate Governance" award.

May

- In May 2022, the Bank's "Smart Special Asset Management Platform" case won the award of "Outstanding Digital Operation Case of the Year" in the "2021 China Banking Industry Digital Transformation Case Collection" organized by *China Banking & Insurance News* and *China Rural Finance*.

June

- In June 2022, the Bank won three awards of "Best Investor Relations Company", "Best ESG" and "Best Investor Relations Team" for banking and non-banking sector in Asia area in the "2022 Asia (Ex-Japan) Executive Team" awards held by *Institutional Investor*.

July

- In July 2022, the Bank won the award of "Best Bank in Guangdong-Hongkong-Macao Greater Bay Area - Best Digital Bank in Greater Bay Area" in 2022 Best Bank Award in Guangdong-Hongkong-Macao Greater Bay Area held by *Asiamoney*.

August

- In August 2022, the Bank won the awards of “2022 China’s Best Joint-Stock Retail Bank”, “2022 China’s Best Bank for Small and Middle-Sized Enterprises” and “2022 Best Auto Loan Product”, which revealed the winning results on “2022 China Awards” held by the world’s leading financial institution - *The Asia Banker*.

September

- In September 2022, the Bank won three awards of “Top 10 Green Finance Innovation Award”, “Top 10 Retail Bank Innovation Award” and “Top 10 Risk Management Innovation Award” in the 2022 China Financial Innovation Forum and Online Launch Event of China Financial Innovation Results hosted by *The Banker*.

October

- In October 2022, *IDC China* announced the winners of the 2022 IDC China Future Enterprise Awards, and the Bank won the 2022 IDC China “Best in Future of Customer Experience” award and “Best in Future of Industry Ecology” award.

November

- In November 2022, International Finance Forum (IFF) announced the eligible list for the 3rd “IFF Global Green Finance Award” and the Bank was awarded the “Global Green Finance Award - Annual Award”.
- In November 2022, the Bank’s Private Bank won the award of “Best Private Equity Sales Bank” award in the “2022 *China Fund* Industry - Ying Hua Award” hosted by *China Fund*.
- In November 2022, the Bank’s Digital Investment Bank won the award of “Financial Service Navigator Platform of the Year in the “2022 Macroeconomic Forum and Navigator Conference” hosted by *The Economic Observer* and Beijing Jingguan Culture Media Co., Ltd.
- In November 2022, *Global Finance* announced the winners of the 15th “Stars of China Awards”, and the Bank’s Private Bank won the awards of “Best Private Bank of Customer service for Ultra-High Net Value” and “Best Private Bank for Technology Innovation”.
- In November 2022, the Bank won the awards of “Top 20 Corporate Governance for listed Companies in the Greater Bay Area” and “Top 20 Green Governance” in the 6th China (Shenzhen) Corporate Governance Summit.

December

- In December 2022, the Bank was awarded the “2022 Outstanding Asset Custodian Bank - Tianji Award” and “2022 Technology Innovation Bank - Tianjin Award” in the 4th China Banking Industry - “Tianji Award” ceremony hosted by *Securities Times*. Ping An Wealth Management won the awards of “Challenger Bank Wealth Management Subsidiary” and “Outstanding Bank Wealth Management Team”.
- In December 2022, the Bank won the awards of “2022 Asian Outstanding Bank for Institutional Customer Service”, “2022 Inclusive Financial Business Bank” and “2022 Excellence Open Bank” in the 21st Century Financial Competitiveness Research Case Study hosted by *21st Century Business Herald*.

Accounting Data and Financial Indicators

2.1 Key indicators

(In RMB million)

| Item | 2022 | 2021 | Year-on-year change |
|--|------------------|------------------|---|
| Operating income | 179,895 | 169,383 | 6.2% |
| Net profit attributable to shareholders of the Bank | 45,516 | 36,336 | 25.3% |
| Cost/income ratio | 27.45% | 28.30% | -0.85 percentage point |
| Average return on total assets | 0.89% | 0.77% | +0.12 percentage point |
| Weighted average return on net assets | 12.36% | 10.85% | +1.51 percentage points |
| Net interest margin | 2.75% | 2.79% | -0.04 percentage point |
| Proportion of net non-interest income | 27.66% | 28.96% | -1.30 percentage points |
| | 31 December 2022 | 31 December 2021 | Change at the end of the year from the end of last year |
| Deposit principals from customers | 3,312,684 | 2,961,819 | 11.8% |
| Total principal of loans and advances to customers | 3,329,161 | 3,063,448 | 8.7% |
| Non-performing loan ratio | 1.05% | 1.02% | +0.03 percentage point |
| Provision coverage ratio | 290.28% | 288.42% | +1.86 percentage points |
| Deviation ratio of loans overdue for more than 60 days | 0.83 | 0.85 | -0.02 |
| Capital adequacy ratio | 13.01% | 13.34% | -0.33 percentage point |

2.2 Key accounting data and financial indicators

Whether the Bank needs to adjust or restate retrospectively the accounting data for previous years

Yes No

(In RMB million)

| Item | 31 December 2022 | 31 December 2021 | 31 December 2020 | Change at the end of the year from the end of last year |
|--|---------------------|---------------------|---------------------|--|
| Total assets | 5,321,514 | 4,921,380 | 4,468,514 | 8.1% |
| Shareholders' equity | 434,680 | 395,448 | 364,131 | 9.9% |
| Shareholders' equity attributable to ordinary shareholders of the Bank | 364,736 | 325,504 | 294,187 | 12.1% |
| Share capital | 19,406 | 19,406 | 19,406 | - |
| Net asset per share attributable to ordinary shareholders of the Bank (RMB/share) | 18.80 | 16.77 | 15.16 | 12.1% |

Accounting Data and Financial Indicators

2.2 Key accounting data and financial indicators (Continued)

| Item | 2022 | 2021 | 2020 | Year-on-year change |
|---|---------|-----------|----------|-------------------------------|
| Operating income | 179,895 | 169,383 | 153,542 | 6.2% |
| Operating profit before impairment losses on credit and other assets | 128,781 | 119,802 | 107,327 | 7.5% |
| Impairment losses on credit and other assets | 71,306 | 73,817 | 70,418 | (3.4%) |
| Operating profit | 57,475 | 45,985 | 36,909 | 25.0% |
| Profit before tax | 57,253 | 45,879 | 36,754 | 24.8% |
| Net profit attributable to shareholders of the Bank | 45,516 | 36,336 | 28,928 | 25.3% |
| Net profit attributable to shareholders of the Bank less non-recurring gains/losses | 45,407 | 36,230 | 28,840 | 25.3% |
| Net cash flows from operating activities | 134,572 | (192,733) | (16,161) | Negative amount for last year |
| Ratio per share (RMB/share): | | | | |
| Basic/Diluted earnings per share (EPS) | 2.20 | 1.73 | 1.40 | 27.2% |
| Basic/Diluted EPS less non-recurring gains/losses | 2.19 | 1.72 | 1.40 | 27.3% |
| Net cash flows from operating activities per share | 6.93 | (9.93) | (0.83) | Negative amount for last year |
| Financial ratios (%): | | | | |
| Return on total assets | 0.86 | 0.74 | 0.65 | +0.12 percentage point |
| Average return on total assets | 0.89 | 0.77 | 0.69 | +0.12 percentage point |
| Weighted average return on net assets | 12.36 | 10.85 | 9.58 | +1.51 percentage points |
| Weighted average return on net assets (less non-recurring gains/losses) | 12.33 | 10.82 | 9.55 | +1.51 percentage points |

Note: The return on net assets and EPS indicators are calculated in accordance with the *Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 - Computation and Disclosure of Return on Net Assets and Earnings per Share* (2010 Revision) (《公開發行證券的公司信息披露編報規則第9號 - 淨資產收益率和每股收益的計算及披露》(2010年修訂)) and *Accounting Standards for Business Enterprises No. 34 - Earnings per Share* (《企業會計準則第34號 - 每股收益》). The Bank issued non-cumulative preference shares of RMB20 billion in private placement on 7 March 2016 and non-fixed term capital bonds ("Perpetual Bond") of RMB20 billion and RMB30 billion in December 2019 and in February 2020, which are all classified as other equity instruments. In the calculation of the "weighted average return on net assets" and "EPS", the paid dividends on preference shares of RMB874 million and the interests on perpetual bonds of RMB1,975 million have been deducted from the "Net profit attributable to shareholders of the Bank".

Whether the lower of the net profit before and after deducting non-recurring gains or losses for recent three fiscal years are negative, and the audit report of the last year shows that there is uncertainty in the company's ability to continue as a going concern.

Yes No

Whether the lower of the net profit before and after deducting non-recurring gains or losses are negative

Yes No

Total share capital of the Bank as at the trading day prior to disclosure and fully diluted EPS calculated based on the latest share capital

| | |
|---|----------------|
| Total share capital of the Bank as at the trading day prior to disclosure (in shares) | 19,405,918,198 |
| Payment of dividends on preference shares (RMB Yuan) | 874,000,000 |
| Payment of interests on perpetual bonds (RMB Yuan) | 1,975,000,000 |
| Fully diluted EPS calculated based on the latest share capital (RMB/share) | 2.20 |

Accounting data differences under domestic and overseas accounting standards

1. Differences in net profit and net assets between financial reports under the international accounting standards and the Chinese accounting standards.

Applicable Not applicable

During the reporting period, the Group had no difference in net profit and net assets between financial reports under the international accounting standards and the Chinese accounting standards.

2. Differences in net profit and net assets between financial reports under the overseas accounting standards and the Chinese accounting standards.

Applicable Not applicable

During the reporting period, the Group had no difference in net profit and net assets between financial reports under the overseas accounting standards and the Chinese accounting standards.

3. Reasons for differences in accounting data under domestic and overseas accounting standards.

Applicable Not applicable

Accounting Data and Financial Indicators

2.2 Key accounting data and financial indicators (Continued)

Quarterly key financial indicators

(In RMB million)

| Item | First Quarter of 2022 | Second Quarter of 2022 | Third Quarter of 2022 | Fourth Quarter of 2022 |
|---|-----------------------|------------------------|-----------------------|------------------------|
| Operating income | 46,207 | 45,815 | 46,243 | 41,630 |
| Net profit attributable to shareholders of the Bank | 12,850 | 9,238 | 14,571 | 8,857 |
| Net profit attributable to shareholders of the Bank less non-recurring gains/losses | 12,873 | 9,169 | 14,555 | 8,810 |
| Net cash flows from operating activities | 147,127 | 3,356 | (57,965) | 42,054 |

Have the above financial indicators or their totals differed significantly from the relevant financial indicators in the quarterly report and interim report disclosed by the Bank?

Yes No

Information of loans and deposits

(In RMB million)

| Item | 31 December 2022 | 31 December 2021 | 31 December 2020 | Change at the end of the year from the end of last year |
|--|------------------|------------------|------------------|---|
| Deposit principals from customers | 3,312,684 | 2,961,819 | 2,673,118 | 11.8% |
| Including: Corporate deposits | 2,277,714 | 2,191,454 | 1,988,449 | 3.9% |
| Personal deposits | 1,034,970 | 770,365 | 684,669 | 34.3% |
| Total principal of loans and advances to customers | 3,329,161 | 3,063,448 | 2,666,297 | 8.7% |
| Including: Corporate loans | 1,281,771 | 1,153,127 | 1,061,357 | 11.2% |
| General corporate loans | 1,084,224 | 998,474 | 948,724 | 8.6% |
| Discounted bills | 197,547 | 154,653 | 112,633 | 27.7% |
| Personal loans | 2,047,390 | 1,910,321 | 1,604,940 | 7.2% |

Note: Pursuant to the *Circular on Revising and Issuing 2018 Versions of Financial Statement Templates for Financial Enterprises* (Cai Kuai [2018] No. 36) (《關於修訂印發 2018 年度金融企業財務報表格式的通知》(財會)[2018]36 號)) issued by the Ministry of Finance, interests accrued using the effective interest method are included in the carrying amount of financial instruments, and interests not received or paid as at the balance sheet date are presented in "Other assets" or "Other liabilities". Unless otherwise stated, "Loans and advances to customers", "Deposits from customers" and their breakdowns mentioned in this report are all amounts net of interests.

Items and amounts of non-recurring gains/losses

✓ Applicable □ Not applicable

(In RMB million)

| Item | 2022 | 2021 | 2020 | Year-on-year change |
|---|------------|------------|-----------|-------------------------------|
| Net gains or losses on disposal of non-liquidity assets | 152 | 16 | 92 | 850.0% |
| Loss/Gain from contingencies | (75) | (9) | (6) | Negative amount for last year |
| Other | 68 | 127 | 25 | (46.5%) |
| Impact on income tax | (36) | (28) | (23) | 28.6% |
| Total | 109 | 106 | 88 | 2.8% |

Note: The non-recurring gains/losses are calculated in accordance with the definitions in the *Explanatory Announcement No. 1 on Information Disclosure of Companies Publicly Issuing Securities - Non-recurring Profit and Loss* (《公開發行證券的公司信息披露解釋性公告第 1 號 - 非經常性損益》)

During the reporting period, the Group had no recurring gains/losses items that are defined or listed as non-recurring gains/losses as per the Explanatory Announcement No. 1 on Information Disclosure of Companies Publicly Issuing Securities - Non-recurring Profit and Loss (《公開發行證券的公司信息披露解釋性公告第 1 號 - 非經常性損益》).

2.3 Supplementary financial ratios

(Unit: %)

| Item | 2022 | 2021 | 2020 | Year-on-year change |
|---------------------|-------|-------|-------|------------------------|
| Cost/income ratio | 27.45 | 28.30 | 29.11 | -0.85 percentage point |
| Credit costs | 2.01 | 2.08 | 1.73 | -0.07 percentage point |
| Deposit-loan spread | 3.81 | 4.05 | 4.21 | -0.24 percentage point |
| Net interest spread | 2.67 | 2.74 | 2.78 | -0.07 percentage point |
| Net interest margin | 2.75 | 2.79 | 2.88 | -0.04 percentage point |

Notes:

(1) Credit costs = impairment losses on loans/average balance of loans and advances to customers (including discounted bills). In 2022, the average balance of loans and advances to customers (including discounted bills) of the Group was RMB3,190,601 million; Net interest spread (NIS) = average yield of interest-earning assets - average cost rate of interest-bearing liabilities; and net interest margin (NIM) = net interest income/average balance of interest-earning assets.

(2) Since the first quarterly report of 2022, in the calculation of deposit-loan spread, the standard of "average yield of loans and advances to customers" was adjusted to include discounted bills, and the comparison data was adjusted accordingly by the same standard. Please see "Section III 3.2.1.(2) Net interest income" for details.

Accounting Data and Financial Indicators

2.4 Supplementary regulatory indicators

2.4.1 Key regulatory indicators

(Unit: %)

| Item | Standard level of indicator | 31 December 2022 | 31 December 2021 | 31 December 2020 |
|--|-----------------------------|------------------|------------------|------------------|
| Liquidity ratio (RMB and foreign currency) | ≥25 | 55.19 | 55.57 | 62.05 |
| Liquidity ratio (RMB) | ≥25 | 54.16 | 53.98 | 60.64 |
| Liquidity ratio (foreign currency) | ≥25 | 79.51 | 89.83 | 96.43 |
| Liquidity matching ratio | ≥100 | 140.39 | 140.96 | 141.21 |
| Capital adequacy ratio | ≥105 | 13.01 | 13.34 | 13.29 |
| Tier 1 capital adequacy ratio | ≥85 | 10.40 | 10.56 | 10.91 |
| Core tier 1 capital adequacy ratio | ≥75 | 8.64 | 8.60 | 8.69 |
| Ratio of loans to the single largest customer to net capital | ≤10 | 2.74 | 2.25 | 1.96 |
| Ratio of loans to top 10 customers to net capital | N/A | 13.93 | 12.66 | 14.02 |
| Ratio of accumulated open foreign exchange position to net capital | ≤20 | 2.28 | 1.32 | 2.67 |
| Standard loans migration ratio | N/A | 3.80 | 3.19 | 2.30 |
| Special mention loans migration ratio | N/A | 16.93 | 20.28 | 30.17 |
| Substandard loans migration ratio | N/A | 42.08 | 7.21 | 76.39 |
| Doubtful loans migration ratio | N/A | 70.07 | 92.58 | 92.68 |
| Non-performing loan ratio | ≤5 | 1.05 | 1.02 | 1.18 |
| Provision coverage ratio | ≥ 130 (Note 2) | 290.28 | 288.42 | 201.40 |
| Provision to loan ratio | ≥ 18 (Note 2) | 3.04 | 2.94 | 2.37 |

Notes:

(1) Above-mentioned regulatory indicators are calculated in accordance with the regulatory requirements. Except for the capital adequacy ratio indicator, which represents the Group level position, all other indicators represent the Bank level positions as reported to the regulatory authorities.

(2) In accordance with the *Provisions of Circular on Adjusting the Regulatory Requirements for Loss Provisions for Loans of Commercial Banks* (Yin Jian Fa [2018] No. 7) (《關於調整商業銀行貸款損失準備監管要求的通知》(銀監發[2018]7號)), various joint-stock banks have implemented regulatory policies of differentiated and dynamically adjusted provision.

2.4.2 Capital adequacy ratio

(In RMB million)

| Item | 31 December 2022 | | 31 December 2021 | |
|--|------------------|-----------|------------------|-----------|
| | The Group | The Bank | The Group | The Bank |
| Net core tier 1 capital | 343,409 | 333,914 | 306,549 | 299,103 |
| Other tier 1 capital | 69,944 | 69,944 | 69,944 | 69,944 |
| Net tier 1 capital | 413,353 | 403,858 | 376,493 | 369,047 |
| Tier 2 capital | 103,684 | 103,652 | 99,351 | 99,316 |
| Net capital | 517,037 | 507,510 | 475,844 | 468,363 |
| Total risk-weighted assets | 3,975,182 | 3,968,099 | 3,566,465 | 3,561,379 |
| Credit risk-weighted assets | 3,539,646 | 3,537,017 | 3,188,577 | 3,185,755 |
| On-balance-sheet risk-weighted assets | 3,025,807 | 3,023,178 | 2,741,966 | 2,739,144 |
| Off-balance-sheet risk-weighted assets | 506,034 | 506,034 | 431,405 | 431,405 |
| Risk-weighted assets of counterparty credit risk exposure | 7,805 | 7,805 | 15,206 | 15,206 |
| Market risk-weighted assets | 120,638 | 119,993 | 90,420 | 90,038 |
| Operational risk-weighted assets | 314,898 | 311,089 | 287,468 | 285,586 |
| Core tier 1 capital adequacy ratio | 8.64% | 8.41% | 8.60% | 8.40% |
| Tier 1 capital adequacy ratio | 10.40% | 10.18% | 10.56% | 10.36% |
| Capital adequacy ratio | 13.01% | 12.79% | 13.34% | 13.15% |
| Balance of mitigated risk exposures of credit risk asset portfolio: | | | | |
| Balance of mitigated risk exposures of on-balance-sheet credit risk assets | 4,784,498 | 4,779,955 | 4,323,160 | 4,320,124 |
| Risk exposures of off-balance-sheet assets after conversion | 1,223,859 | 1,223,859 | 973,463 | 973,463 |
| Counterparty credit risk exposures | 5,434,805 | 5,434,805 | 5,402,830 | 5,402,830 |

Note: The Bank adopted the risk-weighted approach, standardized approach and basic indicator approach to measure the capital requirements for its credit risk, market risk and operational risk, respectively; during the reporting period, there were no material changes in the measurement approaches, risk measurement systems and corresponding capital requirements for credit risk, market risk and operational risk. For more details on capital management, please refer to the Bank's website (<http://bank.pingan.com>).

Accounting Data and Financial Indicators

2.4 Supplementary regulatory indicators (Continued)

2.4.3 Leverage ratio

(In RMB million)

| Item | 31 December 2022 | 30 September 2022 | 30 June 2022 | 31 March 2022 |
|---|------------------|-------------------|--------------|---------------|
| Leverage ratio | 6.25% | 6.27% | 6.15% | 6.30% |
| Net tier 1 capital | 413,353 | 404,867 | 390,406 | 387,716 |
| Balance of on-and off-balance sheet assets after adjustment | 6,610,527 | 6,453,339 | 6,350,865 | 6,153,921 |

Note: The above data represents the Group level performance. At the end of the reporting period, the Group's leverage ratio decreased as compared with the end of September 2022. The main reason for the decrease was that the growth of the adjusted balance of on-and off-balance sheet assets was slightly higher than the growth of net tier 1 capital. For more details on leverage ratio, please refer to the Bank's website (<http://bank.pingan.com>).

2.4.4 Liquidity coverage ratio

(In RMB million)

| Item | 31 December 2022 | 30 September 2022 | 31 December 2021 |
|--|------------------|-------------------|------------------|
| Liquidity coverage ratio | 115.60% | 105.11% | 103.52% |
| Qualified liquidity assets with high quality | 591,747 | 573,209 | 512,421 |
| Net cash outflow | 511,909 | 545,359 | 495,013 |

Note: The above data represents the Group level performance. The Group discloses the information on liquidity coverage ratio according to the *Measures for the Disclosure of Information on Liquidity Coverage Ratio of Commercial Banks* (《商業銀行流動性覆蓋率資訊披露辦法》) issued by the China Banking and Insurance Regulatory Commission (CBIRC).

2.4.5 Net stable funding ratio

(In RMB million)

| Item | 31 December 2022 | 30 September 2022 | 31 December 2021 |
|--------------------------|------------------|-------------------|------------------|
| Net stable funding ratio | 109.44% | 108.03% | 103.18% |
| Available stable funding | 3,257,530 | 3,143,231 | 2,879,008 |
| Stable funding required | 2,976,662 | 2,909,579 | 2,790,204 |

Note: The above data represents the Group level performance. The Group discloses the information on net stable funding ratio according to the *Measures for the Disclosure of Information on Net Stable Funding Ratio of Commercial Banks* (《商業銀行淨穩定資金比例信息披露辦法》) issued by CBIRC.

2.5 Data on operations of segments

2.5.1 Profit and scale

(In RMB million)

| Item | | Retail banking business | | Wholesale banking business | | Other operations | | Total | |
|--|--------------|-------------------------|--------|----------------------------|--------|------------------|-------|---------|---------|
| | | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Operating income | Amount | 103,007 | 98,237 | 63,322 | 61,418 | 13,566 | 9,728 | 179,895 | 169,383 |
| | Percentage % | 57.3 | 58.0 | 35.2 | 36.3 | 7.5 | 5.7 | 100.0 | 100.0 |
| Operating expenses | Amount | 32,266 | 34,718 | 18,848 | 14,863 | - | - | 51,114 | 49,581 |
| | Percentage % | 63.1 | 70.0 | 36.9 | 30.0 | - | - | 100.0 | 100.0 |
| Impairment losses on credit and other assets | Amount | 45,756 | 36,330 | 24,753 | 37,301 | 797 | 186 | 71,306 | 73,817 |
| | Percentage % | 64.2 | 49.2 | 34.7 | 50.5 | 1.1 | 0.3 | 100.0 | 100.0 |
| Profit before tax | Amount | 24,941 | 27,144 | 19,697 | 9,208 | 12,615 | 9,527 | 57,253 | 45,879 |
| | Percentage % | 43.6 | 59.2 | 34.4 | 20.1 | 22.0 | 20.7 | 100.0 | 100.0 |
| Net profit | Amount | 19,828 | 21,498 | 15,659 | 7,292 | 10,029 | 7,546 | 45,516 | 36,336 |
| | Percentage % | 43.6 | 59.2 | 34.4 | 20.1 | 22.0 | 20.7 | 100.0 | 100.0 |

| Item | 31 December 2021 | | 31 December 2020 | | Change at the end of the year from the end of last year |
|------------------------------------|------------------|--------------|------------------|--------------|---|
| | Balance | Percentage % | Balance | Percentage % | |
| Total assets | 5,321,514 | 100.0 | 4,921,380 | 100.0 | 8.1% |
| Including: Retail banking business | 2,027,005 | 38.1 | 1,888,412 | 38.4 | 7.3% |
| Wholesale banking business | 2,094,404 | 39.4 | 1,922,319 | 39.0 | 9.0% |
| Other operations | 1,200,105 | 22.5 | 1,110,649 | 22.6 | 8.1% |

Notes:

(1) The retail banking business segment covers the provision of financial products and services to individual customers, including personal loans, personal deposits, bank cards and various personal intermediary businesses.

The wholesale banking business segment covers the provision of financial products and services to corporate customers, government organizations, interbank institutions and other small enterprises. The products and services include corporate loans, corporate deposits, trade financing, various corporate intermediary businesses, various interbank capital businesses and Ping An wealth management-related businesses.

Other business segments refer to the bond investments and some monetary market activities based on its liquidity management needs, centrally managed equity investments, and assets, liabilities and income which cannot be directly attributed to any business segment.

(2) Due to the impact of macro-economy environment, the growth in operating income of retail business slowed down and asset quality came under pressure. The Bank strengthened the write-off and provision for retail assets, resulting in a year-on-year decrease in net profit of retail business.

Accounting Data and Financial Indicators

2.5 Data on operations of segments (Continued)

2.5.1 Profit and scale (Continued)

(In RMB million)

| Item | 31 December 2022 | | 31 December 2021 | | Change at the end of the year from the end of last year |
|---|------------------|--------------|------------------|--------------|---|
| | Balance | Percentage % | Balance | Percentage % | |
| Deposit principals from customers | 3,312,684 | 100.0 | 2,961,819 | 100.0 | 11.8% |
| Including: Corporate deposits | 2,277,714 | 68.8 | 2,191,454 | 74.0 | 3.9% |
| Personal deposits | 1,034,970 | 31.2 | 770,365 | 26.0 | 34.3% |
| Total principal of loans and advances to customers | 3,329,161 | 100.0 | 3,063,448 | 100.0 | 8.7% |
| Including: Corporate loans (including discounted bills) | 1,281,771 | 38.5 | 1,153,127 | 37.6 | 11.2% |
| Personal loans (including credit cards) | 2,047,390 | 61.5 | 1,910,321 | 62.4 | 7.2% |

Note: Items in the above table are classified based on the nature of the customers, where the corporate service to small enterprises is attributable to corporate deposits and corporate loans business, and the individual service to small enterprises is attributable to personal deposits and personal loans business. The same approach applies below.

2.5.2 Asset quality

| Item | 31 December 2022 | 31 December 2021 | Change at the end of the year from the end of last year |
|---|------------------|------------------|---|
| Non-performing loan ratio | 1.05% | 1.02% | +0.03 percentage point |
| Including: Corporate loans (including discounted bills) | 0.61% | 0.71% | -0.10 percentage point |
| Personal loans (including credit cards) | 1.32% | 1.21% | +0.11 percentage point |

2.6 Change of core technical team or key technicians during the reporting period (exclusive of directors, supervisors and the senior management)

Applicable Not applicable

2.7 Significant changes in major assets

Significant changes in major assets

| Major Assets | Explanations on Significant Changes |
|--------------------------|---|
| Equity assets | There were no significant changes during the reporting period |
| Fixed assets | There were no significant changes during the reporting period |
| Intangible assets | There were no significant changes during the reporting period |
| Construction in progress | There were no significant changes during the reporting period |

Status of major overseas assets

Applicable Not applicable

Management Discussion and Analysis

3.1 Overall analysis of operations

In 2022, our country successfully convened the 20th CPC National Congress. The 20th CPC National Congress is a meeting of great importance. It takes place at a critical time as all the Party members and the Chinese people of all ethnic groups embark on a new journey to build China into a modern socialist country in all respects and advance toward the Second Centenary Goal. The report adopted by the 20th National Congress draws up a grand blueprint and practical path for comprehensively building a modern and powerful socialist country, formulates major policies and holistic plans for developing the cause of the Party and the country in the next five, and points out the direction for the future development of the financial industry.

The Bank actively implements the spirit of the 20th CPC National Congress: constantly improves its capability of serving the real economy in financial services; enhances the financial support to private enterprises, small and micro enterprises, manufacturing, agriculture and other fields; helps expand domestic demands; actively practices green finance; fully supports rural revitalization; continuously strengthens comprehensive risk management; fully promotes high-quality economic development; and all businesses maintain a stable growing trend.

Solid growth of operating income and continued improvement of profitability

In 2022, the Group recorded an operating income of RMB179,895 million, representing a year-on-year increase of 6.2%; net profit was RMB45,516 million with a year-on-year increase of 25.3%; and weighted average return on equity (ROE) was 12.36% with a year-on-year increase of 1.51 percentage points.

Stable growth of business size and actively supporting the real economy

At the end of 2022, the Group's total assets amounted to RMB5,321,514 million, grew by 8.1% as compared with the end of last year, including the total principal of loans and advances to customers of RMB3,329,161 million, up by 8.7% as compared with the end of last year. The Bank continuously strengthened the support for the real economy and optimized credit structure. The loans to fields such as inclusive finance, manufacturing, agriculture and green finance achieved better growth. The total liabilities amounted to RMB4,886,834 million, an increase of 8.0% as compared with the end of last year, including the balance of total deposit principals from customers of RMB3,312,684 million, up by 11.8% as compared with end of last year.

Deepening asset-liability management to achieve stable NIM with slightly drop

The Bank vigorously reshaped asset-liability structure. At the liabilities end, the Bank actively optimized liability structure and seized market opportunities to absorb low-cost funds. At the assets end, the Bank took active steps to respond to market changes and continued to strengthen the support for the real economy. In 2022, the Group's NIM decreased by 4 basis points to 2.75% as compared with the same period of last year, and the average liability cost rate was down by 5 basis points to 2.16% as compared with the same period of last year, among which the average cost rate of deposit-taking was 2.09%, up by 5 basis points as compared with the same period of last year.

Enhancing financial risk prevention and control to remain stable asset quality

The Bank actively responded to the changes in macro-economy environment, and strengthened asset quality management and control to promote risk prevention and mitigation. At the end of 2022, the NPL ratio of the Bank was 1.05%, slightly increased by 0.03 percentage point from the end of last year; the balance of overdue loans accounted for 1.56%, down by 0.05 percentage point from the end of last year; the deviation ratios of loans overdue for more than 60 days and 90 days were 0.83 and 0.69 respectively, with decreases of 0.02 and 0.04 as compared with the end of last year; and the provision coverage ratio of non-performing loans was 290.28%, up by 1.86 percentage points from the end of last year, keeping a good risk compensation level.

Practicing refined management to improve core tier-1 capital adequacy ratio

At the end of 2022, the Group's capital adequacy ratios at all tiers met the regulatory requirements, of which core tier-1 capital adequacy ratio was 8.64%, increased by 0.04 percentage point as compared with the end of last year.

3.2 Analysis of financial statements

3.2.1 Analysis of income statement items

(1) Composition of and changes in operating income

In 2022, the Group recorded an operating income of RMB179,895 million, representing a year-on-year increase of 6.2%, which included a net interest income of RMB130,130 million, representing a year-on-year increase of 8.1%, and a net non-interest income was RMB49,765 million, with a year-on-year increase of 1.5%

(In RMB million)

| Item | 2022 | | 2021 | | Year-on-year change |
|--|----------------|---------------|----------------|---------------|---------------------|
| | Amount | Percentage % | Amount | Percentage % | |
| Net interest income | 130,130 | 72.3% | 120,336 | 71.0% | 8.1% |
| Balance with the Central Bank | 3,715 | 1.6% | 3,595 | 1.7% | 3.3% |
| Deposits with banks and other financial institutions, call loans to banks and other financial institutions, and financial assets held under resale agreements | 4,795 | 2.1% | 4,814 | 2.3% | (0.4%) |
| Loans and advances to customers (including discounted bills) | 188,344 | 82.3% | 173,736 | 81.3% | 8.4% |
| Financial investments | 32,024 | 14.0% | 31,391 | 14.7% | 2.0% |
| Subtotal of interest income | 228,878 | 100.0% | 213,536 | 100.0% | 7.2% |
| Borrowings from the Central Bank | 3,860 | 3.9% | 3,664 | 3.9% | 5.3% |
| Deposits from banks and other financial institutions, placements from banks and other financial institutions and financial assets sold under repurchase agreements | 8,444 | 8.6% | 10,604 | 11.4% | (20.4%) |
| Deposits from customers | 66,974 | 67.8% | 57,027 | 61.2% | 17.4% |
| Debt securities issued | 19,470 | 19.7% | 21,905 | 23.5% | (11.1%) |
| Subtotal of interest expenses | 98,748 | 100.0% | 93,200 | 100.0% | 6.0% |
| Net non-interest income | 49,765 | 27.7% | 49,047 | 29.0% | 1.5% |
| Net fee and commission income | 30,208 | 16.8% | 33,062 | 19.5% | (8.6%) |
| Other net non-interest income | 19,557 | 10.9% | 15,985 | 9.5% | 22.3% |
| Total operating income | 179,895 | 100.0% | 169,383 | 100.0% | 6.2% |

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.1 Analysis of income statement items(Continued)

(2) Net interest income

In 2022, the Group recorded a net interest income of RMB130,130 million, representing a year-on-year increase of 8.1%. On the one hand, the Bank continued to strengthen credit supply to the real economy, and the average daily balance of loans and advances (including discounted bills) to customers in 2022 amounted to RMB3,190,601 million, increased by 11.8% as compared with the same period of last year. On the other hand, the Bank vigorously reshaped asset-liability management. At the liabilities end, the Bank actively optimized liability structure to effectively reduce liability costs; at the assets end, affected by factors such as the decline of market interest rates and continued profit concession to the real economy, the return on assets declined, and the NIM was slightly narrowed.

● Average daily balance and average yield/cost rate of the major asset and liability items

(In RMB million)

| Item | January to December 2022 | | | January to December 2021 | | |
|--|--------------------------|--------------------------|-------------------------|--------------------------|--------------------------|-------------------------|
| | Average daily balance | Interest income/expenses | Average yield/Cost rate | Average daily balance | Interest income/expenses | Average yield/Cost rate |
| Assets | | | | | | |
| Loans and advances to customers (including discounted bills) | 3,190,601 | 188,344 | 5.90% | 2,853,155 | 173,736 | 6.09% |
| Bond investment | 860,854 | 24,404 | 2.83% | 739,031 | 22,264 | 3.01% |
| Balances with the Central Bank | 249,879 | 3,715 | 1.49% | 240,415 | 3,595 | 1.50% |
| Interbank business | 437,604 | 12,415 | 2.84% | 482,397 | 13,941 | 2.89% |
| Total interest-earning assets | 4,738,938 | 228,878 | 4.83% | 4,314,998 | 213,536 | 4.95% |
| Liabilities | | | | | | |
| Deposits from customers | 3,205,027 | 66,974 | 2.09% | 2,790,235 | 57,027 | 2.04% |
| Debt securities issued | 726,966 | 19,470 | 2.68% | 748,027 | 21,905 | 2.93% |
| Including: Interbank certificates of deposits | 608,410 | 15,407 | 2.53% | 627,600 | 17,585 | 2.80% |
| Interbank business and others | 633,752 | 12,304 | 1.94% | 678,348 | 14,268 | 2.10% |
| Total interest-bearing liabilities | 4,565,745 | 98,748 | 2.16% | 4,216,610 | 93,200 | 2.21% |
| Net interest income | | 130,130 | | | 120,336 | |
| Deposit-loan spread | | | 3.81% | | | 4.05% |
| Net interest spread | | | 2.67% | | | 2.74% |
| Net interest margin | | | 2.75% | | | 2.79% |

(In RMB million)

| Item | October to December 2022 | | | July to September 2022 | | |
|--|--------------------------|--------------------------|-------------------------|------------------------|--------------------------|-------------------------|
| | Average daily balance | Interest income/expenses | Average yield/Cost rate | Average daily balance | Interest income/expenses | Average yield/Cost rate |
| Assets | | | | | | |
| Loans and advances to customers (including discounted bills) | 3,286,498 | 47,947 | 5.79% | 3,227,158 | 47,541 | 5.84% |
| Bond investment | 880,424 | 6,425 | 2.90% | 882,715 | 6,308 | 2.84% |
| Balances with the Central Bank | 257,137 | 980 | 1.51% | 248,159 | 936 | 1.50% |
| Interbank business | 424,298 | 3,035 | 2.84% | 386,907 | 2,917 | 2.99% |
| Total interest-earning assets | 4,848,357 | 58,387 | 4.78% | 4,744,939 | 57,702 | 4.82% |
| Liabilities | | | | | | |
| Deposits from customers | 3,333,663 | 18,107 | 2.15% | 3,232,043 | 17,025 | 2.09% |
| Debt securities issued | 693,699 | 4,423 | 2.53% | 683,291 | 4,523 | 2.63% |
| Including: Interbank certificates of deposits | 549,700 | 3,242 | 2.34% | 573,311 | 3,554 | 2.46% |
| Interbank business and others | 614,844 | 3,076 | 1.98% | 613,737 | 2,864 | 1.85% |
| Total interest-bearing liabilities | 4,642,206 | 25,606 | 2.19% | 4,529,071 | 24,412 | 2.14% |
| Net interest income | | 32,781 | | | 33,290 | |
| Deposit-loan spread | | | 3.64% | | | 3.75% |
| Net interest spread | | | 2.59% | | | 2.68% |
| Net interest margin | | | 2.68% | | | 2.78% |

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.1 Analysis of income statement items(Continued)

(2) Net interest income(Continued)

● Average daily balance and yield of loans and advances to customers

(In RMB million)

| Item | January to December 2022 | | | January to December 2021 | | |
|--|--------------------------|-----------------|---------------|--------------------------|-----------------|---------------|
| | Average daily balance | Interest income | Average yield | Average daily balance | Interest income | Average yield |
| Corporate loans | 1,054,976 | 41,158 | 3.90% | 993,163 | 39,895 | 4.02% |
| Discounted bills | 197,723 | 4,159 | 2.10% | 114,787 | 3,072 | 2.68% |
| Personal loans | 1,937,902 | 143,027 | 7.38% | 1,745,205 | 130,769 | 7.49% |
| Loans and advances to customers (including discounted bills) | 3,190,601 | 188,344 | 5.90% | 2,853,155 | 173,736 | 6.09% |

| Item | October to December 2022 | | | July to September 2022 | | |
|--|--------------------------|-----------------|---------------|------------------------|-----------------|---------------|
| | Average daily balance | Interest income | Average yield | Average daily balance | Interest income | Average yield |
| Corporate loans | 1,083,175 | 10,943 | 4.01% | 1,068,528 | 10,445 | 3.88% |
| Discounted bills | 198,346 | 1,034 | 2.07% | 212,129 | 1,027 | 1.92% |
| Personal loans | 2,004,977 | 35,970 | 7.12% | 1,946,501 | 36,069 | 7.35% |
| Loans and advances to customers (including discounted bills) | 3,286,498 | 47,947 | 5.79% | 3,227,158 | 47,541 | 5.84% |

In 2022, the Bank's average yield of loans and advances to customers was 5.90%, representing a year-on-year decrease of 19 basis points from 2021. The average yield of corporate loans was 3.90%, representing a year-on-year decrease of 12 basis points from 2021, mainly due to the decline of Loan Prime Rate (LPR) causing the decrease in loan interest. Meanwhile, the Bank actively decreased loan interest, implemented the policy of finance supporting the real economy. As a result, the yield of corporate loans dropped accordingly. The average yield of personal loans was 7.38%, representing a year-on-year decrease of 11 basis points from 2021. The Bank strengthened credit supply to low-risk business such as title deed-secured loans and high-quality customer groups, improved the proportion of high-quality assets, enhanced the policy support for major fields such as inclusive finance and consumption, and implemented the policy orientation of financial institutions serving the real economy. The yield of personal loans dropped slightly due to structure changes and market interest.

● Average daily balance and cost rate of deposits from customers

(In RMB million)

| Item | January to December 2022 | | | January to December 2021 | | |
|---|--------------------------|-------------------|-------------------|--------------------------|-------------------|-------------------|
| | Average daily balance | Interest expenses | Average cost rate | Average daily balance | Interest expenses | Average cost rate |
| Corporate deposits | 2,335,115 | 46,693 | 2.00% | 2,090,380 | 40,907 | 1.96% |
| Including: Demand deposits | 883,736 | 7,987 | 0.90% | 819,237 | 5,319 | 0.65% |
| Term deposits | 1,451,379 | 38,706 | 2.67% | 1,271,143 | 35,588 | 2.80% |
| Including: Treasury deposits and agreement deposits | 106,997 | 3,583 | 3.35% | 134,392 | 4,869 | 3.62% |
| Personal deposits | 869,912 | 20,281 | 2.33% | 699,855 | 16,120 | 2.30% |
| Including: Demand deposits | 236,489 | 632 | 0.27% | 222,282 | 649 | 0.29% |
| Term deposits | 633,423 | 19,649 | 3.10% | 477,573 | 15,471 | 3.24% |
| Deposits from customers | 3,205,027 | 66,974 | 2.09% | 2,790,235 | 57,027 | 2.04% |

| Item | October to December 2022 | | | July to September 2022 | | |
|---|--------------------------|-------------------|-------------------|------------------------|-------------------|-------------------|
| | Average daily balance | Interest expenses | Average cost rate | Average daily balance | Interest expenses | Average cost rate |
| Corporate deposits | 2,364,880 | 12,440 | 2.09% | 2,361,166 | 11,910 | 2.00% |
| Including: Demand deposits | 910,228 | 2,522 | 1.10% | 887,948 | 2,194 | 0.98% |
| Term deposits | 1,454,652 | 9,918 | 2.71% | 1,473,218 | 9,716 | 2.62% |
| Including: Treasury deposits and agreement deposits | 79,753 | 636 | 3.16% | 96,307 | 805 | 3.32% |
| Personal deposits | 968,783 | 5,667 | 2.32% | 870,877 | 5,115 | 2.33% |
| Including: Demand deposits | 247,970 | 154 | 0.25% | 233,856 | 142 | 0.24% |
| Term deposits | 720,813 | 5,513 | 3.03% | 637,021 | 4,973 | 3.10% |
| Deposits from customers | 3,333,663 | 18,107 | 2.15% | 3,232,043 | 17,025 | 2.09% |

The Bank continued to promote the transformation of corporate business and retail business, reshaped the structure of assets and liabilities, and enhanced management to balance deposit “volume-price” relationship. In 2022, the Bank’s average cost rate of deposits from customers was 2.09%, an increase of 5 basis points as compared with that of 2021, mainly due to the decrease in proportion of average daily balance of demand deposits. The average cost rate of corporate deposits was 2.00%, representing a year-on-year increase of 4 basis points from 2021; the average cost rate of personal deposits was 2.33%, representing a year-on-year increase of 3 basis points from 2021. In the future, the Bank will continue to strengthen customer expansion, deepen customer management, continuously diversify sources of low-cost deposits, and increase the scale of settlement deposits.

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.1 Analysis of income statement items(Continued)

(3) Net non-interest income

In 2022, the Group recorded net non-interest income of RMB49,765 million, representing a year-on-year increase of 1.5%.

● Net fee and commission income

In 2022, the Group recorded net fee and commission income of RMB30,208 million, representing a year-on-year decrease of 8.6% due to the impact of the macroeconomic environment. Among them, the agency and trusteeship fee income were RMB7,296 million, representing a year-on-year decrease of 14.9%, mainly due to the decrease in fee income of agency funds; the fee income of bank cards was RMB18,553 million, representing a year-on-year decrease of 5.1%, mainly due to the decrease in return commission and acceptance fee income of credit card. The other fee and commission income was RMB6,882 million, representing a year-on-year decrease of 3.5%, mainly due to the decrease in fee income of sales of private wealth management products.

(In RMB million)

| Item | 2022 | 2021 | Year-on-year change |
|-----------------------------------|--------|--------|---------------------|
| Settlement fee income | 3,042 | 2,973 | 2.3% |
| Agency and trusteeship fee income | 7,296 | 8,575 | (14.9%) |
| Bank card fee income | 18,553 | 19,540 | (5.1%) |
| Asset custody fee income | 1,981 | 1,971 | 0.5% |
| Other | 6,882 | 7,131 | (3.5%) |
| Fee and commission income | 37,754 | 40,190 | (6.1%) |
| Fee and commission expenses | 7,546 | 7,128 | 5.9% |
| Net fee and commission income | 30,208 | 33,062 | (8.6%) |

● Other net non-interest income

(In RMB million)

| Item | 2022 | 2021 | Year-on-year change |
|--|---------------|---------------|---------------------|
| Investment income | 13,243 | 12,243 | 8.2% |
| Gains or losses on changes in fair value | 1,240 | 2,080 | (40.4%) |
| Gains or losses on foreign exchange | 4,548 | 1,320 | 244.5% |
| Other operating income | 131 | 105 | 24.8% |
| Gains or losses on disposal of assets | 180 | 12 | 1,400.0% |
| Other income | 215 | 225 | (4.4%) |
| Other net non-interest income | 19,557 | 15,985 | 22.3% |

Other net non-interest income included: investment income, gains or losses on changes in fair value, gains or losses on foreign exchange, other business income, gains or losses on disposal of assets and other income. In 2022, the Group's other net non-interest income was RMB19,557 million, representing a year-on-year increase of 22.3%, mainly due to the increase in non-interest income derived from bills discounting, foreign exchange and other businesses.

(4) Operating and administrative expenses

In 2022, the Group's operating and administrative expense was RMB49,387 million, representing a year-on-year increase of 3.0%; the cost/income ratio was 27.45%, down by 0.85 percentage point as compared with the same period of last year. The Group continued to deepen strategic transformation, strengthened the investment in strategically key businesses and financial technology, promoted "cost reduction, efficiency enhancement, and quality improvement" through comprehensive digital operations. Meanwhile, the Bank further explored cost optimization space, streamlined overhead expenses and workplace costs to increase production efficiency.

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.1 Analysis of income statement items(Continued)

(5) Provision for impairment losses on credit and other assets

In 2022, in accordance with the requirements of the *Administrative Measures for the Implementation of the Expected Credit Loss Method by Commercial Banks* (Yin Bao Jian Gui [2022] No.10), the Group formulated the *Administrative Measures for the Implementation of Expected Credit Loss Method of Ping An Bank*, optimized the relevant model of expected credit loss, standardized the whole process of the expected credit loss method, consolidated the implementation base of expected credit loss method, and improved the implementation quality of expected credit loss method of the Group.

In 2022, based on uncertainties from external macro-environment, the Group adhered to the prudent principle and further strengthened disposal of non-performing assets to ensure that the quality of assets and risk compensate capability were kept at a good level. In 2022, the Group's provision for impairment losses on credit and other assets amounted to RMB71,306 million, representing a year-on-year decrease of 3.4%. On the one hand, the Group enhanced the efforts in asset write-off and provisions, reflected by forward-looking model plus management involvement, and made provisions, accordingly, resulting in a year-on-year increase in credit impairment loss on some financial assets. On the other hand, the provision for credit impairment loss on debt investments presented a year-on-year decrease, due to the recovery and resolution of large non-loans problematic credit in 2022.

(In RMB million)

| Item | Provision/ (Reversal) in 2022 | Provision/ (Reversal) in 2021 | Year-on-year change |
|--|----------------------------------|----------------------------------|-------------------------------|
| Deposits with banks and other financial institutions | 1,502 | (63) | Negative amount for last year |
| Call loans to banks and other financial institutions | 2,175 | (54) | Negative amount for last year |
| Financial assets held under resale agreements | 4 | (18) | Negative amount for last year |
| Loans and advances to customers | 64,168 | 59,407 | 8.0% |
| Investment on debts (Note) | (2,763) | 10,435 | (126.5%) |
| Other investment on debts | 127 | (38) | Negative amount for last year |
| Expected credit losses of off-balance-sheet items | 5,721 | 2,987 | 91.5% |
| Foreclosed assets | (35) | 1,198 | (102.9%) |
| Other | 407 | (37) | Negative amount for last year |
| Total | 71,306 | 73,817 | (3.4%) |

Note: Credit impairment provision was mainly made for financial assets measured at amortized cost, including bond, asset management plan and trust plan.

(6) Income tax expense

In 2022, the Group's provision for income tax expenses amounted to RMB11,737 million, with a year-on-year increase of 23.0%, mainly due to the effect of the increase in taxable profits; the effective income tax rate was 20.50%, decreased by 0.30 percentage point on a year-on-year basis, mainly due to the increase in tax exemption income such as interest income from government bonds.

(In RMB million)

| Item | 2022 | 2021 | Year-on-year change |
|---------------------------|--------|--------|------------------------|
| Profit before tax | 57,253 | 45,879 | 24.8% |
| Income tax expense | 11,737 | 9,543 | 23.0% |
| Effective income tax rate | 20.50% | 20.80% | -0.30 percentage point |

(7) Regional segment of operating income and expense

See “V. Operating Segment Information” in “Section X Financial Report” for details about regional segment of operating income and expense of the Group in 2022.

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.2 Analysis of balance sheet item

(1) Asset composition and changes

At the end of 2022, the Group's total assets amounted to RMB5,321,514 million, up by 8.1% as compared with the end of last year, including the total principal of loans and advances to customers of RMB3,329,161 million, up by 8.7% as compared with the end of last year.

(In RMB million)

| Item | 31 December 2022 | | 31 December 2021 | | Change at the end of the year from the end of last year |
|---|------------------|---------------|------------------|---------------|---|
| | Balance | Percentage % | Balance | Percentage % | |
| Total loans and advances to customers | 3,340,177 | 62.8% | 3,074,009 | 62.4% | 8.7% |
| Including: Total principal of loans and advances to customers | 3,329,161 | 62.6% | 3,063,448 | 62.2% | 8.7% |
| Accrued interest on loans and advances to customers | 11,016 | 0.2% | 10,561 | 0.2% | 4.3% |
| Impairment provision for loans and advances to customers measured at amortized cost | (97,919) | (1.9%) | (89,256) | (1.8%) | 9.7% |
| Net loans and advances to customers | 3,242,258 | 60.9% | 2,984,753 | 60.6% | 8.6% |
| Financial assets classified as investments (Note) | 1,384,149 | 26.1% | 1,313,127 | 26.7% | 5.4% |
| Cash and balances with the Central Bank | 285,277 | 5.5% | 312,033 | 6.3% | (8.6%) |
| Deposits with banks and other financial institutions | 98,329 | 1.8% | 78,215 | 1.6% | 25.7% |
| Precious metals | 16,555 | 0.3% | 17,820 | 0.4% | (7.1%) |
| Placements with and loans to banks and other financial institutions and financial assets held under resale agreements | 175,482 | 3.3% | 100,861 | 2.0% | 74.0% |
| Investment properties | 477 | 0.0% | 558 | 0.0% | (14.5%) |
| Fixed assets | 11,083 | 0.2% | 11,974 | 0.2% | (7.4%) |
| Right-of-use assets | 6,530 | 0.1% | 6,771 | 0.1% | (3.6%) |
| Intangible assets | 6,879 | 0.1% | 5,801 | 0.1% | 18.6% |
| Goodwill | 7,568 | 0.1% | 7,568 | 0.2% | 0.0% |
| Deferred income tax assets | 44,079 | 0.8% | 39,735 | 0.8% | 10.9% |
| Other assets | 42,848 | 0.8% | 42,164 | 1.0% | 1.6% |
| Total assets | 5,321,514 | 100.0% | 4,921,380 | 100.0% | 8.1% |

Note: "Financial assets classified as investments" include the derivative financial assets, financial assets held for trading, investment on debts, other investment on debts and other equity investment on the balance sheet. Please see "3.2.3 (1) Investment portfolio and overall situation" in this section for details.

● Loans and advances to customers

See “3.2.7 Analysis on asset quality of loans” in this section for details about loans and advances to customers.

● Goodwill

The Bank acquired goodwill from its acquisition of the former Ping An Bank in July 2011, the goodwill balance was RMB7,568 million as at 31 December 2022. See “IV. Notes to key items in the financial statements - Note 16. Goodwill” in “Section X Financial Report” for details about the Goodwill and impairment test.

(In RMB million)

| Item | Balance | Impairment provision |
|----------|---------|----------------------|
| Goodwill | 7,568 | - |

● Other assets - foreclosed assets

(In RMB million)

| Item | 31 December 2022 | 31 December 2021 | Change at the end of the year from the end of last year |
|--|------------------|------------------|--|
| Land, houses and buildings | 2,058 | 2,333 | (11.8%) |
| Other | 1 | 1 | - |
| Subtotal | 2,059 | 2,334 | (11.8%) |
| Impairment provision for foreclosed assets | (1,699) | (1,895) | (10.3%) |
| Net amount for foreclosed assets | 360 | 439 | (18.0%) |

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.2 Analysis of balance sheet item(Continued)

(2) Liability structure and changes

At the end of 2022, the Group's total liabilities amounted to RMB4,886,834 million, representing an increase of 8.0% as compared with the end of last year, which included the deposit principals from customers of RMB3,312,684 million, representing an increase of 11.8% as compared with the end of last year.

(In RMB million)

| Item | 31 December 2022 | | 31 December 2021 | | Change at the end of the year from the end of last year |
|--|------------------|---------------|------------------|---------------|---|
| | Balance | Percentage % | Balance | Percentage % | |
| Deposits from customers | 3,352,266 | 68.6% | 2,990,518 | 66.0% | 12.1% |
| Including: Deposit principals from customers | 3,312,684 | 67.8% | 2,961,819 | 65.4% | 11.8% |
| Accrued interest on deposits from customers | 39,582 | 0.8% | 28,699 | 0.6% | 37.9% |
| Borrowings from the Central Bank | 191,916 | 3.9% | 148,162 | 3.3% | 29.5% |
| Deposits from banks and other financial institutions | 407,278 | 8.3% | 345,131 | 7.6% | 18.0% |
| Placements from banks and other financial institutions | 53,282 | 1.1% | 32,394 | 0.7% | 64.5% |
| Financial liabilities held for trading | 69,054 | 1.4% | 43,421 | 1.0% | 59.0% |
| Derivative financial liabilities | 36,525 | 0.7% | 31,092 | 0.7% | 17.5% |
| Financial assets sold under repurchase agreements | 13,303 | 0.3% | 47,703 | 1.1% | (72.1%) |
| Employee benefits payable | 18,571 | 0.4% | 18,095 | 0.4% | 2.6% |
| Taxes payable | 14,674 | 0.3% | 11,685 | 0.3% | 25.6% |
| Debt securities issued | 692,075 | 14.2% | 823,934 | 18.2% | (16.0%) |
| Lease liabilities | 6,922 | 0.1% | 6,968 | 0.2% | (0.7%) |
| Others (Note) | 30,968 | 0.7% | 26,829 | 0.5% | 15.4% |
| Total liabilities | 4,886,834 | 100.0% | 4,525,932 | 100.0% | 8.0% |

Note: "Others" include provisions and other liabilities as shown in the financial statements.

● Distribution of deposits from customers as per customer type

(In RMB million)

| Item | 31 December 2022 | 31 December 2021 | Change at the end of the year from the end of last year |
|---|------------------|------------------|--|
| Corporate deposits | 2,277,714 | 2,191,454 | 3.9% |
| Personal deposits | 1,034,970 | 770,365 | 34.3% |
| Total deposit principals from customers | 3,312,684 | 2,961,819 | 11.8% |

● Distribution of deposits from customers as per regions

(In RMB million)

| Item | 31 December 2022 | | 31 December 2021 | | Change at the end of the year from the end of last year |
|---|------------------|--------------|------------------|--------------|--|
| | Balance | Percentage % | Balance | Percentage % | |
| Eastern Region | 965,192 | 29.2% | 901,706 | 30.5% | 7.0% |
| Southern Region | 1,187,196 | 35.8% | 1,013,615 | 34.2% | 17.1% |
| Western Region | 219,664 | 6.6% | 208,059 | 7.0% | 5.6% |
| Northern Region | 685,366 | 20.7% | 573,103 | 19.3% | 19.6% |
| Headquarter | 225,219 | 6.8% | 241,732 | 8.2% | (6.8%) |
| Overseas | 30,047 | 0.9% | 23,604 | 0.8% | 27.3% |
| Total deposit principals from customers | 3,312,684 | 100.0% | 2,961,819 | 100.0% | 11.8% |

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.2 Analysis of balance sheet item(Continued)

(3) Changes in shareholders' equity

At the end of 2022, the Group's shareholders' equity amounted to RMB434,680 million, up by 9.9% as compared with the end of last year. Among which the undistributed profit amounted to RMB186,305 million, up by 20.7% as compared with the end of last year, due to the net profit recorded and appropriated in 2022.

(In RMB million)

| Item | Beginning balance | Increase in the current year | Decrease in the current year | Ending balance |
|--|-------------------|------------------------------|------------------------------|----------------|
| Share capital | 19,406 | - | - | 19,406 |
| Other equity instruments | 69,944 | - | - | 69,944 |
| Including: Preference shares | 19,953 | - | - | 19,953 |
| Perpetual bonds | 49,991 | - | - | 49,991 |
| Capital reserve | 80,816 | - | - | 80,816 |
| Other comprehensive income | 1,785 | 990 | (115) | 2,660 |
| Surplus reserve | 10,781 | - | - | 10,781 |
| General reserve | 58,339 | 6,429 | - | 64,768 |
| Undistributed profit | 154,377 | 45,631 | (13,703) | 186,305 |
| Including: Dividend of ordinary shares proposed for distribution | 4,425 | 5,531 | (4,425) | 5,531 |
| Total shareholders' equity | 395,448 | 53,050 | (13,818) | 434,680 |

(4) Fair value measurement

At the end of 2022, for the Group's fair value measurement and items measured at fair value, please refer to "VIII. Risk disclosure - 4. Fair value of financial instruments" and "XII. Other significant items - Assets and liabilities measured at fair value" in the "Section X. Financial Report".

(5) Restrictions on major asset rights by the end of the reporting period

Applicable Not applicable

3.2.3 Investment situation

(1) Investment portfolio and overall situation

Applicable Not applicable

(In RMB million)

| Item | 31 December 2022 | | 31 December 2021 | | Change at the end of the year from the end of last year |
|---|------------------|---------------|------------------|---------------|---|
| | Balance | Percentage % | Balance | Percentage % | |
| Derivative financial assets | 27,553 | 2.0% | 30,238 | 2.3% | (8.9%) |
| Financial assets held for trading | 446,133 | 32.2% | 389,703 | 29.7% | 14.5% |
| Investment on debts | 731,850 | 52.9% | 738,166 | 56.2% | (0.9%) |
| Other investment on debts | 172,233 | 12.4% | 152,428 | 11.6% | 13.0% |
| Other equity instrument investments | 6,380 | 0.5% | 2,592 | 0.2% | 146.1% |
| Total financial assets classified as investments | 1,384,149 | 100.0% | 1,313,127 | 100.0% | 5.4% |

(2) Significant equity investment acquired in the reporting period

Applicable Not applicable

(3) Significant non-equity investment ongoing in the reporting period

Applicable Not applicable

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.3 Investment situation(Continued)

(4) Financial bonds held

At the end of 2022, the carrying amount of financial bonds (policy bank bonds, various general financial bonds, subordinated financial bonds, excluding enterprise bonds) held by the Group was RMB243,392 million, among which the top ten financial bonds with the highest face value were detailed as follows:

(In RMB million)

| Name of bonds | Par value | Annual coupon rate (%) | Maturity date | Impairment provision |
|--------------------------------------|-----------|------------------------|---------------|----------------------|
| 2022 Commercial Bank Financial Bonds | 5,600 | 2.48 | 8/25/2023 | - |
| 2021 Policy Bank Bonds | 5,300 | 2.98 | 1/08/2024 | - |
| 2022 Commercial Bank Financial Bonds | 4,700 | 2.48 | 8/25/2023 | 0.04 |
| 2022 Policy Bank Bonds | 4,060 | 2.77 | 10/24/2032 | - |
| 2022 Commercial Bank Financial Bonds | 4,000 | 3.00 | 11/10/2032 | - |
| 2022 Commercial Bank Financial Bonds | 3,900 | 2.92 | 12/19/2025 | 0.76 |
| 2020 Policy Bank Bonds | 3,651 | 3.23 | 1/10/2025 | - |
| 2022 Policy Bank Bonds | 3,601 | 2.59 | 3/17/2025 | - |
| 2022 Commercial Bank Financial Bonds | 3,540 | 2.60 | 2/23/2025 | 0.48 |
| 2021 Policy Bank Bonds | 3,173 | 3.30 | 3/03/2026 | - |

(5) Derivative financial instruments held

Derivative investment

| | |
|---|--|
| Risk analysis and control measures for derivative positions in the reporting period (including but not limited to market risk, liquidity risk, operational risk, legal risk, etc.) | The Bank carried out capital transactions and investments covering derivatives within the overall limit framework of risk preference and market risk established by the Board of Directors. The Bank built a targeted system for risk management and internal control to effectively identify, measure, monitor, report and control the risks associated with derivative investment. |
| For changes in market price or fair value of products during the reporting period of invested derivatives, analysis of the fair value of derivatives shall disclose the specific measures used and related hypotheses and parameter setting | In the reporting period, changes in the fair value of the derivatives invested by the Bank were within reasonable and controllable range. The Bank adopted valuation methods generally recognized by market players and verified to be reliable by the previous actual market transaction price, and market observable parameters to determine the fair value of the derivatives. |
| Description of whether the specific principles of the accounting policies and accounting for the company's derivatives during the reporting period changed significantly compared with those in the previous reporting period | The Bank developed the accounting policies and accounting measures for derivatives according to the Accounting Standards for Business Enterprises and there was no significant change in relevant policies during the reporting period. |
| Special opinions of independent directors on the derivative investment and risk control of the company | The Bank's derivative trading is a commercial bank business approved by regulatory authorities. The Bank has set up a special risk management organization and established a targeted risk management system to effectively manage the risk of derivative investment business. |

Positions of derivative investment

(In RMB million)

| Contract type | Beginning contract amount (nominal amount) | Ending contract amount (nominal amount) | Changes in fair value during the reporting period |
|------------------------------|---|--|--|
| Foreign exchange derivatives | 2,046,243 | 2,108,131 | (8,061) |
| Interest rate derivatives | 5,159,879 | 4,549,226 | 251 |
| Precious metals derivatives | 60,289 | 79,968 | 95 |
| Total | 7,266,411 | 6,737,325 | (7,715) |

Note: The Bank carried out capital transactions and investments covering derivatives within the overall limit framework of risk preference and market risk established by the Board of Directors. The nominal amount of derivative financial instruments only demonstrated the trading volume but did not reflect the actual risk exposure. The Bank mainly adopted hedging strategy to the foreign exchange, interest rate and precious metal derivative businesses, so there was little actual risk exposure of foreign exchange rate, interest rate and commodities.

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.3 Investment situation(Continued)

(6) Usage of raised funds

The Bank had no usage of raised funds during the reporting period.

(7) Significant asset and equity sales

The Bank had no significant asset and equity sales during the reporting period.

(8) Analysis on main holding companies and joint stock companies

Applicable Not applicable

There is no net profit of a single subsidiary of the Bank or investment income of a single joint-stock company that affects the net profit of the Bank by more than 10%. See “3.3 Discussion and analysis of the main businesses” in this section for details about business development of the Bank’s wholly owned subsidiary Ping An Wealth Management Co., Ltd.

(9) Structured entities controlled by the company

At the end of 2022, the balance of non-principal-guaranteed wealth management products (WMPs) was RMB886,840 million, increased by 1.7% as compared with the end of last year. See “IV. Notes to key items in the financial statements - Note 52. Structured entities” in the “Section X Financial Report” for details about the Group’s structured entities.

3.2.4 Balance of off-balance sheet items which may have significant influences on business performance at the end of the reporting period

See “VI. Commitments and contingent liabilities” in “Section X Financial Report” for the Group’s items, such as “capital expenditure commitments and credit commitments”.

3.2.5 Analysis on items with changes over 30% in comparative accounting statement

(In RMB million)

| Item | Amount for the period | Amount of change | Rate of change | Analysis on reasons of change |
|---|-----------------------|------------------|----------------|--|
| Placements with and loans to banks and other financial institutions | 133,921 | 39,448 | 41.8% | Mainly due to the increase of call loans to domestic financial institutions |
| Financial assets held under resale agreements | 41,561 | 35,173 | 550.6% | Due to stable growth of deposit of Chinese Yuan, monetary market lending was increased, and the scale of bonds under resale agreement was increased. |
| Other equity instrument investments | 6,380 | 3,788 | 146.1% | Mainly due to new added foreclosed equity and perpetual bond investments |
| Placements from banks and other financial institutions | 53,282 | 20,888 | 64.5% | Mainly due to the increase of placements from domestic banks and other financial institutions |
| Financial liabilities held for trading | 69,054 | 25,633 | 59.0% | Mainly due to the increase in the scale of security lending business |
| Financial assets sold under repurchase agreements | 13,303 | (34,400) | (72.1%) | Due to stable growth of deposit of Chinese Yuan, and the decrease of monetary market borrowing |
| Provisions | 9,730 | 5,786 | 146.7% | Increase of expected credit losses of financial guaranteed contracts |
| Other comprehensive income | 2,660 | 875 | 49.0% | Mainly due to the increase of provision for impairment on financial assets |
| Gains or losses on changes in fair value | 1,240 | (840) | (40.4%) | Mainly due to the decrease in changes in fair value of financial instruments held for trading |
| Gains or losses on foreign exchange | 4,548 | 3,228 | 244.5% | Due to the increase in gains or losses on foreign exchanges derived from the increased foreign exchange business scale and fluctuated exchange rate |
| Gains or losses on disposal of assets | 180 | 168 | 1,400.0% | Small base period number of RMB12 million of last year |
| Other impairment losses on other assets | (35) | (1,233) | (102.9%) | Decrease in provision for impairment losses on foreclosed assets |
| Non-operating income | 64 | (94) | (59.5%) | Small base period number of RMB158 million of last year |

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.6 Cash flows

In 2022, the Group's net cash flows generated from operating activities amounted to RMB134,572 million, representing a year-on-year increase of RMB327,305million, primarily due to the increase in cash inflows of interbank deposits and deposit taking, and the decrease in cash outflows of loans and advances to customers; the net cash flows generated from investment activities amounted to RMB17,858 million, a year-on-year increase of RMB58,313 million, mainly due to the decrease in cash paid for debt investments; the net cash flows generated from financing activities amounted to RMB-161,405 million, a year-on-year decrease of RMB342,469 million, primarily due to the decrease in cash inflow received from the issuance of interbank certificates of deposits.

3.2.7 Analysis of loan quality

In 2022, due to slowing macro-economy recovery as well as notable imbalance issue of regions and industries' recovery, some enterprises and individuals were facing the repayment pressure, and banks were still facing challenges in controlling asset quality. The Bank responded to national strategy of serving the real economy, continuously supported development of private, small, medium and micro enterprises. The Bank continuously strengthened the efforts in disposal of problematic assets, maintaining a stable overall asset quality.

At the end of 2022, the Bank's overdue loans accounted for 1.56% with a decrease of 0.05 percentage point as compared with the end of last year. The Bank's loans overdue for more than 60 days accounted for 0.87%, maintaining the same level as the end of last year; the loans overdue for more than 90 days accounted for 0.73%, down by 0.01 percentage point as compared with the end of last year; the NPL ratio was 1.05%, up by 0.03 percentage point as compared with the end of last year; the deviation ratios of loans overdue for more than 60 days and 90 days were 0.83 and 0.69 respectively, down by 0.02 and 0.04 as compared with the end of last year.

In 2022, the Bank's provision for credit impairment losses on loans and advances to customers amounted to RMB64,168 million, representing a year-on-year increase of 8.0%. At the end of 2022, the balance of provision for impairment losses on loans was RMB101,196 million, up by 12.2% as compared with the end of last year; the provision coverage ratio was 290.28%, increased by 1.86 percentage points as compared with the end of last year; the provision coverage ratio of loans overdue for more than 60 days was 351.08%, increased by 12.86 percentage points as compared with the end of last year; the provision coverage ratio of loans overdue for more than 90 days was 419.22%, increased by 21.82 percentage points as compared with the end of last year, the risk compensation capability continuously kept at a good level.

In 2022, the Bank's written-off loans amounted to RMB59,802 million. The total of recovered non-performing assets was RMB41,294 million, representing a year-on-year increase of 26.0%, which included recovered written-off principals of RMB20,364 million for non-performing assets (including recovered written-off amount of RMB11,942 million for non-performing loans), representing a year-on-year increase of 8.7%. 78.5% of recovered amount for non-performing assets was recovered in cash and the rest was recovered in repayment by collaterals.

In the future, the Bank will continue intensifying management and control measures, keeping a good risk compensation level, firmly protecting the risk base line, and making sure the asset quality is controllable.

(1) Five-tier classification of loans and advances to customers

(In RMB million)

| Item | 31 December 2022 | | 31 December 2021 | | Change at the end of the year from the end of last year |
|--|------------------|----------------|------------------|----------------|---|
| | Balance | Percentage % | Balance | Percentage % | |
| Normal loans | 3,233,708 | 97.13% | 2,988,759 | 97.56% | 8.2% |
| Special mention loans (Note1) | 60,592 | 1.82% | 43,414 | 1.42% | 39.6% |
| Non-performing loans | 34,861 | 1.05% | 31,275 | 1.02% | 11.5% |
| Including: Substandard | 18,900 | 0.57% | 17,971 | 0.59% | 5.2% |
| Doubtful | 9,703 | 0.29% | 7,390 | 0.24% | 31.3% |
| Loss | 6,258 | 0.19% | 5,914 | 0.19% | 5.8% |
| Total principal of loans and advances to customers | 3,329,161 | 100.00% | 3,063,448 | 100.00% | 8.7% |
| Impairment provision for loans and advances to customers | (101,196) | | (90,202) | | 12.2% |
| Including: Impairment provision for loans and advances to customers measured at amortized cost | (97,919) | | (89,256) | | 9.7% |
| Impairment provision for loans and advances to customers measured at fair value and changes included into other comprehensive income | (3,277) | | (946) | | 246.4% |
| Non-performing loan ratio | 1.05% | | 1.02% | | +0.03 percentage point |
| Deviation ratio of loans overdue for more than 90 days (Note 2) | 0.69 | | 0.73 | | -0.04 |
| Deviation ratio of loans overdue for more than 60 days (Note 3) | 0.83 | | 0.85 | | -0.02 |
| Provision coverage ratio | 290.28% | | 288.42% | | +1.86 percentage points |
| Provision coverage ratio for loans overdue for more than 90 days | 419.22% | | 397.40% | | +21.82 percentage points |
| Provision coverage ratio for loans overdue for more than 60 days | 351.08% | | 338.22% | | +12.86 percentage points |
| Provision to loan ratio | 3.04% | | 2.94% | | +0.10 percentage point |

Notes:

(1) Due to the macroeconomic environment, the adjustment of the regulatory rules for the classification of personal auto-finance mortgage loans and the restructuring of debts of individual large corporate accounts, the proportion of special mention loans increased by 0.40 percentage point as compared with the end of last year.

(2) Deviation ratio of loans overdue for more than 90 days = Balance of loans overdue for more than 90 days/Balance of non-performing loans.

(3) Deviation ratio of loans overdue for more than 60 days = Balance of loans overdue for more than 60 days/Balance of non-performing loans.

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.7 Analysis of loan quality(Continued)

(2) Structural distribution and quality of loans and advances to customers as per products

(In RMB million)

| Item | 31 December 2022 | | | 31 December 2021 | | | Increase/decrease in non-performing loan ratio |
|--|------------------|---------------|--------------|------------------|---------------|--------------|--|
| | Balance | % | NPL ratio | Balance | % | NPL ratio | |
| Corporate loans | 1,281,771 | 38.5% | 0.61% | 1,153,127 | 37.6% | 0.71% | -0.10 percentage point |
| Including: General corporate loans | 1,084,224 | 32.6% | 0.72% | 998,474 | 32.6% | 0.82% | -0.10 percentage point |
| Discounted bills | 197,547 | 5.9% | - | 154,653 | 5.0% | - | - |
| Personal loans | 2,047,390 | 61.5% | 1.32% | 1,910,321 | 62.4% | 1.21% | +0.11 percentage point |
| Including: Personal residential mortgage loans and title deed-secured loans (Note 1) | 783,393 | 23.6% | 0.37% | 654,870 | 21.4% | 0.34% | +0.03 percentage point |
| Xinyidai | 160,056 | 4.8% | 1.31% | 158,981 | 5.2% | 1.01% | +0.30 percentage point |
| Auto finance loans | 321,034 | 9.6% | 1.26% | 301,229 | 9.8% | 1.26% | - |
| Credit card receivables | 578,691 | 17.4% | 2.68% | 621,448 | 20.3% | 2.11% | +0.57 percentage point |
| Others (Note 2) | 204,216 | 6.1% | 1.29% | 173,793 | 5.7% | 1.40% | -0.11 percentage point |
| Total principal of loans and advances to customers | 3,329,161 | 100.0% | 1.05% | 3,063,448 | 100.0% | 1.02% | +0.03 percentage point |

Notes:

(1) At the end of 2022, “Personal residential mortgage loans and title deed-secured loans” included the balance of “property mortgage” of RMB284.443 million (RMB279.376 million at the end of 2021), and the NPL ratio of property mortgage was 0.28%.

(2) “Others” included personal operating loans, small consumer loans and other guaranteed or pledged loans.

● Corporate loans

At the end of 2022, the NPL ratio of the Bank’s corporate loans was 0.61%, down by 0.10 percentage point from the end of last year. The Bank continued to iterate risk policies, and improved asset quality control mechanism. The corporate credit indicators remained at a good level. The details are as follows:

In the aspect of risk access, The Bank established a “ecosystem-based” risk policy system, supported ecological customer expansion for its businesses, focused on the development of key customer groups such as manufacturing, green finance and “specialized, refined, distinctive and innovative enterprises”, and continued to strengthen transaction bank business to foster new momentum for asset growth. For manufacturing, infrastructure, consumer upgrading and technology upgrading, relying on its internal professional research, the Bank expanded horizontally and deepened vertically, continuously improved and optimized risk policies, led the Bank’s business development direction, and launched special risk policies according to local conditions, and completed product gaps along the project life cycle to actively grasp regional and project cycle business opportunities. As for major business fields such as real estate and government related business, the Bank continued to track

and judge external situation, adjusted business orientation and access rules timely, and conducted proactive inspection and flexible adjustments to policies.

In the aspect of post-loan management, the Bank deepened “system empowerment, management empowerment and team empowerment”, and taken multiple measures to achieve more agile response to the situation, more accurate portfolio control, more effective assessment and supervision, and more forward-looking control of problematic credit. To further focus on the risks from customers in the real estate sector, the Bank promoted risk prevention and resolution by grasping the management of key links and key actions. The Bank strengthened portfolio warning and strategy classification, made practical portfolio warning and strategic classification, positioned risks, strengthened control, and promoted the early and orderly repatriation of higher-risk customers. The Bank increased the efforts to clear and dispose of non-performing assets and helped maintain stable asset quality.

● Personal loans

At the end of 2022, the NPL ratio of the Bank’s personal loans was 1.32%, up by 0.11 percentage point from the end of last year. In 2022, there was a continued slowdown in economic recovery, which had an impact on employment and income of retail customers, so the NPL ratio of “Xinyidai”, credit card and other businesses has increased. Since the second half of 2021, the Bank has increased inspection frequency on pre-lending policies, and strictly controlled customer access, actively strengthened the disposal of non-performing loans while expanding collection and recovery channels. In 2022, the Bank gradually increased the proportion of secured loans, optimized personal loan structure, improved high-risk customers’ identification using its industry-leading technological capabilities and risk control models. The Bank also implemented differential risk management strategies to effectively enhance its risk mitigation capability.

The Bank has taken strict controls on the access of new customers. The Bank strengthened measures on the review of the customers’ ability and willingness of customers to repay loans, through which the overall quality of new customers remained stable. Among them, credit card receivables were affected by changes in the economic environment as well as the adjustment of credit card overdue recognition criteria in the fourth quarter of 2021 in response to the regulatory requirements, resulting in an increase in the overdue rate of new accounts. However, the Bank has taken the initiative to tighten its pre-lending strategy and to increase the high-quality line of credit supply while increasing post-lending collection efforts to continuously improve the quality of new accounts.

The proportion of the loans overdue for more than 30 days when they were at the age of 6 months is stated in the table below:

| Year of origination | Credit card receivables | “Xinyidai” | Auto finance loans |
|---------------------|-------------------------|------------|--------------------|
| 2019 | 0.36% | 0.15% | 0.28% |
| 2020 | 0.19% | 0.15% | 0.35% |
| 2021 | 0.38% | 0.18% | 0.36% |
| 2022 | 0.53% | 0.15% | 0.35% |

Notes:

(1) “Ageing analysis”, also known as Vintage Analysis or an analysis of the accumulated default rates of a static pool of loans, is a method to track the credit assets by grouping them into different origination periods and compare them by their age groups to assess the asset quality of borrowers in each age group. The proportion of loans past due for over 30 days when the loans are aged 6 months = (the balance of loans originated or credit cards issued in the current year that are past due for more than 30 days by the end of the month when the loans or credit cards are aged 6 months) / (the amount of loans originated in the current year and aged 6 months or the overdraft balance of credit cards issued in the current year and aged 6 months).

(2) Figures of the ageing analysis in 2022 only represented the quality performance of loans issued from January to July in 2022. Loans issued from August to December have an age of less than 6 months and will be included for analysis when they are aged at or over 6 months.

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.7 Analysis of loan quality(Continued)

(2) Structural distribution and quality of loans and advances to customers as per products(Continued)

● Personal loans(Continued)

The Bank vigorously implemented regulatory policies for easing the difficulties of businesses by financial sector and provided customers who had temporary operating difficulties or declining income due to the impact of macroeconomic environment with relief services such as caring collection and deferred repayment of capital and interest to tide over the difficulties with customers. Meanwhile, to mitigate the impact of deferred loan maturities on future asset quality, the Bank has responded proactively with front-loaded reminders, dedicated collection and recovery resources and comprehensive relief toolkits.

(3) Structural distribution and quality of loans and advances to customers as per industry

(In RMB million)

| Item | 31 December 2022 | | | 31 December 2021 | | | Increase/decrease in non-performing loan ratio |
|---|------------------|--------|-----------|------------------|--------|-----------|--|
| | Balance | % | NPL ratio | Balance | % | NPL ratio | |
| Husbandry and fishery | 3,124 | 0.1% | - | 4,416 | 0.1% | - | - |
| Mining | 18,899 | 0.6% | - | 22,099 | 0.7% | 0.95% | -0.95 percentage point |
| Manufacturing | 183,192 | 5.5% | 0.53% | 157,027 | 5.1% | 0.78% | -0.25 percentage point |
| Energy | 33,091 | 1.0% | 2.83% | 26,037 | 0.8% | 3.83% | -1.00 percentage point |
| Transportation, post and telecommunications | 51,441 | 1.5% | 0.46% | 49,031 | 1.6% | 7.78% | -7.32 percentage points |
| Wholesale and retail | 124,729 | 3.7% | 0.39% | 103,784 | 3.4% | 0.59% | -0.20 percentage point |
| Real estate | 283,484 | 8.5% | 1.43% | 288,923 | 9.4% | 0.22% | +1.21 percentage points |
| Social services, science and technology, culture and sanitary | 219,219 | 6.6% | 0.46% | 212,943 | 7.0% | 0.29% | +0.17 percentage point |
| Construction | 45,868 | 1.4% | 0.10% | 48,073 | 1.6% | 0.08% | +0.02 percentage point |
| Personal loans | 2,047,390 | 61.5% | 1.32% | 1,910,321 | 62.4% | 1.21% | +0.11 percentage point |
| Other | 318,724 | 9.6% | - | 240,794 | 7.9% | - | - |
| Total principal of loans and advances to customers | 3,329,161 | 100.0% | 1.05% | 3,063,448 | 100.0% | 1.02% | +0.03 percentage point |

Note: The industry statistics involve loans and discounted bills.

In 2022, the Bank kept up with the major national strategic planning, actively supported the development of the real economy, and focused on key industries, key areas and key customers. The Bank selected the industries with weak periodicity, steady growth and good asset quality, and made more efforts in taking reduction measures on high-risk customers to further optimize asset portfolio allocation. Meanwhile, the Bank continuously strengthened risk management and control over new businesses. The Bank strongly enhanced the mitigation and handling of existing risks, and the asset quality was stable and controllable. Mainly affected by risk exposure in real estate industry, the Bank's NPL ratio in real estate sector increased slightly, however, the amount of NPL in real estate sector had a low base, the overall risk maintained controllable. In the meanwhile, due to macroeconomic downturn and other factors, the NPL ratio of social services, science and technology, culture, health care and construction increased slightly as compared with the end of last year. The Bank has actively implemented various measures to strengthen the recovery and disposal level, and the overall risks were controllable.

(4) Quality of loans and advances to customers as per regions

(In RMB million)

| Item | 31 December 2022 | | | 31 December 2021 | | | Increase/decrease in non-performing loan ratio |
|--|------------------|--------|-----------|------------------|--------|-----------|--|
| | Balance | % | NPL ratio | Balance | % | NPL ratio | |
| Eastern Region | 711,833 | 21.4% | 0.55% | 600,697 | 19.6% | 0.50% | +0.05 percentage point |
| Southern Region | 649,810 | 19.5% | 0.96% | 599,433 | 19.6% | 1.22% | -0.26 percentage point |
| Western Region | 310,687 | 9.3% | 1.03% | 280,433 | 9.2% | 0.69% | +0.34 percentage point |
| Northern Region | 490,360 | 14.7% | 0.42% | 451,643 | 14.7% | 0.47% | -0.05 percentage point |
| Headquarter | 1,136,487 | 34.2% | 1.72% | 1,116,114 | 36.4% | 1.51% | +0.21 percentage point |
| Overseas | 29,984 | 0.9% | - | 15,128 | 0.5% | - | - |
| Total principal of loans and advances to customers | 3,329,161 | 100.0% | 1.05% | 3,063,448 | 100.0% | 1.02% | +0.03 percentage point |

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.7 Analysis of loan quality(Continued)

(5) Restructured and overdue loans

(In RMB million)

| Item | 31 December 2022 | | 31 December 2021 | |
|---|------------------|------------------|------------------|------------------|
| | Balance | % of total loans | Balance | % of total loans |
| Restructured loans | 17,107 | 0.51% | 11,417 | 0.37% |
| Loans with principal and interest overdue for within 90 days | 27,903 | 0.83% | 26,651 | 0.87% |
| Loans with principal and interest overdue for more than 90 days | 24,139 | 0.73% | 22,698 | 0.74% |

At the end of 2022, the Bank's balance of restructured loans was RMB17,107 million, up by 49.8% as compared with the end of last year. The Bank continuously intensified the dissolving for collection and restructure on problematic credit corporates, adjusted and optimized the credit business plan step by step to mitigate and dissolve credit risks.

At the end of 2022, the Bank's balance of loans overdue accounted for 1.56%, with a decrease of 0.05 percentage point as compared with the end of last year; the balance of loans overdue for within 90 days (including loans with principal paid and interest overdue for within 90 days) was RMB27,903 million, accounting for 0.83% of total principal of loans and advances to customers, with a decrease of 0.04 percentage point over the end of last year; the balance of loans overdue for more than 90 days (including loans with principal paid and interest overdue for more than 90 days) was RMB24,139 million, accounting for 0.73% of total principal of loans and advances to customers, with a decrease of 0.01 percentage point over the end of last year; the balance of loans overdue for more than 60 days (including loans with principal paid and interest overdue for more than 60 days) was RMB28,824 million, accounting for 0.87% of total principal of loans and advances to customers, maintaining the same level over the end of last year. In respect of overdue loans, the Bank took multiple targeted management and control actions, and developed recovery and restructuring conversion plans based on the actual conditions of customers. The Bank actively communicated with all relevant parties, and actively promoted risk management and resolution. The overall risks were controllable.

(6) Movements in impairment provision of loans

The Bank started to implement new accounting standards for financial instruments from 1 January 2018 and set up an expected credit loss model to measure the expected credit losses. In 2022, the Bank's provision for credit impairment losses on loans and advances to customers amounted to RMB64,168 million.

(In RMB million)

| Item | Amount |
|---|----------|
| Beginning balance | 90,202 |
| Add: Provision | 64,168 |
| Less: Write-offs | (59,802) |
| Add: Reversal of written-off loans recovered | 11,942 |
| Less: Transfer upon asset disposal | (5,334) |
| Less: Decrease in loans due to increase in discounted value | (45) |
| Add: Other changes | 65 |
| Ending balance | 101,196 |

The non-performing loans fully provided will be written off to the extent that they conform to the write-off conditions and complete relevant write-off procedures; the written-off loans will be managed in accordance with the principle of "filing after writing-off and continuous recovery". The Bank will continue to promote the collection and disposal of loans after write-off. For recovery of written-off loans, litigation fees due from borrower advanced from the Bank will be withheld first. For the remaining amount, the principal amount of the loans was deducted before the debit interest was deducted. The recovery of loan principals would be used to increase the provision for loss of loans of the Bank, and the recovered interest and expenses would be used to increase interest income in the current period and bad-debt provision.

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.7 Analysis of loan quality(Continued)

(7) Top ten borrowers

(In RMB million)

| Borrowers | 31 December 2022 | | |
|------------|------------------|------------------|------------------|
| | Loan balance | % of net capital | % of total loans |
| Borrower A | 13,904 | 2.74% | 0.42% |
| Borrower B | 8,590 | 1.69% | 0.26% |
| Borrower C | 8,012 | 1.58% | 0.24% |
| Borrower D | 7,471 | 1.47% | 0.22% |
| Borrower E | 7,188 | 1.42% | 0.22% |
| Borrower F | 6,175 | 1.22% | 0.19% |
| Borrower G | 5,947 | 1.17% | 0.18% |
| Borrower H | 4,969 | 0.98% | 0.15% |
| Borrower I | 4,372 | 0.86% | 0.13% |
| Borrower J | 4,067 | 0.80% | 0.12% |
| Total | 70,695 | 13.93% | 2.12% |

At the end of 2022, the Bank's loan balance to the top ten borrowers amounted to RMB70,695 million, accounting for 2.12% of the total principal of loans and advances to customers. Among which the Bank's loan balance to the top five borrowers was RMB45,165 million, accounting for 1.36% of the total principal of loans and advances to customers. The Bank's top five borrowers are not associated with the Bank.

(8) Government financing platform loans

At the end of 2022, the Bank's balance of government financing platform loans (including those reclassified as general corporate loans and those still managed as government financing platform loans) was RMB67,184 million, an increase of RMB2,990 million or 4.7% as compared with the end of last year; and accounted for 2.0% of the total principal of loans and advances to customers, down by 0.1 percentage point from the end of last year.

Among them, in terms of classification, the balance of loans that were reclassified as general corporate loans amounted to RMB62,298 million, accounting for 1.9% of the total principal of loans and advance to customers, and the balance of that still managed as government financing platform loans amounted to RMB4,886 million, accounting for 0.1% of the total principal of loans and advances to customers. The Bank's government financing platform loans were good-quality loans, and none had become non-performing.

(9) Distribution of loans by type of collateral

For information of “distribution of loans by type of collateral”, please refer to “IV. Notes to key items in the financial statements - 6.3 Loans and advances to customers -- Analysis of distribution of loans by type of collateral” in “Section X Financial Report” for details.

3.2.8 Analysis of loan quality

Attaching high importance to liability quality management, the Bank formulated the *Measures for Liability Quality Management of Ping An Bank* in accordance with the *Measures for Liability Quality Management of Commercial Banks* issued by CBIRC. Based on the development condition of its strategic target and liability business, the Bank established a liability quality management structure with multilevel of head office, business lines and branches in which the Board of Directors assumed the ultimate responsibility for liability quality management, the senior management assumed the management responsibility for liability quality management, and the Audit and Supervision Department was responsible for the internal audit to liability quality management.

In 2022, the Bank continuously enhanced the management on liability resource, structure and cost. Firstly, the Bank insisted on the development of deposits business, promoted steady growth of deposit scale, and enhanced the stability of liability sources. Secondly, the Bank adhered to the balanced development of volume and price of deposit business, actively adjusted the structure, maturity and pricing of deposits, and reasonably controlled costs of interest payment. Thirdly, the Bank paid close attention to policy and market changes, issued interbank certificates of deposit and financial bonds at a proper time, and improved the diversity of liability structure. Fourthly, the Bank continued to optimize asset and liability portfolio management, maintained dynamic and balanced development of deposit growth and credit supply, and strengthened liquidity management to improve the reasonableness of matching liabilities and assets.

In 2022, the Group's businesses remained stable growth, the liability quality kept in safe and sound conditions, and all indicators stayed within a reasonable range. At the end of 2022, the Group's total liabilities amounted to RMB4,886,834 million, increased by 8.0% from the end of last year. In 2022, the Group's cost ratio of liabilities was 2.16%, down by 5 percentage points from the same period of 2021. At the same time, the Group's liability quality management and regulatory indicators such as net stable funding ratio and liquidity coverage ratio all met the regulatory requirements.

Management Discussion and Analysis

3.3 Discussion and analysis of the main businesses

3.3.1 Deepening transformation and development in retail business

In 2022, the Bank actively implemented the original aspiration of providing financial services to the real economy and benefiting people's well-being, gave full play to the advantages of comprehensive finance and technology empowerment, and continuously and deeply implemented the new model of retail transformation that includes "open bank, AI bank, remote bank, offline bank and comprehensive bank" with interconnection and organic integration to build the "Smart Bank 3.0". All retail businesses kept a stable development and achieved further breakthroughs in business scale. At the end of 2022, the balance of personal deposits reached over RMB1 trillion; the balance of personal loans reached over RMB2 trillion; the number of monthly active users (MAU) of Ping An Pocket Bank APP reached 50 million; and transformation and development results continued to appear.

Key indicators of the retail business (Selected)

(In RMB million)

| Dimensions | Item | 31 December 2022 | 31 December 2021 | Change at the end of the year from the end of last year |
|---------------|---|------------------|------------------|---|
| Scale | Assets under management (AUM) of retail customers | 3,587,274 | 3,182,634 | 12.7% |
| | Personal deposits | 1,034,970 | 770,365 | 34.3% |
| | Personal loans | 2,047,390 | 1,910,321 | 7.2% |
| Asset quality | NPL ratio of personal loans | 1.32% | 1.21% | +0.11 percentage point |

(1) Continuous upgrading for the operation of three business segments

● Private banking and wealth management

Key indicators of private banking and wealth management (Selected)

(In RMB million)

| Item | 31 December 2022 | 31 December 2021 | Change at the end of the year from the end of last year |
|--|------------------|------------------|---|
| Number of Wealth Management Customers (in 10,000 accounts) | 126.52 | 109.98 | 15.0% |
| Number of Qualified Private Banking Customers (in 10,000 accounts) | 8.05 | 6.97 | 15.5% |
| AUM Balance of Qualified Private Banking Customers | 1,620,785 | 1,406,096 | 15.3% |

Adhering to the principle of customer-centric, the Bank continued to upgrade its capabilities in terms of product, customer groups, and team, and devoted itself to building “a warm global leader in wealth management host bank”. At the end of 2022, the assets under management (AUM) of retail customers amounted to RMB3,587,274 million, up by 12.7% as compared with the end of the previous year, among which the AUM balance of qualified private banking customers amounted to RMB1,620,785 million, representing an increase of 15.3% as compared with the end of the previous year. The Bank’s wealth management customers reached 1,265.2 thousand, representing an increase of 15.0% as compared with the end of the previous year, among which the qualified private banking customers³ reached 80.5 thousand, up by 15.5% as compared with the end of the previous year. In 2022, the Bank’s commission income from wealth management recorded RMB6,447 million, representing a year-on-year decrease of 21.5% due to the effects of scale reduction of non-standard products and decline of fund sales resulted from the fluctuation of the securities market.

In terms of product upgrading, the Bank continued to improve asset optimization and product screening capabilities, enriched and optimized product categories. As for agency of wealth management products, the Bank has introduced the products of 8 external wealth management subsidiaries in addition to Ping An Wealth Management, providing customers with more diversified product allocation choices. As for agency of privately offered funds, the Bank focused on developing the “preference private placement”, selected and introduced top managers among the private placement institutions in the market. As for agency of publicly offered funds, the Bank focused on upgrading the accompanying services and improving the customer scale of agency business of publicly offered funds, worked on an online platform, and realized fast penetration to the middle and long tail customer groups under the sluggish market conditions. At the end of 2022, the number of position customers of the Bank’s agency of non-monetary publicly offered funds increased by 102.0% as compared with the end of last year. In 2022, the Bank’s income of agency funds recorded RMB2,671 million, representing a year-on-year decrease of 33.8% due to market and other factors. For agency of insurance products, the Bank leveraged ecological advantages of “comprehensive finance and medical health” of Ping An Group, agilely tailored insurance products with market foresight and customer appeal, and fully improved the diversity and competitiveness of product category. In 2011, the Bank’s income of agency insurance achieved RMB1,984 million, representing a year-on-year increase of 30.9%. The new established size of family trust and insurance trust of the Bank amounted to RMB54,607 million, representing a year-on-year increase of 43.6%.

In terms of customer group management upgrading, the Bank upgraded the service of “Ping An Family Office” for ultra-high net-value customers and their family, focused on six profession areas including wealth management, health management, intergenerational growth, charity planning, legal and taxation planning, and corporate think tank, and provided customers with customized and one-stop solutions. For corporate directors and supervisors and high-end customers, the Bank integrated professional resources inside and outside of Ping An Group by establishing a linkage model of private banking and investment banking, and provided comprehensive financial solutions covering individuals, families and enterprises for top private banking customers. As for the construction of rights and interests system, the Bank integrated professional resources inside and outside of Ping An Group, focused on building multiple trump cards of “high-end medical and health care, children’s education, and charity planning”, met the needs for scarce non-financial services, so as to provide customers with life-cycle accompanying services.

In terms of team upgrading, the Bank strove to improve the team’s expertise, enhanced its capability of internal development, and relied on a professional and competent private banking and investment and advisory expert team to provide private banking customers with all-around wealth management services in 53 private banking centers across every provincial capital and major city. Firstly, the Bank established a standardized wealth management training system, promoted the standardization of team’s working model through a three-dimensional training mode of “training, practicing and counseling”, and improved teams’ professional capabilities. Secondly, the Bank deepened reform of bancassurance business, and continuously created a new wealth team that understood insurance well, so as to provide customers with more comprehensive and integrated financial asset allocation services. Thirdly, the Bank empowered team management through human-machine collaboration, making wealth management managers more professional, intelligent and customized in their business development and services, and enhancing the health of customers’ wealth. At the end of 2022, the coverage rate of “portable banking” for wealth management customers was over 85%.

³The standard of private banking customers is the average daily assets in any month of recent three months is more than RMB6 million.

Management Discussion and Analysis

3.3 Discussion and analysis of the main businesses(Continued)

3.3.1 Deepening transformation and development in retail business(Continued)

(1) Continuous upgrading for the operation of three business segments(Continued)

● Private banking and wealth management(Continued)

In terms of brand upgrading, the Bank actively participated in public welfare through its private banking business. In 2022, the Bank initially created the charity planning service, “Ping An Benevolence”, has provided over 860 customers with services such as charity service consulting, assistance in establishment of charity trust, investment management of public welfare program and charity activities. In response to the call for earthquake relief, “Ping An Public Welfare Platform”, together with the China Social Assistance Foundation and the “One Foundation”, launched the project of aiding Luding earthquake-hit area to provide rescue supplies to affected areas. With the continuous improvement of its comprehensive capability in the field of private banking business, in 2022, the Bank was awarded “Outstanding Private Bank of the Year” by *The Economic Observer*, “Best Private Bank for Ultra-high Net-value Customers” by *Global Finance*, “China Financial Brand Innovation Model” by *China’s Insurance Quote*, and “Charity Planning Service of the Year” by *The Asian Banker*.

● Basic retail

Key indicators of basic retail (Selected)

(In RMB million)

| Dimensions | Item | 31 December 2022 | 31 December 2021 | Change at the end of the year from the end of last year |
|---------------------|---|------------------|------------------|---|
| | Number of Retail Customers (in 10,000 accounts) | 12,308.00 | 11,821.20 | 4.1% |
| Customers/ Users | Registered users of Pocket Bank APP (in 10,000 accounts) | 15,288.32 | 13,492.24 | 13.3% |
| | Monthly active users of Pocket Bank APP (in 10,000 accounts) | 5,068.44 | 4,822.64 | 5.1% |
| Agency | AUM balance brought from customers of agency and batch business | 659,953 | 539,183 | 22.4% |
| | Deposit balance brought from customers of agency and batch business | 224,893 | 144,460 | 55.7% |
| Dimensions | Item | 2022 | 2021 | Year-on-year change |
| Deposits | Average daily balances of personal deposits | 869,912 | 699,855 | 24.3% |

The Bank deeply consolidated the basic retail business, creating an operating hub for massive customers. Through implementing the customer-centric business philosophy, the Bank deeply advanced the construction of “Smart Bank 3.0”. In the meanwhile, the Bank advanced comprehensive operation and coordinated development, and continuously enhanced omni-channel customers acquisition and full-scenario intelligent operation. At the end of 2022, both retail customers and registered customers of Ping An Pocket Bank APP reached 123,080 thousand and 152,883.2 thousand, representing increases of 4.1% and 13.3% as compared with the end of the previous year respectively, among which the number of monthly active users (MAU) of Pocket Bank APP was 50,684.4 thousand, representing an increase of 5.1% as compared with the end of the previous year.

With respect to the improvement of deposit business, the retail business of the Bank adhered to the operating guideline of “scale growth, structure optimization, foundation solidity and cost reduction”, and promoted dual growth of quantity and quality in deposit business. Firstly, AUM drives up deposits, the Bank placed more AUM in natural derivatives through providing customers with professional asset allocation services and upgrading its products. Secondly, comprehensive operation drives up deposits, by encouraging customers to open credit cards and debit cards, the Bank increased the repayment proportion through its cards; enhanced scenario-based operations of key customer groups; and improved deposit precipitation. Thirdly, channel linkage drives up deposits, the Bank continuously expanded its business of payment and settlement through rolling out merchant discount payment activities. The Bank expanded businesses of agency and bank card acceptance through the deep cultivation of industry solutions. The Bank drove the increase in settlement and deposits, and expanded deposit customer group sources through deepening the promotion and application of open banking models such as margin and flexible employment. At the end of 2022, the balance of personal deposits amounted to RMB1,034,970 million, up by 34.3% as compared with the end of the previous year; the average daily balance of personal deposits was RMB869,912 million in 2022, increased by 24.3% as compared with the same period of last year.

With respect to agency business expansion and development. Firstly, the Bank upgraded its agency service platform and product system, promoted online operation for agency business, and constantly enhanced customer experience. First, based on the daily high-frequency payment scenarios of customers, the Bank continuously upgraded its product of “Ping An Salary Manager”, developed a smart income and expenditure management platform for customers’ household main account. At the end of 2022, the number of binding customers of “Ping An Salary Manager” exceeded 1,450 thousand. Secondly, focused on customers’ needs, the Bank upgraded the digital operation system of agency customer groups, and holistically empowered the refined management on customer groups. At the end of 2022, the AUM balance from customers of agency and batch business amounted to RMB659,953 million, up by 22.4% as compared with the end of the previous year; the balance of deposits from customers amounted to RMB224,893 million, up by 55.7% as compared with the end of the previous year.

With respect to the upgrading of the Ping An Pocket Bank, the Bank upgraded the layout of the intelligent platform, and created the main portal of digital operation. In 2022, the Bank released brand new Ping An Pocket Bank APP 6.0, which fully upgraded functions and experiences. First, the Bank made comprehensively upgrades in interface design, intelligent interaction, elderly-oriented accessibility, life rights and interests and wealth management services to create a more convenient, intelligent and secure experience. Second, the Bank fully introduced big data recommendation ability, constantly adjusted and optimized through strategies of sub-customer group and sub-scenario, and met the personalized needs of customers in finance and life through recommendation model formed by customer satisfaction and product competitiveness. Third, the Bank promoted intelligent model upgrades, combined with refined operation strategies formed in different stages of customer acquisition, retention, activation, conversion and repurchase propagation, and holistically improved service experience through customers’ whole life cycle.

Management Discussion and Analysis

3.3 Discussion and analysis of the main businesses(Continued)

3.3.1 Deepening transformation and development in retail business(Continued)

(1) Continuous upgrading for the operation of three business segments(Continued)

● Consumer finance

Key indicators of consumer finance (Selected)

(In RMB million)

| Item | 31 December 2022 | 31 December 2021 | Change at the end of the year from the end of last year |
|---|------------------|------------------|--|
| The number of credit cards in circulation (in 10,000) | 6,899.72 | 7,012.65 | (1.6%) |
| Balance of credit card receivables | 578,691 | 621,448 | (6.9%) |
| Balance of “Xinyidai” | 160,056 | 158,981 | 0.7% |
| Balance of personal residential mortgage loans and title deed secured loans | 783,393 | 654,870 | 19.6% |
| Including: Balance of housing mortgage loans | 284,443 | 279,376 | 1.8% |
| Balance of auto finance loans | 321,034 | 301,229 | 6.6% |
| Item | 2022 | 2021 | Year-on-year change |
| Total volume of transactions using credit cards | 3,391,911 | 3,791,410 | (10.5%) |

The Bank continued to intensify its capability of digital operation and comprehensive service for retail credit products to improve product competitiveness and customer service experience. At the end of 2022, the balance of personal loans amounted to RMB2,047,390 million, increased by 7.2% as compared with the end of last year. Since the second half of 2022, the Bank has increased mortgage loans supply and strengthened the development of the cornerstone business by combining with the changes in the internal and external business environment. At the end of 2022, the Bank's mortgage loans accounted for 54.2% of personal loans accounted, with an increase of 5.0 percentage point as compared with the end of last year. The structure of business and customer groups was continuously optimized.

Credit Card

The Bank deepened transformation and upgrading of credit card business, promoted integration of customer acquisition and management as well as comprehensive operation, and continued to create the ultimate experience of “worry free, time-saving and money-saving” for credit card customers. Meanwhile, combining with changes in the internal and external operation environment, the Bank actively optimized structure and deepened existing customer and interest-bearing asset management to advance high-quality and sustainable business development. Due to the impact of macroeconomic environment, at the end of 2022, the credit cards of the Bank in circulation reached 68,997.2 thousand, decreased by 1.6% as compared with the end of last year. The total volume of transactions using credit cards was RMB3,391,911 million in 2022, with a year-on-year decrease of 10.5%. The balance of receivables from credit cards was RMB578,691 million, decreased by 6.9% as compared with the end of last year. Thanks to refined customer group management, the average daily balance of credit cards in circulation and installments in 2022 recorded a year-on-year increase of 22.1% from 2021, bringing rapid growth to credit card interest income.

In terms of refined management on customer groups, the Bank enriched product rights and interests' allocation to meet customers' diverse needs. The Bank strengthened the ecological management of auto owner customer groups and developed the "Ping An Refueling" platform with top enterprises in the industry. At the end of 2022, the platform was applied over 40,000 gas stations. Leveraging the auto ecological resources within Ping An Group, the Bank further improved an one-stop, all-round auto ecological operating system by taking refueling as main rights and interests, with car washing, parking, battery-charging and maintenance as auxiliary ones. At the end of 2022, the number of credit cards in circulation for core car owners exceeded 26,000 thousand. For young customer groups, the Bank innovatively upgraded the "Ping An Enjoy" Platinum Credit Card for them, developed a featured rights and interests' platform called "card-benefit separation", introduced more than 20 rights and interests such as tea & coffee, video, sports, fitness, pets, etc., and fully met young customers' diversified needs of consumption and rights and interests. For wealth management customer groups, the Bank has introduced the "Ping An Private Banking Credit Card" to provide customized services and benefits. The Bank also built golf ecological rights and interests and launched a series of rights and interests such as practice field, "point + cash" redemption, and rights and interests' package, to continuously improve the management system for rights and interests of wealth management customers.

In terms of scenario-based operation, the Bank advanced scenario-based arrangements to promote ecological development. In 2022, the Bank continuously organized its branding activities named "Daily and monthly transactions for a lucky draw", created a model of daily traffic gathering of hot-sale product, and launched monthly marketing theme to constantly consolidate activities' reputation by experience optimization. For the "Pocket Supermarket" operation, the Bank vigorously linked up with the brand's advantageous resources to build a "Shang-Chao-Tong" platform and a local activity aggregation page. For external strategic cooperation, the Bank cooperated with a number of leading Internet companies in card issuance, card binding, consumption, interest generation and other scenarios to promote joint operation and ecological construction. In 2022, Ping An Bank jointly launched "Ping An Bank Super V Co-branded Credit Card" with Tencent to achieve customer acquisition penetration through co-branded credit cards under Tencent's ecosystem. The Bank further deepened cooperation with JD to launch the "Ping An Bank Jingxi Platinum Credit Card" with comprehensive upgrade of products and benefits. In 2022, the total number of "Jingxi" credit cards issued exceed 1,700 thousand

In terms of intelligent services, the Bank strengthened the principle of being data-driven to improve customer experience and operational efficiency. Firstly, relying on the capacity building of the new core system of credit card A+, the Bank assisted in the breakthrough of the new model, and innovated new service mode such as "Favorable Spending, High Yield", "Quota Fusion" and "Real-time Credit Line Restoration" in 2022; secondly, the Bank optimized intelligent voice middle platform to drive intelligent operations, at the end of 2022, the intelligent voice middle platform has embedded into 1,425 business scenarios and its outgoing calls reached 593 million, representing a year-on-year increase of 118.0%; thirdly, the Bank continuously upgraded the "AI + T" intelligent multimedia interaction matrix, promoted the integration of multi-channel services, and built multiple service forms and service capabilities in an one-stop, full-scenario, online, and intelligent manner. In 2022, the intelligent channels covered full range of business scenarios, and the proportion of non-manual services exceeded 90%.

Xinyidai

At the end of 2022, the balance of "Xinyidai" loans was RMB160,056 million, up by 0.7% as compared with the end of last year. In 2022, adhering to prudent and sound risk policies, the Bank promoted product innovation, process upgrade and customer experience of "Xinyidai", and continuously improved the ability and quality of service for the production and operation of small and micro enterprises and reasonable consumption of households. Firstly, the Bank expanded and developed high-quality customer groups for "Xinyidai", accurately identified customers' qualifications and clearly understood their demands by relying on big data capability, so as to provide customers with high-quality and comprehensive financial services through designated solutions, streamlined process and customer-oriented rights and interests; secondly, the Bank further improved the intelligent risk pricing strategy, identified layered customer groups with the help of big data analysis to provide customers with more suitable financial services; thirdly, the Bank strengthened existing customers' management, with the help of the "AI + T + Offline" portable banking, and aroused existing customers in multiple ways to improve customer service level.

Management Discussion and Analysis

3.3 Discussion and analysis of the main businesses(Continued)

3.3.1 Deepening transformation and development in retail business(Continued)

(1) Continuous upgrading for the operation of three business segments(Continued)

● Consumer finance(Continued)

Personal residential mortgage loans and title deed-secured loans

At the end of 2022, the balance of personal residential mortgage loans and title deed-secured loans of the Bank amounted to RMB783,393 million, up by 19.6% from the end of last year, of which the balance of personal property mortgage loans was RMB284,443 million, up by 1.8% from the end of last year. Through the active implementation of the requirements on serving the real economy and vigorous implementation of policy guidance on supporting the financing needs of micro/small enterprises, the Bank holistically improved the quality and efficiency of customer management and provided customers with more convenient and worry-free financial services. First, the Bank continued to develop high-quality customer groups, deeply cultivated high-quality real estate scenarios, and expanded sources of high-quality mortgage customers. Second, the Bank iterated and optimized online processes, innovated mortgage service model for second-hand properties, and created a one-stop process for ownership transferring, mortgaging, and mortgage releasing, so as to enhance customer experience. Third, the Bank deepened the management for existing customers, and launched creatively the Mortgage Customer Interest and Right Middle Office of Pocket Bank to meet mortgage customers' financial needs for financing, wealth management and transactions in all aspects.

Auto finance loans

At the end of 2022, the balance of the Bank's auto finance loans reached RMB321,034 million, representing an increase of 6.6% from the end of the previous year. The Bank continued to improve customer service experience through upgrading product system, promoting operating strategy of auto ecosystem and intensifying technology empowerment.

Upgrading product system and continuously helping auto consumption The Bank actively adapted the development trend in new retail forms, fully upgraded online loans services including application, approval, face-to-face interview and loan granting through, and adapted to the business development model of new energy automakers to provide customers with a professional, standard and convenient online auto-purchase loan experience. In 2022, the newly issued loans for new energy vehicles amounted to RMB24,899million, representing a year-on-year increase of 41.8%.

Focusing on car owner customer groups and continuously improving the construction of auto ecosystem First, the Bank continued to upgrade the "Che-E-Tong" platform and improved the online service system for car dealers to make it a one-stop comprehensive service platform that could satisfy the management and financial needs of dealers in terms of acquisition, resale and storage, helping car dealer operation. Second, centering on the scenarios of customer buying vehicles, using vehicles, maintaining vehicles and trading vehicles, the Bank constantly upgraded online operation platform, and built one-stop customer groups service circle for car owners. At the end of 2022, the number of monthly active users of auto finance customer group (MAU) reached 3,561.6 thousand, increased by 15.1% as compared with the end of last year.

Intensifying technology empowerment and continuously improving customer experience The Bank continued to promote the application of big data to continuously improve the independence and convenience of customer business processing and services. At the end of 2022, the full-process operation time of new car loans and commercial vehicle loans was reduced by 25.2% and 37.4%, respectively.

Other loans

At the end of 2022, the balance of “other loans” of the Bank was RMB204,216 million, rose by 17.5% from the end of last year. In 2022, the Bank continued to support serving the real economy, met differentiated capital needs of small and micro enterprises, individual business owners and farmers through multiple methods such as credit, guarantee and mortgage. Relying on technical measures and digital empowerment, the Bank continued to improve the financing efficiency and service experience for small and micro enterprises and private customers, and subsequently upgraded loan business for small and micro enterprises and private customers through a combination of online and offline methods. In addition, the overall performance of Internet loan business was gradually improved, and the asset structure and customer base structure were continuously optimized, playing a positive role in serving the financing of small and medium-sized enterprises and reasonable household consumption. The Bank will further explore and develop Internet loan business under the premise of ensuring business compliance and risk control.

(2) New model of retail transformation driving operation speed up

The Bank continued to deepen financial inclusion innovation to improve the coverage, availability and satisfaction of financial services and drive high-quality business development. With customer-centric and data-driven as its core, the new model of retail transformation is a development model that benefits massive customer groups with top-quality products and services through technological measures. In 2022, the Bank launched the building of “Smart Bank 3.0”, strove to promote the implementation of the new model, and the driving role of retail business development was continuously enhanced.

● Open banking

Open banking is the scenario layer of the new model, and the flow pool for the development of retail business. The Bank’s retail open banking deeply connected the banking and industry scenarios, continuously upgraded its business capability of the middle platform, and gave full play to its customization capabilities of industry solutions to realize the upgrade from flow cooperation to platform economy integration. On the one hand, the retail open banking has continuously upgraded its application solutions, provided comprehensive and integrated solutions for multi-customer group scenarios such as smart campus, flexible employment, industry margin, payment and settlement, and scenario loans, and set up a pocket operation position to achieve high-frequency promotion by combining SaaS⁴ capabilities of applets. On the other hand, in 2022, the Bank launched the integration of corporate-private linkage of platform economy, focused on four ecological fields such as consumer Internet, industrial Internet, supply chain scenario provider and SaaS service provider, laid out leading industries such as consumer Internet, online freight, Internet home improvement and school education, and went deep into industry scenarios to expand upstream, midstream, and downstream enterprises and users, so as to realize the integrated operation of transferring platform users to customers. In 2022, the retail open banking of the Bank adhered to the integration strategy of customer acquisition and operation, promoted “stable quantity and improved quality” and acquired 2,300.7 thousand customers through the Internet channel⁵, of which the proportion of newly acquired customers increased to 17.3% from 8.0% of last year, and the average AUM balance of new customers increased by 63.0% as compared to last year.

⁴SaaS refers to Software as a Service.

⁵The statistics are based on the number of new debit card accounts after excluding those acquired from the comprehensive finance channels of Ping An Group.

Management Discussion and Analysis

3.3 Discussion and analysis of the main businesses(Continued)

3.3.1 Deepening transformation and development in retail business(Continued)

(1) Continuous upgrading for the operation of three business segments(Continued)

● Portable banking

“AI + T + Offline” is the core service matrix of the new model, and the operation chain and service network for the development of retail business. Focusing on customers’ whole life cycle, the Bank has built a comprehensive operation journey for its basic customer groups. It has built a “portable banking” by promoting the seamless connection and integration of three service channels such as AI platforms (e.g., Pocket Bank APP), professional remote teams and new retail outlets, so as to provide the most suitable and accompanying financial services to each customer in an instant, comfortable and ready form with professional and exclusive management by designated personnel and optimize financial services for new citizens. At the end of 2022, the model of “AI + T + Offline” had served more than 49 million customers, representing a year-on-year increase of about 50%. At the end of 2022, the number of investment and wealth management customers⁶ increased by 31.0% as compared with the end of last year, of which the penetration rate of investment and financial management by customers in the mass ten-thousand level⁷ increased by 5.96 percentage points compared with the end of last year. While the Bank’s customer satisfaction continuously kept a higher level, in December 2022, the Bank’s customer services obtained a Net Promoter Score (NPS)⁸ of 86.5%, while the physical outlets reported a NPS of 94.2%.

AI Banking

The Bank fully upgraded its capability of the AI platform. With respect to the form of interaction, the Bank relied on digital and intelligent technology to create a virtual exclusive consultant image, providing visualized and accompanying services with a “human touch” through the novel and natural role image of the virtual figure and its friendly voice broadcast action guidance. At present, the virtual figure has launched the financial maturity and investment advisory scenarios, providing customers with professional shopping guide services such as customer maturity reminder, wealth diagnosis and product recommendation. At the end of 2022, AI account managers had launched over 1,790 scenarios, the monthly average number of customers served by AI account managers in the whole year increased by 49.9% over that of 2021, the one-time problem-solving ratio and the proportion of unmanned services of the Bank exceeded 90%.

Remote banking

The Bank continued to build its remote banking with intelligence, integration and human-machine cooperation, timely and “warmly” reaching and serving customers. In 2022, relying on AI (Artificial Intelligent) and big data capabilities, the Bank has extended its services to customer groups and provided remote banking services for more than 37 million basic mass customers⁹. At the same time, the Bank has optimized the service process in remote scenarios such as new customer accompanying service, online wealth management, AI intelligent service and localized feature service by building a comprehensive operation platform, improving the user experience and continuously enhancing the breadth and depth of its customer services.

Offline banking

The Bank continued to strengthen scenario-based, socialized and ecological operation for outlets, attached great importance to the construction and upgrading of offline outlets, reinforced technology empowerment, and strove to forge offline outlets to a “warm” main front of comprehensive operation. In 2022, the accumulative private domain traffic of outlet ecosystem exceeded 3,540 thousand and customers newly acquired went beyond 1,400 thousand.

⁶Investment banking customers refer to customers who hold products such as wealth management, publicly offered funds, time deposits, privately offered funds, and insurance.

⁷The standard for being a customer in mass wealthy level is “RMB10,000 ≤ the customer’s monthly average daily assets in the highest month in the past three months < RMB50,000”.

⁸NPS = (Number of Promoters - Number of Detractors) / Total Number of the Sample Population × 100%. It is an index that measures the probability that a customer will recommend a certain company or service to others. Depending on different survey channels, the index may be divided into NPS for customer services and NPS for physical outlets.

⁹The standard of basic mass customers is “0 < Customer’s monthly average daily assets in the month with highest amount in recent three months < RMB50,000”.

● Comprehensive banking

Comprehensive banking is the capacity layer of the new model, and the driver for the development of retail business.

The Bank upgraded its comprehensive banking in an all-around way and constructed a retail business's middle platform that includes data, product, rights, technology and risk, so as to connect financial and life services for customers as well as provide customers with high-quality comprehensive financial and life solutions in the manner of a one-stop, full package and coordinated sequence. Firstly, the Bank promoted the integration of debit and credit cards. At the end of 2022, the dual-card rate of new credit card customers increased by 13.0 percentage points as compared with the end of the previous year, and the repayment rate of the Bank's card by new credit card customers increased by 1.8 percentage points as compared with the end of the previous year. Secondly, the Bank fully deepened the linkage between public and private banking, promoted the joint management of customers, data asset sharing and joint construction of a linkage mechanism, gave play to their respective advantages, and improved the comprehensive service experience for customers. Thirdly, relying on Ping An Group's personal comprehensive finance platform, the Bank continuously improved the customer rights and service system to provide customers with one-stop comprehensive financial solutions and service experience of "worry free, time-saving and money-saving" through active integration into the ecosystem of Ping An Group focusing on the fields of health care, high-end medical care, culture and sports, and charity. Taking medical and health ecosystem as an example, by replicating and promoting the mature model of Ping An Group and introducing health benefits such as lectures by famous doctors, high-end physical examination, and high-end physical examination salon of health ecosystem, the customer service level has been effectively improved.

Meanwhile, the Bank continued to deepen the innovation and upgrading of the MGM (Member-Get-a-Member) online operation model, and the overall contribution of comprehensive finance to retail business remained stable. On the one hand, the Bank explored the flow management model in private domain, and guided VIP customers to flexibly acquire customers through innovative methods such as UGC (User Generated Content), in 2022, the cumulative volume of sharing and forwarding was 76,012.6 thousand. On the other hand, it continuously optimized SAT (social media + mobile applications + remote services/tele-services), a closed-loop operational intelligent tool, and provided customers with "warm" companion to boost SAT motivation and effectiveness of VIP customers. In 2022, the AUM transaction amount accumulated from SAT sharing covered 39.4% of that from total MGM.

Key indicators of comprehensive finance of MGM model (Selected)

(In RMB million)

| Item | 2022 | | 2021 | |
|---|---------------------------------------|-------------------------------------|---------------------------------------|-------------------------------------|
| | Contribution in comprehensive finance | Proportion in comprehensive finance | Contribution in comprehensive finance | Proportion in comprehensive finance |
| Net increase in number of new customers (in 10,000) | 190.12 | 39.1% | 564.75 | 51.0% |
| Net increase in number of wealth customers (in 10,000) | 7.66 | 46.3% | 9.94 | 60.0% |
| Net increase in number of private banking customers (in 10,000) | 0.55 | 50.9% | 0.64 | 51.6% |
| Net increase in the assets under management (AUM) of retail customers | 218,251 | 53.9% | 313,574 | 56.2% |
| Amount of "Xinyidai" issued | 73,555 | 57.6% | 72,449 | 50.0% |
| Amount of auto finance loans issued | 48,520 | 20.8% | 64,452 | 25.3% |
| Amount of credit cards newly issued (in 10,000) | 207.01 | 26.4% | 306.70 | 25.9% |

Management Discussion and Analysis

3.3 Discussion and analysis of the main businesses(Continued)

3.3.2 Expertized and expanded corporate business

In 2022, closely following the national strategy, the Bank's corporate business continued to increase its financing support for key areas such as manufacturing, specialized, refined, distinctive and innovative enterprises, micro, small and medium-sized enterprises, rural revitalization, green finance, and infrastructure. Facing the digital economy and modern industries, the Bank has laid out two racing tracks of "new digital-driven transaction bank and industry-driven modern industrial finance". Adhering to the "customer-centric" principle and working on customer needs, the Bank fostered and strengthened its core customer groups through long-term in-depth management to consolidate its corporate business development base.

The Bank's corporate business leveraged its advantages in technology and platform to achieve steady business growth by focusing on two core tracks. In terms of customer acquisition and customer management, at the end of 2022, the number of corporate customers achieved 615.9 thousand, representing an increase of 105.5 thousand as compared with last year, with a growing rate of 20.7%; the enterprise customers served by the Bank's corporate open banking numbered 50,968, increasing by 68.2% as compared with the end of last year; the number of registered corporate users of the Bank's Digital Pocket APP accumulated to 13,296.4 thousand, representing an increase of 63.4% as compared with the end of last year. For corporate deposits, at the end of 2022, the balance of corporate deposits was RMB2,277,714 million, up by 3.9% as compared with the end of last year, the average daily balance of corporate deposits increased by 11.7% year-on-year in 2021.

(1) Digital-driven new transaction banking

Based on the constantly upgraded and optimized digital customer management platforms (Digital Pocket and Digital Treasury), the Bank relied on "Nebula Open Alliance" to continuously improve the ability of ecological construction, and leveraged its advantages of account, transaction, data and openness, as well as the system advantages of integrated online and offline operations. The Bank continued to innovate and optimize and output superior products and services around the needs of micro, small and medium-sized customer groups, continuously upgraded its business model, built differentiated competitive advantages at the era of digital economy, and achieved bulk reaching and depth management on a large amount of micro, small and medium-sized customer groups, so as to support the development of the real economy.

Customer management platform

As a digital asset management and comprehensive service platform for micro, small and medium-sized enterprise users, the Bank's Digital Pocket APP has exported digital capabilities for such enterprises; served as a portable digital management steward for business owners; connected high-quality products and rights inside and outside Ping An Group in a scenario-based manner focusing on the needs of enterprise users; and established an all-round operation system to create the ultimate product experience, so as to provide users with more open, intelligent and diversified financial and non-financial services, and continue to explore users' ecological value. At the end of 2022, the number of monthly active users of the Digital Pocket APP reached 822.2 thousand, representing an increase of 41.9% as compared with the end of last year.

As an expert in treasury management for corporate customers, the Bank's digital treasury management platform provided customers with all-in-one solutions of business, capital and tax, and kept up with the digital trend, providing exclusive and differentiated services for different customer groups and scenarios, providing customized functions and services for large and medium-sized customers, and providing "miniaturization" function package that can be quickly assembled for micro, small and medium-sized customers. At the same time, relying on the advantages of openness, the Bank's digital treasury management platform has jointly established a two-way new ecosystem of "business flow + capital flow" through mutual empowerment with key node customer groups such as software and data service providers and hardware service providers to provide customers with more professional, flexible and lighter integrated treasury management services.

The Bank comprehensively improved its opening-up capability, built an open, cooperative and win-win financial service ecosystem. The Bank continued to build the "Nebula Open Alliance", held the "2022 Nebula Open Alliance Conference" in

May 2022, and published the *China Open Banking White Paper 2022*. Focusing on the “4+1” key node customer groups, while meeting their own needs for payment and settlement, digital operation, etc., the Bank used open banking to export its “finance + technology” capabilities to entity enterprises such as manufacturing and specialized, refined, distinctive and innovative enterprises in a more inclusive and comprehensive manner by giving full play to the leverage effect of key node customer groups. The Bank jointly reached the massive micro, small and medium-sized customer groups behind the key node customer groups. Relying on its collaborative service advantages of corporate-private linkage and comprehensive finance, the Bank has transformed a large number of micro, small, and medium-sized customers into its corporate and retail customers in batches, and fostered a new model of cooperation that is open and interconnected to support the development of the real economy. At the end of 2022, the number of corporate users transferred to customers exceeded 360 thousand. In 2022, the total number of transactions of the Bank’s corporate open banking amounted to 9,759 million, representing a year-on-year increase of 17.5%, and the transaction amount amounted to RMB29.70 trillion, representing a year-on-year increase of 11.7%.

Internet payment and settlement

The Bank focused on three major customer groups, namely consumer Internet, industrial Internet and government platform and created the comprehensive operation model of “platform payment and settlement + platform B-end digital financing + platform C-end retail customer attraction” to support the standardized, healthy and sustainable development of the platform economy. First, the Bank formed a stepwise operation around key top customers, vertical segmented industry waist customers and long-tail customers under the service provider ecosystem, so as to provide customers with integrated payment and settlement services such as diversified bank card acceptance, fund management and intelligent clearing. Second, in combination with the trend of digital industrial transformation, the Bank provided online and offline integrated payment and settlement service solutions in all transaction scenarios for core enterprises in the supply chain, supermarkets and department stores, brand chains and wholesale markets. Third, by combining the payment and settlement data of the platform, the Bank created an innovative digital financing model based on the needs of platform buyers’ procurement financing and sellers’ payment in advance and supported the operation and development of the massive B-end micro, small and medium-sized merchants under the platform. For example, in the freight and pharmaceutical circulation scenarios, the Bank relied on its leading account and transaction service capabilities to provide payment and settlement services to drivers and pharmacies. Relying on its order and transaction data, the Bank has provided customers with innovative services of “payment and settlement + digital financing”. In 2022, the Bank provided financing support exceeding RMB5 billion, and provided payment and settlement services for over 500,000 customers. Fourth, focusing on scenarios such as platform margin trading and prepaid fund consumption, the Bank created the integrated service solution of “retail electronic account + corporate fund management” to achieve batch customer acquisition and scenario-based management for platform C-end users. In 2022, the Bank launched 29,706 million transactions relating to Internet payment and settlement business to serve the enterprises on the platforms, representing a year-on-year increase of 73.4%; the amount of transactions reached RMB27.69 trillion, representing a year-on-year increase of 24.1%.

Supply chain finance

The Bank looked deep into supply chain scenarios and ecosystem, seized the new opportunities brought by the new changes in the supply chain, and constantly innovated its business models. The Bank optimized its financial service experience by applying the “finance + technology” capabilities. First, the Bank strengthened digital supply chain finance and used the “Nebula-IoT Platform” and massive multidimensional data to innovate the financing model, effectively resolving the pain point of information asymmetry between banks and enterprises; supplemented secured and pledges credits with “digital credits”; provided online, modeled and automated financial services for micro, small and medium-sized enterprises at the end of the industry chain; and helped resolve the lack of financing and high costs financing facing micro, small and medium-sized enterprises. Meanwhile, the Bank reciprocated customers with its data advantages such as IoT to facilitate the development of the real economy. For example, in the large-scale consumption scenario, the Bank provided dealers with online, digital and pure credit financing services based on the purchasing data of downstream dealers and core enterprises, which covered 12 sub-categories including rice, flour, grain and oil, dairy products, household appliances, and travel equipment, served more than 4,000 micro, small and medium-sized dealers downstream. In the field of smart infrastructure, the Bank, together with the leading engineering machinery manufacturers in China has launched and innovated IoT data financing model by

Management Discussion and Analysis

3.3 Discussion and analysis of the main businesses(Continued)

3.3.2 Expertized and expanded corporate business(Continued)

(1) Digital-driven new transaction banking(Continued)

utilizing the information of start-up, location, fuel consumption and other massive multidimensional data precipitated by the application of IoT technology in engineering machinery and equipment and overlaying the control ability of IoT technology on engineering machinery and equipment. This model has applied pre-lending risk strategy, post-lending monitoring and early warning through IoT data and technology, and customized convenient financing services for micro, small and medium-sized enterprises that purchase engineering machinery and equipment. Second, the Bank deepened scenario-based supply chain finance with supply chain finance as a link. The Bank fully integrated transaction banking products and services such as the integration of domestic and international trade and the integration of supply chain and risk aversion to provide customers with “supply chain+” comprehensive finance services based on scenarios and customer needs. Third, the Bank created ecological supply chain finance, it output its supply chain financial capability through open banking in a modularized and standardized way; widely reached the core enterprises and their massive upstream and downstream customer groups; and realized bulk customer acquisition from the ecosystem and in-depth customer management. In 2022, the Bank’s amount of supply chain finance financing incurred was RMB1,168,496 million, a year-on-year increase of 21.7%. At the end of 2022, the “Nebula-IoT Operation” has implemented more than 30 innovative projects in six major industrial fields, including smart vehicle connection, smart manufacturing, smart energy, smart agriculture, smart infrastructure and smart logistics. The “Nebula-IoT Operation” was connected with more than 20,000 thousand IoT devices in total, served over 21,000 corporate customers. Since the implementation of the “Nebula-IoT Operation”, the total amount of financing incurred supporting the real economy has exceeded RMB650 billion.

Meanwhile, by applying the Internet, cloud computing, blockchain, AI and other technologies, the Bank further optimized and upgraded the supply chain finance platform “Ping An Good Chain”, provided online supply chain finance services for core enterprises and their upstream micro, small and medium-sized customer groups. The chain covers the recognition and transfer of accounts receivable, financing, settlement and risk management, and achieved intelligent and digital operation of supply chain business. At the end of 2022, the Bank provided financial services for 29,712 enterprises in total through the platform “Ping An Good Chain”, throughout the year, the platform trading volume was RMB195,964 million with a year-on-year increase of 30.8%; the amount of financing incurred through the “Ping An Good Chain” platform throughout the year was RMB73,508 million with a year-on-year increase of 41.4%.

Bill integration

The Bank thoroughly implemented the operation strategy of “bill integration”, deeply embedded bill business into the supply chain ecosystem, and focused on providing convenient and efficient bill settlement and financing services in the factors of strategic customers, “specialized, refined, distinctive and innovative” enterprises, manufacturing, green industry and other state-supported industries. First, the Bank deepened the innovation of “bills + open banking” model, actively expanded the bills business ecosystem of high-quality partners covering core supply chain enterprises, finance companies, factoring companies and B2B industry platforms, and effectively enhanced the coverage of bills to reach supply chain customer groups and micro, small and medium-sized customer groups. Second, the Bank has built a two-wheel drive engine of “direct discounting + re-discounting” to meet the diversified bill financial needs of customers by building an efficient and comprehensive bill transaction ecosystem and enhancing the transaction capability and effectiveness of linkage between direct discounting and re-discounting. Third, the Bank promoted product and process innovation, grasped the new trend of bill development, took the lead in upgrading the new-generation bill business system, and added bills and other differentiated issuance, circulation and financing functions to provide customers with rich products and the superlative experience. In 2022, the Bank provided bills financing services for 32,140 enterprises, including bills discounting financing services for 25,937 enterprises, a year-on-year increase of 135.7%; the bank acceptance notes discounting was RMB774,312 million, a year-on-year increase of 25.6%.

Cross-border finance

The Bank thoroughly implemented the spirit of the report to the 20th National Congress of the Communist Party of China on “promoting high-standard opening up, and accelerating efforts to foster a new pattern of development that is focused on the domestic economy and features positive interplay between domestic and international economic flows”, fully leveraged its advantages in five major cross-border financial service sectors including onshore, offshore, free-trade zone, NRAs (domestic foreign currency/Renminbi account of overseas institutions) and overseas branches. The Bank further developed product series such as “Cross-border Investing/financing, Cross-border Fund Management, Cross-border Trade Finance, Cross-border Inter-bank Finance and Cross-border Payment and Settlement”; and provided operating activities (including cross-border investment, mergers and acquisitions (M&A) and trade) in the process of enterprise globalization with one-stop, cross-border finance comprehensive services at home and abroad and in local and foreign currencies, so as to facilitate the global layout and development of customers. At the same time, giving a full play to its license advantage of Chinese-funded offshore banks, the Bank provided follow-up offshore financing and settlement services for Chinese-funded enterprises in China to help enterprises achieve “domestic operation of overseas business and domestic management of overseas funds”. In addition, the Bank provided various online services of payment, settlement and financing for small and medium-sized foreign trade enterprises, continuously improved customer experience, and supported the stable development of foreign trade. In 2022, the Bank’s amount of cross-border trade and finance reached RMB180,007 million, a year-on-year increase of 25.6%.

(2) Industry-driven modern industrial finance

Facing the general trend of the development of modern industries and capital markets, the Bank actively laid out key areas of modern industries such as new energy, new infrastructure and new manufacturing; adhered to the “customer-centric” principle; gave full play to the advantages of Ping An Group’s license, capital and ecosystem layout; and provided customers with a comprehensive solution of “commercial banking + investment banking + investment”. The Bank took the “three maps” as the starting point, defined the track and accurately positioned the target customer group through the customer map, product map and operation map, created the differentiated competitive advantage of “industry + product”, and strengthened the hexagonal linkage of “head office + branch, market + risk, customer + product” to better serve the national strategy and assist the bank-wide asset launch. At the same time, in order to improve the level of customer service, the Bank continuously enhanced its investment banking professional capabilities, upgraded the two ecological operations of bonds and funds, and supported the development of the real economy with diversified and full-cycle high-quality financial services. In 2022, the Bank’s complex investing/financing scale was RMB987,676 million, among which the investment banking scale reached RMB617,378 million.

Continuous enhancements in the professional capabilities of investment banking

The Bank leveraged its unique structural advantage of “product + industry + cross - border”; established an investment banking service system of the head office and branch; strengthened innovation in investment banking products; captured market star engagements; and seized structural opportunities in key industries. By creating a circle of investment banking capabilities, the Bank introduced external resources such as legal advisors and industry experts; provided in-depth services to core customer groups such as state-owned enterprises, PE institutions and listed companies. The Bank continued to strengthen the M&A bank consortium ecosystem and the capital market interbank circle. In 2022, the mergers and acquisitions business scale reached RMB52,521 million with a balance of RMB106,531 million, up by 29.2% as compared with the end of last year; the bank consortium business scale reached RMB166,491 million, representing a year-on-year increase of 2.9%.

Management Discussion and Analysis

3.3 Discussion and analysis of the main businesses(Continued)

3.3.2 Expertized and expanded corporate business(Continued)

(2) Industry-driven modern industrial finance(Continued)

Upgrades in the two ecological operations of bonds and funds

The Bank grasped the trend of the booming direct financing market, actively built the bond ecosystem by using Ping An Group's comprehensive financial resources. The Bank led the linkage of professional companies with investment functions within Ping An Group, by organizing online and offline roadshows, communications and surveys, it helped investors fully understand the development and financing needs of entities; enhanced information exchange between financing parties and investors; assisted enterprises in formulating financing plans and planning the issuance rhythm. The Bank finally realized the integrated and market-oriented operation mode of "soliciting, marketing and selling", so as to better serve the Bank's corporate customers and the real economy. In 2022, the size of the bond underwriting business amounted to RMB282,073 million, with the brand effect gradually emerging.

The Bank actively operated the privately offered fund ecosystem, built the PE ecosystem, and created a comprehensive financial service platform running through the fund ecosystem, enabling online empowerment both internally and for customers. The Bank cooperated with top investment institutions in the market in fund ecosystem, taking investment institutions as the ecological core and extending upward to the LP customer group, and deepened cooperation with mainstream LPs such as Fund of Funds, industrial capital and high-net-value private bank customers. At the same time, the Bank strengthened its support for the invested enterprises, and provided comprehensive life-cycle services to assist the growth of the invested enterprises. In addition, the Bank continued to upgrade the product line of the fund ecosystem, and provided comprehensive products and services such as insurance capital investment, M&A finance and investment consulting in conjunction with professional companies in Ping An Group, empowering the growth of customer groups of the fund ecosystem. In 2022, a total of RMB36,692 million was added to the Bank's private equity fund custody.

Improvements in customer service capabilities through resource integration

Starting from a deeper level of customer needs, the Bank focused on comprehensive financial service scenarios; connected the dual circulation of products and resources between professional companies within Ping An Group and non-banking financial institutions outside Ping An Group; set up a comprehensive product system of stocks and bonds; fully implemented the "1+N" strategy of Ping An Group; and comprehensively enhanced the service ability of financial scenarios for customers to meet the diversified financing needs of different customers. For example, the Bank leveraged its advantages of insurance capital, cooperated with asset management, securities, and funds to revitalize customer stock assets through innovative product models such as publicly offered Real Estate Investment Trusts (REITs); the Bank collaborated with trust and leasing, provided full-life-cycle "share + debt" services for specialized, refined, distinctive and innovative customers, such as introducing the strategic investors, allocating equity investment, customizing equipment financing, etc. In 2022, the Bank promoted the financing scale of other professional companies of Ping An Group RMB412,958 million, and the average daily balance of new corporate customers from deepening comprehensive financial services cooperation amounted to RMB199,461 million, of which the average daily balance of demand deposits accounting for 45.5%. Meanwhile, the Bank fully leveraged its technological innovation capability; developed "insurance cloud platform" through scenario-based, digitalized and intelligent operation; empowered customer management; opened up new channel of online customer acquisition; the Bank achieved innovative breakthroughs in Internet insurance. In 2022, the premiums from banking insurance amounted to RMB2,696 million.

3.3.3 New development of interbank capital business

Following the national financial market development strategy, the Bank's interbank capital business proactively grasped new development opportunities; continuously strengthened strategic execution; firmly implemented the business philosophy of "serving the financial market, interbank customers and the real economy"; gave full play to its advantages of "transaction + market making" and "sales + service"; accelerated the layout of institutional customer business and corporate risk avoidance business; and continued to promote the innovation of comprehensive financial services. The Bank has built a core "moat" with professional trading and sales capabilities, driven business growth with value creation, promoted the upgrading of business model with comprehensive digital transformation, continuously optimized its structure, and took a new step of high-quality development.

(1) More professional transaction service financial market

In 2022, the external environment became more complicated and changeable, inflation in major overseas economies was running at a high level, and central banks in Europe and the United States had started to raise interest rates and tighten liquidity. The domestic economy continued to recover, but still faced the triple pressures of shrinking demand, shocked supply and weakening expectations. The People's Bank of China continued to increase its support for the real economy through various policy tools, such as interest rate cuts, lowering reserve ratio, and industry refinancing, and prevented and resolved systemic financial risks to maintain the stable operation of the financial system. Against this background, the bond market as a whole showed a downward trend in yields throughout the year, while the exchange rate of RMB against USD was affected by the inversion of the Sino-US interest rate spread and the subsequent reversal of expectations on both sides, which first depreciated and then rose. Under the complex market environment, the Bank gave full play to the advantages of "transaction + market making", vigorously developed institutional market-making transaction business, fully promoted the construction of the second growth curve of FICC (fixed income, foreign exchange and commodities), and promoted the high-quality development of trading business with a stable and balanced business layout.

In terms of trading business, the Bank paid close attention to the changes in the global macro market and asset flows; reasonably arranged asset portfolio positions; timely adjusted the position structure and duration; actively seized market trading opportunities by applying multiple hedging instruments in a flexible manner; and continuously strengthened its multi-product and cross-market trading capabilities. The Bank continuously refined electronic trading technology, iteratively optimized pricing models and curve construction, and applied them to new trading varieties and continuously developed and put into production new algorithmic trading strategies. The Bank applied the advantages of the "human-machine combination" trading model to real-time risk control of the whole transaction process, and has used trading tools and hedging strategies with agility to balance the risks brought about by unilateral market fluctuations, so as to achieve measurable, controllable and affordable risks. In 2022, the Bank's market share and the volume of major market-making transaction varieties maintained at the top among markets, among which the market share of the volume of bond transaction was 3.2%, up by 0.9 percentage point from the same period of last year. The Bank was again awarded the first place in "Core Dealer" and "Bond Market Dealer" in the 2022 Interbank Domestic Currency Market Assessment published by China Foreign Exchange Trade System.

In terms of institutional market-making transaction services, the Bank actively explored the business model of serving domestic and foreign financial institutions with leading trading capabilities. The Bank continued to improve its multi-level service system, relying on professional domestic and overseas sales and trading teams, intelligent electronic service platform and extensive branch service network to provide market-making services directly to domestic and overseas institutional customers. The Bank expanded the breadth and depth of customer coverage, deeply cultivated the transaction needs of financial institutions, and continuously strengthened the coverage of transaction services for different types of investment entities such as urban commercial banks, rural commercial banks, publicly offered funds, wealth management subs and other pan-asset management customers. The Bank has constantly enriched its service scenarios and contents, and continuously innovated and iterated its products and service models to meet the comprehensive service needs of domestic and overseas

Management Discussion and Analysis

3.3 Discussion and analysis of the main businesses(Continued)

3.3.3 New development of interbank capital business(Continued)

(1) More professional transaction service financial market(Continued)

institutional customers such as primary sales, secondary market-making, security lending, etc. The service products have covered cash bonds, interest rates and foreign exchange products, etc. The Bank played the role of liquidity stabilizer for market makers, especially since the fourth quarter when the market was volatile, it actively provided continuous bilateral quotations to the market to provide liquidity and transaction possibilities for institutions. At the same time, the Bank actively participated in the market infrastructure construction, and successively launched the intelligent quotation robot based on the “iDeal client” of the Foreign Exchange Trade System and the “exclusive quotation” service of the X-SWAP platform. It has continuously improved its automated trading capability and quotation efficiency, optimized the trading experience of institutional customers, and continuously explored ways to help improve the overall liquidity and efficiency of the market through cutting-edge technologies and innovative tools. In 2022, the number of active institutional trading customers reached 837, and the transaction volume of cash bond sold by institutions was RMB2.20 trillion.

(2) Warmer service of risk aversion for brick-and-mortar enterprises

The Bank’s “Ping An Risk Aversion” business strictly performed the responsibilities of risk neutrality advocacy and service, utilized its expertise in professional trading of financial market, enhanced the quality of risk aversion service to enterprises from multiple perspectives including product innovation and convenient services, and fulfilled the responsibility of serving the entity through fee reduction and profit concession. The Bank actively responded to the call of the central bank and the State Administration of Foreign Exchange (SAFE), and increased support for exchange rate risk aversion for micro, small and medium-sized enterprises. On the one hand, the Bank continued to improve its functions of online platform self-service transactions, integrated business scenarios such as spot foreign exchange settlement and foreign exchange purchase, remittance, foreign currency fixed deposit and cross-border trade settlement by speeding up the connection between the online platform of “Ping An Risk Aversion” and the Bank’s corporate online banking and Digital Pocket, thus improving the convenience of risk aversion services and the scenario-based customer acquisition and customer activation capabilities. On the other hand, the Bank popularized the concept of exchange rate risk aversion and introduced exchange rate risk aversion products for micro, small and medium-sized enterprises through various online and offline methods. Since the second half of 2022, the Bank has launched special foreign exchange risk aversion and profit concession activities for micro, small and medium-sized customers to reduce the entry cost and hedging fees of exchange rate hedging for micro, small and medium-sized enterprises, allowing the hedging services to benefit more such enterprises. In 2022, the transaction volume of “Ping An Risk Aversion” foreign exchange risk aversion business was USD33,566 million, representing a year-on-year increase of 54.0%. The Bank was awarded “Outstanding Foreign Exchange Financial Service Institution of the Year” in the “Golden Tie · 2022 Financial Awards” sponsored by the *Wall Street Insights*. The Bank also issued the *2022 White Paper on Corporate Risk Aversion Business for Commercial Banks* in collaboration with the Boston Consulting Group (BCG), aiming to jointly create a long-term healthy development of the risk aversion business together with all market participants under the guidance of policies.

(3) Higher quality of interbank service institutional customers

Relying on the advantages of ecological cooperation with financial institutions, the Bank played the role of linking the capital market to serve the domestic great wealth and great asset management industry chain. The Bank continuously improved the whole chain service capability of capital market, focused on planning in key fields of financial institutions including bond sales and transaction, custody, fund ecosystem and wealth management sales. The Bank built a professional service team of “1+ N” (one customer manager + N product managers”) on offline platform, effectively connected product supply side and demand side through online “Hang-E-Tong” platform, and provided high-effective services to institutional customers with the integration of product demonstration, product research, sales and transactions, post-investment analysis and information service.

At the end of 2022, the Bank’s “Hang-E-Tong” provided services to 2,413 customers. Benefiting from the sales cooperation advantages of the “Hang-E-Tong” platform, the sales volume of products of interbank institutions maintained a steady growth, in 2022, the Bank’s interbank sales numbered RMB1,659,800 million, representing a year-on-year increase of 11.9%. In the meanwhile, through the “Hang-E-Tong+” service model, the Bank has continuously explored the banking wealth management agency sales market. By the end of 2022, 50 national and regional commercial banks, provincial rural credit cooperatives and other financial institutions had launched their financial management and agency business cooperation functions on the “Hang-E-Tong” platform.

The initial offering and continuous marketing of funds for institutional customers have made a breakthrough. At the end of 2022, the balance of third-party fund products sold through “Hang-E-Tong” reached RMB111,270 million, up by 262.4% compared with the end of last year, and five initial offering bond funds for institutional customers were fully raised with a scale of RMB58,300 million. At the end of 2022, the “Hang-E-Tong” platform had about 9,500 high-quality publicly offered fund products (involving about 110 fund companies) on sale, which effectively promoted the construction of all-round cooperation scenarios such as agency fund sales, custody, institutional trading and deposits; further broadened the business development space; and continuously improved the comprehensive value of fund customers. In the “Case Study of Financial Competitiveness in the 21st Century 2022” released at the “17th Asian Financial Conference in the 21st Century”, the Bank won the award of “2022 Asian Bank of Excellence in Institutional Customer Service”.

(4) More complete comprehensive custody service capabilities

The Bank’s asset custody business continued to promote the diversification of comprehensive services and the construction of “investment, financing and custody” integrated services by building a big data platform for custody service. Focusing on core customers, the Bank made great efforts to expand cornerstone products, and achieved new breakthroughs in the construction of public and private ecosystems. At the end of 2022, the size of the Bank’s custody of publicly offered funds increased by RMB57,707 million compared with the end of last year, with the net increase and the size of new publicly offered fund custody product ranking the fourth among state-owned banks and joint-stock commercial banks. In terms of enhancing the custody service capability, the Bank has continuously optimized its operation services, product optimization, and customer channel processes by building a user experience management mechanism, released a digital custody product service plan for family trusts, and launched an active custody platform and a transaction facilitation platform. At the end of 2022, the scale of active custody business exceeded RMB50 billion. In the selection of outstanding asset custody banks held by Securities Times, the Bank won the “2022 Tianji Award for Outstanding Asset Custody Banks”; the Bank was awarded the “2022 Growth Fund Trusteeship Bank” in the “Ying Hua Award Selection for Chinese Public Funds” held by *China Fund News*. At the end of 2022, the Bank’s net custody assets amounted to RMB8.22 trillion, increasing by 7.9% from the prior year-end, and the market share of custody assets was 4.08%, up by 0.09 percentage point as compared with the end of last year.

Management Discussion and Analysis

3.3 Discussion and analysis of the main businesses(Continued)

3.3.3 New development of interbank capital business(Continued)

(5) Better products and services in asset management business

Ping An Wealth Management, a wholly-owned subsidiary of the Bank, was officially opened for business in August 2020. The registered capital of Ping An Wealth Management is RMB5,000 million, and its principal business activities include issuance of public and private wealth management products, financial advising and consulting service and other asset management related businesses. At the end of 2022, Ping An Wealth Management recorded a total assets of RMB9,625 million and net assets of RMB8,660 million, and it derived a net profit of RMB1,882 million for the whole year.

In 2022, Ping An Wealth Management focused on building core capabilities such as channels, investment, products and technologies, and has achieved a series of operating results. First, Ping An Wealth Management actively expanded its sales channels. By the end of 2022, Ping An Wealth Management has reached cooperation with more than 20 interbank banks, which contributed to the steady growth of the management scale of wealth management products. Second, adhering to the investment characteristics of “flexible, stable and excellent”, the ratio of the current stock price to net asset value per share after the stock price below NAV has remained at a lower level among state-owned banks and joint-stock commercial banks, and the investment management capability has been continuously improved. Ping An Wealth Management has won the “Golden Tripod Award” selected by the *National Business Daily*, the “Golden Bull Award” selected by the *China Securities Journal*, the “Golden Glory Award” selected by the Puyi Standard, and the “Golden Shell Award” selected by the *21st Century Business Herald*. Third, Ping An Wealth Management further improved the product mapping, refined the product positioning according to the risk and return characteristics, continuously optimized the product structure, and basically built a multi-term, multi-asset, and full-variety product system. Fourth, Ping An Wealth Management integrated into the whole scenario of the Bank’s operation, explored credit card channels through online and offline integration, and played a stabilizing role for the growth of retail customers. Fifth, Ping An Wealth Management further improved risk management, strictly controlled asset access, optimized concentration allocation, strengthened risk early warning, and maintained overall underlying asset quality of wealth management products. Sixth, Ping An Wealth Management has deepened technology empowerment and strengthened the application of big data, AI and other technologies in business scenarios. It has been awarded several awards such as the “Top 10 Intelligent Risk Control Innovation Award” and “Top 10 Digital Wealth Management Innovation Award” selected by *The Banker*, the “Leader of Digital Transformation of Financial Institutions” selected by the *21st Century Business Herald*, and the “Best Practice Award” selected by the DAMA International. Seventh, Ping An Wealth Management fulfilled its social responsibilities and adhered to serving entities and benefiting the people, it has created more than RMB48 billion of revenue for customers since its inception. By the end of 2022, the balance of direct financing provided by Ping An Wealth Management to the real economy exceeded RMB280 billion, and its investment in ESG and green finance assets exceeded RMB45 billion in the year.

At the end of 2022, the Group’s balance of non-principal-guaranteed WMPs was RMB886,840 million, increasing by 1.7% compared with the end of last year, among which, net-value-based products in compliance with requirements in new asset management regulations amounted to RMB875,238 million, representing an increase of 4.4% as compared with the end of last year, and its proportion to the balance of non-principal-guaranteed WMPs increased from 96.1% at the end of last year to 98.7%.

3.3.4 Technology-empowered digital operation

The Bank adopted the principle of “being technology-driven” as the driving force for strategic transformation and focused on reducing costs, increasing efficiency, and improving quality. With the focus on digital operation, online service, process automation, intelligent decision-making, and integration of front, middle and back platforms, the Bank has comprehensively deepened the application of financial technology and achieved remarkable results in empowering digital operation. The Bank fully embraced Cloud Native, built a solid digital foundation, accelerated the release of scientific and technological productivity and efficiently met the needs of business development by means of being innovation-driven, digital intelligence empowerment and system upgrading. In 2022, the Bank’s IT capital expenditures and costs reached RMB6,929 million, and the investment cost was gradually optimized by strengthening the refined management of science and technology.

(1) Achievements in technology-empowered digital operation

Having customer centric as its core, the Bank’s digital transformation reshaped the business model, and drove the rapid and high-quality business development. The Bank used leading technologies such as AI, BI (Business Intelligence) and big data to deeply understand customer needs and provide one-stop financial services of “users + scenarios”. With the goal of “three pre-preparations, three firsts, three promotions and three reductions”, the Bank has promoted accurate decision-making, optimal allocation of resources, efficient operation and value enhancement of front, middle and back platforms. In 2022, the Group’s cost/income ratio was 27.45%, a year-on-year decrease of 0.85 percentage point.

● Service marketing

Using customer-centric and data-driven as its core, the retail business builds the capability of providing “warm” and excellent retail financial services. In terms of intelligent management, the Bank comprehensively built an “AI Brain” smart management system, created the “Smart Bank 3.0”, and promoted the comprehensive application of the AB Test mechanism¹⁰ in the field of business strategy. By the end of 2022, the Bank has accumulated more than 5,000 customer characteristic labels and over 100 big data models, and gradually established a customer analysis portrait with the grid matrix as the core. By using over 300 product marketing and access strategies, the Bank empowered the “portable banking” service mode and strengthened customer management through the whole life circle in a refined and intelligent way. **In terms of intelligent construction,** the remote agent of “portable banking” intelligent middle platform has been comprehensively upgraded. Through the integration of modules such as workbench and client and the upgrading of intelligent multimedia interaction matrix, seamless cooperation in all channels has been realized, so as to provide customers with “warm” and one-stop professional services. In 2022, the model of “AI + T + Offline” launched more than 4,000 application scenarios, served more than 49 million customers, of which over 3.6 million customers experienced the Bank’s investment and wealth management services for the first time, with a year-on-year increase of about 90%. **In terms of intelligent team management,** the Bank improved the evaluation system of “three-merit and five-star” account manager team, and created standard, process-based and intelligent business operations. At the end of 2022, through the empowerment of digital tools, the number of retail star-rated institutions increased to 770, with a star rate of 38.7%, an increase of 3.6 percentage points compared with the pre-application period, effectively optimizing the team structure.

The corporate business actively integrates into the modern industrial system, innovates the digital financial service model, and lays out the “two racing tracks”. **In terms of customer management,** through the combination of online and offline, the Bank’s Digital Pocket built a comprehensive user portrait, rich product rights and interests, and refined operation strategies to provide users with precise services and promote the improvement of user value. Relying on the online AI and marketing middle platform, the Digital Pocket realized marketing model construction, business opportunity distribution, online activities

¹⁰AB Test mechanism (AB Test) is a set of technical solutions that starts from customers’ demands, compares and tests multiple schemes by randomly selecting similar users, precisely measures customers’ feedback, and brings optimal solutions online.

Management Discussion and Analysis

3.3 Discussion and analysis of the main businesses(Continued)

3.3.4 Technology-empowered digital operation(Continued)

(1) Achievements in technology-empowered digital operation(Continued)

● Service marketing(Continued)

and rights distribution. Offline, the Digital Pocket focused on vertical industries and key customer groups, strengthened the construction of financial and non-financial scenarios and special zones, deepened customer group management, and improved the users' activeness. At the end of 2022, the number of ecological transaction users reached 4,827.2 thousand, grew by 47.3% from the end of last year. In terms of team management, the "three-merit and five-star" team has launched 8 major functions including excellent credit report cases, professional information sharing, combat maps formulating and trading opportunities follow-up, etc. In 2022, the number of professional information views by customers reached 17.8 thousand, and the reading rate of trading opportunities increased by about 27 percentage points compared with that before optimization. **In terms of data support**, the intelligent corporate platform has built a data management system with six themes of customers, assets, liabilities, products, revenues and teams, covering 149 key operation indicators, and continuously improved the efficiency of operational analysis through data standard output and application enrichment.

The interbank capital business leverages the advantages of electronic trading platforms, and deepens cooperation with financial institutions through the "Hang-E-Tong" platform as a carrier. In terms of transaction, with its intelligent and efficient trading system, the Bank has continuously expanded the application of financial technology in the electronic trading platform of the foreign exchange trading center, provided various quotation products and portfolios, and helped improve the market transaction activity. In 2022, the market share of the volume of bond transaction was 3.2%, up by 0.9 percentage point from the same period of last year. At the same time, the Bank continuously optimized and upgraded the quantitative strategy research and development platform, improved the one-stop strategy analysis, research and development, back-testing, simulation and operation capabilities, and promoted the efficiency of trading strategy research and development and experience improvement. **In terms of sales**, combining product display, product evaluation, product sales transaction, product post-investment analysis, news and information service together, the "Hang-E-Tong" platform has provided efficient transaction services for institutional customers. In 2022, the sales volume of the "Hang-E-Tong" platform reached RMB577,711 million, representing a year-on-year increase of 43.3%.

● Risk control

With the premise of guarding the risk bottom line, the Bank focuses on risk prevention and control, and strengthens ecological, intelligent and professional construction. With respect to corporate risk control, the Bank has iterated and upgraded its smart risk control platform towards version 2.0; focused on seven smart scenarios, namely smart approval, smart loan granting, smart post-loan, smart control, smart early warning, smart analysis and smart monitoring. The Bank improved the online, automation and intelligence level of businesses such as complex investing/financing and supply chain finance. At the end of 2022, the platform has achieved the standardized business credit approval in seconds for its 70% of business issued, with the help of digital means, the efficiency of post-loan work increased by about 50%, with forward-looking early warning maintaining a higher level. **With respect to retail risk control**, the Bank has fully launched the online and centralized retail model full-process management platform; comprehensively and accurately managed each stage of the model life cycle according to the dimensions (grade, type, and application scenario) of the model; and effectively improved the effectiveness and accuracy of its risk control models. At the end of 2022, the retail model full-process management platform has centrally managed 107 risk models. **With respect to collection and disposal**, the Bank deeply cultivated the construction of six smart scenarios (including smart due diligence, smart estimation, intelligent decision-making, intelligent disposal, intelligent analysis and ecological service), and improved the online, intelligent and ecological process of the collection and disposal of non-performing assets. At the end of 2022, the number of users in the special asset ecosystem increased by about 117% compared with the end of last year, with nearly one million views of recommended assets for the year.

● Operation support

The Bank has transformed from traditional operations to digital operations, and strove to create digital operations with good experience, high efficiency and excellent product delivery. **With respect to centralized improvement**, the Bank started from the deep logic of business, using intelligent and digital means to improve the efficiency of centralized operations. At the end of 2022, the automation and intelligence rate of centralized operations was nearly 99%. **With respect to data-driven**, the Bank has established a data-driven account risk management mechanism, and achieved a precise control on suspicious accounts with money laundering risks and telecommunication frauds through a collaborative human-machine model and dynamic risk strategy management. At the end of 2022, the automatic control rate of risk accounts exceeded 69.8%. Through digital twinning and IoT-enabled physical management, by the end of 2022, the digital control rate of physical cash reached 97.6%, the digital control rate of non-cash kind reached 88.0%, and the paperless rate of operation counters reached 96.6%. **With respect to digital store building**, through counting around outlets and big data location model, the Bank optimized the layout of offline store outlets and increased the coverage of potential customers. At the end of 2022, the coverage rate of potential customers in outlets reached 92% under the empowerment of “AI + T + Offline” model.

● Management empowerment

The Bank constructed the “platform + data” organization to empower operation management, employee services and business support. **In terms of smart finance**, the smart reimbursement has upgraded the expense dashboard analysis function. In 2022, based on 16 analysis models, 64 expense scenario dashboards have been built, and by optimizing the production tracking analysis scenarios, the data value was dug deeply, which effectively drove the optimization of management behavior and empowered the institutional decision-making. Smart tax introduced low-code technology, supported online configuration and generation of tax returns, realized rapid response to fiscal policies and business changes, and completed the optimization and upgrading of three tax modules of value-added tax, enterprise income tax prepayment and stamp duty. In 2022, the “Smart Finance” project won the award of “Leader of Digital Transformation of Financial Institutions (Digital Operation and Data Governance)” by Southern Finance Omnimedia in leading cases of digital transformation of financial institutions. **In terms of smart asset-liability**, the internal fund transfer pricing system supported the efficient and accurate measurement of FTP for 100 million-level accounts of the Bank; supported differentiated and refined pricing of accounts, customers, institutions, products and other dimensions; realized pricing calculation and management on a transaction-by-transaction basis; truly reflected the cost of business funds; and scientifically guided business development. **In terms of personnel management**, focusing on core scenarios such as talent cultivating and team management, the Bank’s smart human resource system assisted in the long-term development of the talent echelon by using online management functions in terms of talent database, job rotation, training and appointment. At the same time, the Bank continued to strengthen the construction of data tools, and promoted the efficiency of routine personnel management through process optimization and digital governance. **In terms of compliance assurance**, the Bank’s smart compliance system platform (i-Comp) was put into production in 2022 with 1 portal, 4 smart scenarios and 11 systems, and gradually exported its value in business support, risk management and cultural establishment, helping the digital transformation of the Bank’s compliance management. In 2022, the smart compliance system platform was successfully awarded the “Best Compliance Risk Technology Implementation” award issued by *The Asian Banker*. **In terms of smart auditing**, the audit and supervision platform of “Ping An Smart Eye” laid out two system clusters, namely, early warning monitoring and intelligent operation, and upgraded component functions. Relying on powerful intelligent technology application and outstanding empowerment results, the Bank won the second prize of the Financial Technology Development Award issued by financial regulatory authority.

Management Discussion and Analysis

3.3 Discussion and analysis of the main businesses(Continued)

3.3.4 Technology-empowered digital operation(Continued)

(2) Solid digital foundation by Cloud Native transformation

In 2022, the Bank deepened the reform of its financial technology system; upgraded the technology organization structure technology to a new model of “one department and six centers”; and strengthened the overall management of technology, professional services and agile sharing. The Bank fully launched the Cloud Native transformation, upgraded and rebuilt the technical system and engineering system, constructed a safe and stable digital infrastructure, and ensured system stability and business continuity. It has also further strengthened its technology, data, agility, talent and innovation capabilities to provide solid and strong support for its high-quality development and digital operation.

Constructing a professional and leading technology system

The Bank promoted comprehensive Cloud Native transformation. Through the platformization of the technology base and the modernization of the application architecture, the Bank has continuously iterated and innovated its system and promoted business service responsiveness and broke through the delivery efficiency bottleneck while ensuring the high stability of the system. Firstly, the Bank implemented containerization transformation, deepened the flexible utilization of IT infrastructure, and improved the efficiency of resource utilization by means of containerized packaging and deployment. In 2022, the Bank drove about 2,000 applications to the container cloud, saving about 40% of CPU consumption, 36% of storage resources, and about RMB20 million in technology costs year-on-year. Secondly, the Bank promoted the application of micro-service, and constructed a modular, parameterized, component-based and low-code business R&D middle platform through micro-service design and governance, effectively promoting resource sharing and improving the efficiency of business delivery. In 2022, the Bank’s application micro-service utilization rate exceeded 50%. Thirdly, the Bank promoted the Cloud Native transformation of the application system. Based on the “Lingyun” Cloud Native platform, the Bank carried out the Cloud Native pilot transformation of 16 business systems such as retail and middle and back platforms. After the transformation of the credit card pilot project, the system ran stably, maintained a high availability rate of 99.999%, and the efficiency of business delivery increased by about 15%, laying a foundation for the subsequent comprehensive promotion of the Cloud Native.

Building an agile and efficient engineering system

Oriented by value and efficiency, the Bank strengthened the standardized and integrated process control, used automated operations to accelerate production capacity release, improved R&D efficiency by using intelligent tools, and established an application development model that adapts to “agility” and “stability”. First, the Bank has established agile operation mechanisms at different levels, such as enterprise level, product level and project level, so as to promote organizational agility from business end to technology end and improve delivery efficiency. In 2022, the number of the Bank’s business development demands increased by approximately 22% year-on-year, and the number of system production problems decreased by about 127% year-on-year. Second, the Bank promoted the development and operation integration (DevOps) project practice, strengthened the construction of platform promotion, automation tool application, and efficiency measurement system, and built a full-process digital R&D management system through the IT digital platform (Starlink). In 2022, the platform’s average daily construction assembly line exceeded 10,000 times, an increase of about 129% year-on-year, it has automated the release of more than 2,000 applications per month, an increase of about 150% year-on-year.

Improving value-driven data capabilities In 2022, the Bank established a new data asset management and R&D center to coordinate the data capacity building of the Bank. **For data governance**, the Bank upgraded its data management capabilities, unified the statistics, specifications and standards of data assets throughout the Bank, and improved the quality of basic data. In 2022, 8418 data standards have been formulated, and more than 17,000 key data accountabilities have been completed. Through self-developed scanning engine “Hawk-Eye”, the stock data of the whole bank was automatically scanned and counted, and the accuracy of intelligent marking reached 90%. **For data architecture**, based on the data architecture of Data Lakehouse, the Bank continuously upgraded the data computing engine, improved the component computing efficiency and server utilization rate, and reduced the data storage cost. In 2022, data computing performance increased by about 23% year-on-year, and storage capacity was saved by about 20% year-on-year. **For data service**, the

Bank strengthened the scale of data semi-finished products such as indicators and labels through data and AI middle platform, and deepened the application of AI technologies such as Natural Language Processing (NLP) and knowledge mapping to improve the efficiency of data demand response in business scenarios and improve data application value. In 2022, the number of data labels deposited in the data middle platform increased by 61.8% year-on-year, the number of business views increased by 50.4% year-on-year, and the number of algorithm models increased by 16.5% year-on-year, supporting data application scenarios for various businesses.

Enhancing innovation-driven application capabilities The Bank actively conducted research on new technologies through mechanisms such as innovation labs and scientific and technological innovation competitions, and widely applied them to business scenarios. **In terms of big data application**, the Bank applied multi-modal identification technology to consumer finance business, and effectively improved the risk identification rate of face-to-face review by integrating multi-dimensional information such as video, image, audio and semantics. Among them, the “Xinyidai” business saved about RMB4.2 million/year in labor costs through process automation. The Bank independently researched and developed the financial market business data model, and established a unified data standard to achieve consistent data structure in the process of inquiry, transmission and storage, which greatly improved the efficiency of data use. **In terms of AI application**, through cooperation with Internet leading enterprises, the Bank built offline, near-line and online recommendation engines, supported second-level real-time recommendations for hundreds of millions of users, and the average monthly number of customers reaching increased by about 11% year on year. Based on Virtual Digital Human technology, intelligent engine and audio-video platform, the Bank has achieved seamless connection between AI customer service and manual service, saving about 30 people/year in operating costs. **In terms of blockchain application**, based on the Decentralized Identity (DID) technology, the Bank completed the digital identity authentication for all users of the Digital Pocket in 2022. Through the “Ping Yin Digital Signing Certificate” platform, the Bank has provided blockchain signing certificate services for 52 “Ping An Public Welfare” projects and over 50,000 donations, helping the development of public welfare undertakings.

Consolidating a safe and stable infrastructure First, the Bank ensured its business continuity, it continued to deepen the construction of disaster recovery system, promoted intelligent operation and maintenance and Cloud Native transformation of infrastructure, and further enhanced the stability and emergency response capability of IT infrastructure. At the end of 2022, the Bank’s dual-live rate of important service systems reached 100%, and the system availability rate reached 99.998%. In addition, the Bank strengthened the green upgrading and transformation of inefficient computer rooms, and the average energy utilization efficiency of the data center was significantly improved. Second, the Bank upgraded the information security defense system. Facing the new situation of network security and data security, the Bank has continuously improved the defense-in-depth system of information security and strengthened the application of leading technologies. By building a big data platform for security risks, the Bank has improved its ability to quickly and accurately perceive and handle security situations, and the average detection time and containment time of security incidents have been improved to minute level. In the “Data Security Capability Maturity Assessment” of the China Academy of Information and Communications Technology, the Bank’s data security governance capability has reached Level 3, making the Bank the first bank in the domestic banking industry to pass the assessment. The Bank successfully completed the network security work for the Winter Olympics, Winter Paralympic Games and the 20th National Congress of the Communist Party of China.

Management Discussion and Analysis

3.4 Key issues of concern in operations

3.4.1 NIM

In 2022, the Group's NIM decreased by 4 basis points to 2.75% as compared with 2021, mainly due to the slowing macroeconomic growth and the continued downturn in the real estate industry. As a pro-cyclical industry, the NIM of the Bank has been under constant pressure. The Bank vigorously reshaped asset-liability management, seized market opportunities, and eased the downward pressure on the NIM.

In terms of liabilities, the Bank actively optimized liability structure and continued to guide the downward trend of liability costs. On the one hand, the Bank actively expanded the source channels of deposits, optimized the deposit structure, and carried on the management and control strategy for high-cost deposit products such as structured deposits. The Bank continued to consolidate the deposit base to give full play to the role of deposits as "the ballast" for stable operations. On the other hand, the Bank strengthened the market interest rate analysis and judgment, actively seized market opportunities, differentiated the absorption strategy of local and foreign currency liabilities to mitigate the negative impact of the Federal Reserve's interest rate hike on interest rates, it has also selectively replenished low-cost interbank funds, facilitating steady decline in liability costs. Moreover, the Bank achieved precision marketing by giving full play to its scientific and technological advantages, and strengthened customer account management. The Bank created connections between retail and corporate businesses and between AUM and LUM, and increased the balance of core deposits through high-frequency trading.

In terms of assets, due to the loan repricing effect and changes in market interest rates, yield of assets has continued to be under pressure. On the one hand, the Bank adhered to the policy orientation of surrendering benefits to the real economy. The Bank deepened the achievements of interest rate marketization reform. The Bank continuously enhanced credit loan support to key sectors such as manufacturing, green finance, inclusive loans to micro/small enterprises and high-tech industry, and provided guidance on reducing loan interest rates to effectively reduce the financing cost for enterprises. On the other hand, the Bank actively adjusted the asset structure, increased the proportion of high-quality assets. The Bank focused on cultivating and managing high-quality customers, and increased credit supply for low-risk business and high-quality customer groups to promote high-quality development of assets.

Against the backdrop of asset repricing and concessions to the real economy, NIM is still expected to narrow in 2023. In terms of liabilities: the trend of fixed-term deposit deepens the rigidity of deposit cost, and the sharp interest rate rise in overseas markets pushes the cost of foreign currency liabilities to a high peak. Active control of high-cost deposit and the strategy of reducing the cost of liabilities remain imperative. In terms of assets: the Bank will continue to implement the policy orientation of supporting the real economy, and the return on assets will continue the downward trend due to the impact of LPR reduction and loan re-pricing effect. The Bank will steadily improve the level of refined management. On the one hand, leveraging the accurate customers reaching based on multiple scenarios, multiple touch points and multiple channels, the Bank enhances the deposits base, and constantly optimize the liability structure. On the other hand, the Bank will continue to increase the scale of high-quality assets; enhance its capability of serving the real economy as a financial institution; effectively gain empowerment from channels, platforms and technologies; improve the refined and differentiated product pricing capability; and balance the "volume-price-risk" relationship. Adhering to both asset side and liability side will strengthen the Bank's asset and liability portfolio management capabilities, thus maintaining the NIM at a reasonable level.

3.4.2 Asset quality

In 2022, the employment and income of certain corporate customer management and retail customers were affected due to the macroeconomic environment. Seriously carrying out the regulatory financial relief policy, the Bank adopted a policy of deferred relief for corporate and retail customers temporarily affected by macroeconomic environment to tide over the difficulties with customers. In the meanwhile, it closely monitored the impact of the deferred policy on the risk profile of the Bank as a whole and adopted appropriate response strategies. At the end of 2022, the Bank's major indicators for assets quality remained stable and the risk compensation capability remained relatively strong.

Loan: In terms of overdue loans, the balance of overdue loans accounted for 1.56% of total loans, decreasing by 0.05 percentage point compared with the end of last year, of which loans overdue for more than 60 days accounted for 0.87%, maintaining the same level as the end of last year; loans overdue for more than 90 days accounted for 0.73% of total loans, decreasing by 0.01 percentage point compared with the end of last year. In terms of the classification, the ratio of special mention loans was 1.82%, increasing by 0.40 percentage point compared with the end of last year; the NPL ratio was 1.05%, increasing by 0.03 percentage point compared with the end of last year. In terms of the deviation ratio, the deviation ratio of loans overdue for more than 60 days and 90 days were 0.83 and 0.69 respectively, down by 0.02 and 0.04 respectively as compared with the end of last year. In terms of the formation ratio, the NPL formation ratio¹¹ was 1.67%, a year-on-year increase of 0.42 percentage point. In terms of provision coverage ratio, the Bank's provision coverage ratio, and the provision coverage ratios of loans overdue for more than 60 days and 90 days were 290.28%, 351.08% and 419.22% respectively, with increases of 1.86, 12.86 and 21.82 percentage points respectively from the end of last year. In addition, the Bank's provision to loan ratio was 3.04%, up by 0.10 percentage point compared with the end of last year.

Non-loan: In 2022, the Bank, in line with the regulatory requirement to further reinforce asset quality and build a strong barrier against risk. The Bank continuously promoted the disposal and resolution of non-loan non-performing assets and further improved and optimized non-loan asset quality and asset structure, the overall risks were controllable.

In response to the risk of asset quality differentiated by industries and regional structure, the Bank will dynamically studies and judges the risk situation and proactively takes various measures to enhance the capabilities for risk prevention and control, so as to enable stability of asset quality: Firstly, the Bank controls the incremental business, tracks and judges changes in industry, customer and regional risks in real time, conducts policy and system reviews, dynamically adjusts customer access and industry early warning standards, optimizes the requirements of institutional risk managements, and controls asset quality from the source. Secondly, the Bank manages existing businesses, implements the post-loan management actions, intensifies the pre-control on the recovery of loan principal and interest, strengthens the early warning management and takes management and control measures on risk assets in advance. The Bank also intensifies efforts to screen out risks, carries out special actions to eliminate potential risks, sorts out assets with high potential risks in risk hotspots, formulates disposal pre-plans, regularly reviews the risk status, and improves the effectiveness of risk resolution. Thirdly, the Bank strengthens the collection and disposal of problematic assets, and further leverages the professional advantage of special asset management. The Bank also actively promotes the "online, intelligent and ecological" transformation of the collection and disposal model to improve the effects of collection and disposal. Fourthly, the Bank improves the level of smart risk control, establishes a specific rating model to improve the ability to identify risks, makes full use of cutting-edge technologies such as big data, AI and blockchain to constantly iterate and upgrade the smart risk control platform. The Bank continuously improves the efficiency and effectiveness of risk management. In conclusion, facing the uncertainties arising from the current complex situation both at home and abroad, the Bank will redouble its efforts in management and control of risks, further intensify the collection and disposal of non-performing assets and maintain strong risk compensation capability, aiming at defending the lifeline of asset quality.

¹¹ NPL formation ratio = NPL formation amount (return to write-off within the reporting period) / (loan balance at the beginning of the year + balance of traditional off-balance sheet credit such as bank undertaking, letter of credit and letter of guarantee at the beginning of the year)

Management Discussion and Analysis

3.4 Key issues of concern in operations(Continued)

3.4.3 Risk management on real estate industry

The Group attached great importance to risk prevention and quality control of credit granting in the real estate industry. At the end of 2022, the aggregate balance of credit risk-bearing businesses of the Group amounted to RMB323,635 million including actual and contingent credits and loans, proprietary bond investments, and proprietary non-standard investments, with a decrease of RMB17,454 million as compared with the end of last year. The aggregate balance of non-credit risk bearing businesses of the Group amounted to RMB89,569 million including wealth management capital contribution, entrust loans, trusts and funds management and consignment for cooperative institutions, lead underwriting of debt financing instruments, with a decrease of RMB31,117 million as compared with the end of last year. Including:

(1) Credit risk-bearing business involving real estate mainly included the real estate loans to corporates, with the balance of RMB283,484 million, representing a decrease of RMB5,439 million as compared with the end of last year. Among them, the real estate development loans totaled RMB92,711 million, accounting for 2.8% of the Bank's total principals of loans and advances to customers, and down by 1.0 percentage point as compared with the end of last year. All real estate development loans have been effectively mortgaged, with an average mortgage rate of 42.6%, and 97% of the loans were distributed in the urban areas of first and second tier cities, the Greater Bay Area and the Yangtze River Delta region. The operating property loans, mergers and acquisitions loans and others totaled RMB190,773 million, mainly including mature property mortgages, with an average mortgage rate of 48.3%, and 95% of loans were distributed in the urban areas of first and second tier cities, the Greater Bay Area and the Yangtze River Delta region. At the end of 2022, the Bank's NPL ratio of corporate real estate was 1.43%.

(2) Non-credit risk bearing business with real estate trusts, funds management and consignment for cooperative institutions, with a total of RMB42,833 million, representing a decrease of RMB26,072 million as compared with the end of last year. The product size of underlying assets corresponding to specific projects and assets with high-quality pledge of stock rights reached RMB32,453 million, and 85.4% of which were distributed in the urban areas of first and second tier cities, the Greater Bay Area and the Yangtze River Delta region. The other business included high level private placement bonds and asset securitization products.

In 2022, the real estate market was still in the bottoming phase, with the whole chain of land acquisition, construction, investment and sales under pressure. At the same time, the overall policy environment of the real estate industry has eased. In particular, since the fourth quarter of 2022, the policies have been continuously favorable, the financing environment of real estate enterprises has been continuously improved, and the policies have actively supported the demand for housing consumption for rigid-demand housing and improved housing. The real estate industry bid farewell to the old growth model and evolved into a new model of virtuous circle. Subsequently, the Group will continue to implement the regulatory requirements, maintain the smooth and orderly credit supply in the real estate sector, and actively support the financing needs related to "delivery guaranteed housing". It will implement the policy guidance of "positive circulation and sound development in the real estate industry"; adhere to the positioning of "houses are for living, not for speculation"; actively implement the relevant requirements of "multi-body supply, multi-channel guarantee and rent-and-purchase housing system"; and actively support the financing needs of government-subsidized housing and rental housing. The Group will also focus on supporting the development projects of rigidly needed and improved commercial housing; continue to strengthen risk management and control of real estate loans; and insist on the same weighting of loans and management. Further, the Bank will emphasize the "manage the project well" based on sticking to the "select the project well" to achieve holistic monitoring of customer management, project progress, assets status and capital flow.

3.4.4 Capital planning

At the end of 2022, the Group's capital adequacy ratio at all levels met the regulatory requirements, of which the core tier 1 capital adequacy ratio reached 8.64%, up by 0.04 percentage point as compared with the end of last year. According to the *Additional Regulatory Requirements for Systemically Important Banks (Trial)* and the list of China's systemically important banks in 2022, the Bank is in the first group of the list and will face the additional capital requirement of 0.25% and the additional leverage requirement of 0.125% from 1 January 2023. At present, the Group's capital adequacy ratio and leverage ratio at all levels meet the additional capital requirements.

In 2022, the Bank continued to strengthen the internal supplementation capacity of capital; continuously optimized on- and off-balance sheet asset business structure; actively reduced inefficient and invalid capital occupation; and improved the efficiency of capital allocation. In addition, the Bank continued to advance capital management reform to achieve capital adequacy ratios at all levels to consistently meet regulatory requirements and maintain a certain safety margin and buffer range.

To adapt to the new economic and financial situation and regulatory requirements, the Bank has formulated and approved by the general meeting of shareholders the *Capital Management Plan of Ping An Bank Co., Ltd. (2022-2024)*, which further clarified the Bank's medium and long-term capital management principles, business objectives and development strategies. During the planning period, the Bank will always adhere to a prudent and sound capital management strategy; improve its value management system with economic capital as the core; continuously optimize on- and off-balance sheet asset business structure; improve the efficiency of capital utilization; and serve the real economy with capital and fuel the Bank's business development. In addition, the Bank will continue to balance internal and external capital replenishment to further consolidate its capital strength; continuously enhance its ability to serve the real economy; and ensure that its capital adequacy ratio is maintained at a sound and reasonable level and will continue to meet various regulatory capital compliance requirements, including those for domestic systemically important banks.

3.4.5 Bank-insurance business

In recent years, the reform of life insurance has been deepened. The bank-insurance channel has once again become the main force in the growth of life insurance and has gradually moved towards a stage of high-quality development. Meanwhile, with the continuous improvement of residents' financial literacy and the gradual implementation of policies such as new asset management regulations, wealth management has become an important direction for the business development and upgrading of commercial banks, and has prompted commercial banks to upgrade and restructure their bank-insurance business with a wealth management perspective. The value transformation of bank-insurance business has been fully launched.

Based on this, since 2021, the Bank has launched the new bank-insurance business reform. Relying on the advantages of Ping An Group's comprehensive financial platform, the Bank has deeply cooperated with Ping An Life Insurance to embed the insurance agency business into the wealth management system, improved the comprehensive and professional level of customer service, built differentiated competitive advantages in market. The Bank opened up a new track for the continuous development of the Bank's wealth management business in private banking.

In terms of team building, the Bank focused on the introduction of experienced industry talents, built a new wealth management team with professional knowledge of insurance. In addition, for the empowerment in enhanced training for all bank staff, the Bank has built a full-product and all-round comprehensive training system, focusing on improving the teams' complex product configuration capabilities, and laid a solid foundation for high-quality business development. At the end of 2022, a total of more than 1,600 people have been onboarded in the new team, and the comprehensive training system has covered all staff.

Management Discussion and Analysis

3.4 Key issues of concern in operations(Continued)

3.4.5 Bank-insurance business(Continued)

In terms of product system, the Bank has adhered to its customer-centric orientation, and improved the customer product configuration system. Leveraging the “comprehensive finance + medical and health” ecological dominance of Ping An Group, the Bank swiftly tailored insurance products with market foresight and customer appeal, including “Endowment Annuity + Healthcare”, “Lifelong Insurance + Trust” and other products. The Bank comprehensively improved the diversity and competitiveness of insurance agency products; improved product value; and provided customers with more comprehensive asset allocation services while meeting their security needs. The Bank improved the wealth’s health level of customers.

In terms of customer service, the Bank focused on the mid-to-high-end market, and fully implemented the concept of asset allocation service. The Bank upgraded the operation process and rights and interests’ system, built a professional financial planning and consulting service with comprehensive guarantee, and established a one-stop customer benefits system including “health, pension and inheritance”. In addition, the Bank strengthened technology empowerment to enhance the online level of customer management for bank-insurance business, provided customers with customized, intelligent and one-stop solutions and service experience.

The Bank’s bank-insurance business has taken shape in terms of new models, new teams and new products, and its productivity has been gradually released. In 2022, the Bank’s income of insurance agency recorded RMB1,984 million, with a year-on-year increase of 30.9%, gradually becoming an important growth engine for the implementation of the Bank’s comprehensive wealth management strategy.

3.5 Business innovation

In 2022, the Bank continued to deepen its holistic digital operation, improved the agile iteration mechanism, deployed cutting-edge technologies, and strengthened the application of innovative technologies. The efficiency and effectiveness of innovation continued to improve. The Bank further strengthened its deep-rooted innovation culture, and consolidated and deepened the advantages of outstanding and leading financial technology. Relying on Ping An Group's strong scientific and technological capabilities, comprehensive finance advantages and innovative cultural mechanism, the Bank managed to better meet the increasingly diversified financial needs of customers and fulfilled the mission of serving the real economy as a financial institution and serving the national interest and people's livelihood.

Optimization in the innovation mechanism bank-wide

The Bank's "Innovation Committee", which has strong resource integration and collaboration capabilities, comprehensively coordinated various resources of the Bank and realized cross-line and cross-function resource management and allocation. In addition, the Bank set up two incubation platforms, namely Retail Garage and Co-Space, respectively in the retail and corporate lines, to provide a mechanism basis for the implementation, replication and promotion of innovation projects, which greatly improved the efficiency and effectiveness of innovation.

Enhancements in the application of financial technology

The Bank closely followed and implemented the spirit of the 20th CPC National Congress, and promoted the deep integration of new technologies such as artificial intelligence, IoT, big data and quantum computing with banking business. The Bank established the LAMBDA laboratory, and proactively explored the potential application of cutting-edge technologies in financial scenarios by establishing joint laboratories with scientific research teams such as government, institutes and enterprises. The Bank independently researched and developed satellite communication terminals, reducing the use cost of individual terminals to less than RMB1,000. At the same time, the Bank, together with its partners, launched "Ping An No.2", "Ping An No.3" and other IoT communications and remote sensing satellites, continuously improved the capabilities of its "Nebula-IoT Platform", enabled new supply chains through IoT, reduced enterprise financing costs, and support the high-quality development of the real economy. The Bank actively explored the application of quantum computing and quantum communication in financial modeling, privacy and security and other fields to promote the Bank's transformation into a "digital bank, ecological bank and platform bank".

Upgrades in the team of scientific and technological talents

The Bank attached great importance to cultivating leading talents in science and technology, optimized the talent structure, and provided strong support for promoting the practice of science-industry integration and for creating a new mechanism for the integration. The Bank continued to bring in global top technology elites to improve the construction of the technology talent echelon. At the same time, the Bank continued to carry out the "FinTech Training Camp for All", focusing on the three themes of "platform thinking", "investment banking thinking" and "data thinking" and covering innovative thinking, strategic approach, business model, financial technology and other aspects, and offered 15 live courses of "Biweekly Science and Technology Day" for the whole bank. The courses have been taken by a total of 1.1 million people, with a certification pass rate of 97%, stimulating the bank-wide innovation awareness, understanding the underlying logic of the strategy, and strongly supporting the implementation of the strategy.

Management Discussion and Analysis

3.6 Risk management

3.6.1 Credit risk

Credit risk refers to the risk that borrowers or counter parties of the Bank cannot fulfil obligations according to the agreement reached in advance. The Bank has established a centralized, vertical and independent overall risk management framework and a risk management model with “dispatch-based risk management and matrix report through two channels”. The risk management committee of the head office is in charge of overall plan on risk management at all levels. The professional departments of the head office including the risk management department, company credit approval department and retail risk management department are responsible for the Bank’s credit risk management. Based on the transformation guideline of “being technology-driven, pursuing breakthroughs in retail banking and expertizing corporate business”, the Bank stuck to the principle of risk management of “coordination between risk and development, balance between risk and profit, adaptation between risk and capital”, continued to improve the full-process management of credit risk, and effectively enhanced the Bank’s credit risk management level.

(1) Optimizing the Bank’s asset structure

For retail business, the Bank continued to deeply implement the new model of retail transformation, actively built a retail risk mid-office platform, shifted from “product-centric” to “customer-centric”, optimized the customer structure and established an intelligent risk management system for the entire process and products to support the continuous high-quality growth of the business. For corporate assets guided by national policies, the Bank focused on key industries; integrated superior resources to invest in high-quality and high-potential customers; helped customers in the upstream and downstream supply chain, industry chain or ecological circles; guided and encouraged resources to tilt towards the fields of green finance, manufacturing and technological innovation; and continuously advocated the optimization of the portfolio structure of credit risk assets.

(2) Enhancing the asset risk management and control mechanism

The Bank upgraded the early warning and monitoring “Sky Eye” and expanded the scope of intelligent early warning and monitoring through the combined analysis of “customers, products, industries and regions” to judge the risk trend. It focused on key areas and key customers, refined the granularity of early warning, further strengthened the effect of early warning “CT scanning”, and improved the effect of forward-looking early warning. The Bank improved the three-dimensional monitoring “grounding grid” and built a solid monitoring system for close collaboration among the head office, the “industry + product” division and operation units. The Bank further implemented the standardized risk management and control actions and consolidated the foundation for refined management after loans granting and investment through continuous optimization of iterative system tools.

(3) Intensifying the disposal of non-performing assets

The Bank actively responded to changes in internal and external situations, flexibly used various means, and further strengthened the collection and disposal of non-performing assets. First, the Bank gave full play to its professional advantages of special asset management, managed assets by classification and policy, and realized “full collection of receivables”. Second, the Bank gave full play to the advantages of its special asset ecosystem, accurately recommended assets according to the needs of investors, and improved the disposal efficiency. Third, the Bank overcame the unfavorable factors such as the increasing imbalance between supply and demand in the current non-performing asset market and the downturn of asset prices. The Bank made more use of investment banking innovation management to reorganize and

revitalize the project, and improve the value of non-performing assets. Fourth, the Bank further enhanced technology empowerment; continued to promote the iterative upgrade of the smart special asset management platform in the direction of “intellectualization” and “mobility”; comprehensively launched a new applet of “Special-Asset-E” to provide strong support for the collection and disposal of non-performing assets.

3.6.2 Large risk exposure

According to the *Administrative Measures on Large Risk Exposure of Commercial Banks* issued by the China Banking and Insurance Regulatory Commission (CBIRC), large risk exposure refers to the credit exposure of a commercial bank to a single customer or a group of connected customers, which exceeds 2.5% of the bank’s net tier 1 capital (including all kinds of credit risk exposure in the bank account and trading book). The Bank has incorporated the large risk exposure into its comprehensive risk management system and has formulated the *Administrative Measures on Large Risk Exposure of Ping An Bank*, which clearly stipulates the management responsibilities, processes and management programs for the large risk exposure, so as to continuously improve customer credit management requirements, system construction and data governance; realize automated statistics, monitoring, early warning and control for large risk exposure of customers; dynamically control customer concentration risk through technological means; and regularly report the status of the large risk exposure and its management to regulators. At the end of 2022, except for customers exempted from supervision, the proportion of the Bank’s risk exposure to net tier 1 capital for interbank single customers, interbank group customers, non-interbank single customers, and non-interbank group customers all met the regulatory requirements.

3.6.3 Market risk

Market risk refers to the risk of losses arising from unfavorable changes in market prices (including interest rates, exchange rates, stock prices, commodity prices, etc.). The market risk of the Bank mainly arises from trading accounts and bank accounts. Main market risk represents interest rate risk and exchange rate risk. The Bank uses indicators such as market risk value indicators, stress tests, interest rate sensitivity, foreign exchange exposure, etc. to measure and monitor interest rate risk of major trading accounts and exchange rate risk of the Bank.

The Bank has established an effective market risk governance structure and division of management responsibilities. The Board is the ultimate decision-making body of market risk management and assumes the ultimate responsibility of market risk management. The senior management and its committees are responsible for approving the major issues of market risk management to the extent of the scope of authority and regularly listening to the report on the implementation of market risk management. The risk management department leads the management and specific implementation of the Bank’s market risk and is independent of the front desk business department. The Bank has set up a market risk management system including the basic system of market risk, general management measure and operational processes and covering the whole process of market risk identification, measurement, monitoring, reporting and control. The Bank regularly examines various systems and management measures for assessing market risks and continuously perfects, improves and optimizes the process according to the business and development status. The Bank has established a relatively complete market risk management process, from the beforehand tradable products authorization management and account division to the risk identification, measurement monitoring and control in the process, and to the afterwards back-testing and stress testing, fully covering the entire process of risk management.

Management Discussion and Analysis

3.6 Risk management(Continued)

3.6.3 Market risk(Continued)

In order to address the increasing challenges in market risk management, the Bank took the following measures: First, the Bank completed the “New Standard” method for Market Risk Capital Measurement Project, launched a rapid verification tool for the comparison of old and new capital, and built a capital drill-down decomposition toolkit to further strengthen the ability to interpret and analyze the old and new Basel Capital Accord III. Second, the Bank improved its responsiveness to market risk monitoring and early warning; strengthened market research and business strategy analysis; optimized risk monitoring templates; timely followed up and analyzed major market events during the year and carried out early warning as needed; and completed a number of special reviews. Third, the Bank continuously optimized market risk management tools and systems, broadened the scope of system functions around the areas of market risk approval, monitoring, early warning and analysis, and improved the level of system data visualization, early warning efficiency and process standardization.

In the future, in addition to further improvement of the policy system and process, the Bank will optimize the market risk measurement model; upgrade the market risk management system; and strengthen daily risk monitoring, to effectively manage the market risk and control the market risk within the bearable range.

3.6.4 Liquidity risk

Liquidity risk refers to the risk that commercial banks are unable to obtain sufficient funds at reasonable cost and in a timely manner to pay debts as they fall due, meet other payment obligations and meet other funding requirements for normal business operations. According to the *Measures for the Administration of Liquidity Risks of Commercial Banks* issued by CBIRC, the Bank adheres to a cautious liquidity risk management principle and a prudent management strategy; timely establishes a reasonable and effective liquidity risk management mechanism to identify, measure, monitor and control liquidity risk. The Bank ensures sufficient fund to handle the growth in assets and the payment for due debts, whether the Bank is in normal condition or under pressure.

The Bank has established a sound liquidity risk management and governance architecture. The Board assumes the ultimate responsibility of liquidity risk management. The Board of Supervisors supervises and evaluates the performance of the Board and senior management in liquidity risk management. Senior management assumes the responsibility for liquidity risk management, and the Asset and Liability Management Committee is the top management body of liquidity risk management. Under the guidance of the Asset and Liability Management Committee, the Asset and Liability Management Department is responsible for specific management of liquidity risk and forms an implementation system with all business management departments and branches. The Audit and Supervision Department performs internal audit over liquidity risk management.

The Bank attaches great importance to liquidity risk management, continuously optimizes the liquidity risk management framework and management strategies and has established a sound liquidity risk management system. The Bank monitors and optimizes the asset and liability structure in time, enhances the management over active liability, promotes steady growth in core liability, strengthens liquidity risk index limit management, and manages the mismatched liquidity risk reasonably. Moreover, the Bank regularly conducts liquidity risk stress tests, assesses future liquidity demand on a prudent basis and maintains sufficient high-quality liquidity assets. The Bank continuously optimizes the emergency management system on liquidity; improves the early warning mechanism for liquidity risk; conducts emergency drills on liquidity risk and strengthens the communication and collaboration between relevant departments to effectively guard against emergency liquidity risk. The Bank also continues strengthening the analysis of macroeconomic situation and market liquidity and improves the forward-looking and initiative liquidity management, to cope with market liquidity risk in time. As at the end of

the reporting period, each of the Bank's businesses grew at a stable pace, with abundant high-quality liquidity asset reserve, safe and prudent liquidity condition, and liquidity risk regulatory indicators meeting the requirements of CBIRC.

The Bank conducts full identification, accurate measurement, continuous monitoring and effective control of liquidity risk. The Bank applies a number of measures to manage and control the Bank's liquidity risk, including cash flow measurement and analysis, liquidity risk limit management, fund source management, high-quality liquidity asset management and daytime liquidity risk management.

The liquidity risk index of the Bank is divided into regulatory index and monitoring index. The Bank sets the liquidity risk index limit based on the minimum regulatory standard for the regulatory index, liquidity risk preference, liquidity risk management strategy, asset and liability structure, financing ability and other factors.

The liquidity risk stress test is an important tool for analysis and assessment for quantitative management of liquidity risk; provides basis for decision making on the Bank's formulation and revision of liquidity risk preference, liquidity risk management strategy and liquidity risk limits. Based on the regulatory requirements, the Bank conducts liquidity risk stress tests on a regular basis based on its asset and liability structure, product type and data status, and reports to the Asset and Liability Management Committee, senior management and the Board level by level.

3.6.5 Operational risk

The Bank continuously improved its operational risk management system and optimized and upgraded the operational risk management structure, regime and system to promote the formation of a normalized, standardized and scientific operational risk management mechanism; the Bank continued to lay solid foundation for operational risk management, strengthened the identification, assessment, measurement, control, mitigation, monitoring and reporting of operational risks, and continuously conducted operational risk monitoring and report in a normalized way, and actively prevented and resolved all kinds of operational risks, to achieve effective control of operational risk losses rate and support the healthy development of business.

First, the Bank continued to optimize the basic functions of three operational risk management tools, i.e. "operational risk and control self-assessment (RCSA), key risk indicators (KRI) and losses data collection (LDC)" to improve the effectiveness and timeliness of risk prevention and control. Second, the Bank strengthened the principle of being data-driven, deepened the risk-based digital operation direction by integrating risk monitoring data, it also upgraded and improved risk heat map, and continuously improved the intelligence of operational risk management. Third, the Bank upgraded the measurement method for capital with operational risk, while monitoring, analyzing and reporting capital measurement data regularly. Fourth, the Bank strengthened business continuity management; improved the business continuity management system and corresponding system management; further regulated the planning, implementation, summary and reporting work of business continuity; and continuously enhanced the overall management of business continuity of the Bank. In this way, the Bank kept improving its overall level of business continuity management. Fifth, the Bank strengthened the operational risk training and publicity and continued to give business guidance, support and evaluation to institutions at all levels to improve the operational risk management capabilities. During the reporting period, the Bank's operational risk identification, assessment, measurement, control, mitigation, monitoring and reporting capacity were steadily improved.

Management Discussion and Analysis

3.6 Risk management(Continued)

3.6.6 Country risk

Country risk refers to the risk that the borrower or debtor of a foreign country or region has no capacity or refuses to repay the debts to banking financial institutions; or the banking financial institution in the country or region suffers from business losses or other losses, due to the economic, political, social changes and events of the country or region.

Based on the regulatory requirements, the Bank has formulated the Measures for Management of Country Risks of Ping An Bank to clearly stipulate management responsibilities, management means and approval process of country risks and established a standardized management system of country risks. According to the result of country risk rating, the Bank divides country risks into five classes: low country risk, relatively low country risk, medium country risk, relatively high country risk, and high country risk, and manages risks by their classes accordingly based on risk severity. The Bank integrated all business activities that bear overseas entity country risk into unified management under the country risk limit. The Bank checked country risk limit annually according to the result of country risk rating, situation of development of country economy and business needs, and adjusted country risk rating and limit dynamically according to the changes in country risk. During the reporting period, the Bank's country risk exposure limits were well implemented, mainly in countries with relatively low country risk, and sufficient country risk reserve had been provided for in accordance with regulations. The overall country risk was controllable.

3.6.7 Bank account interest rate risk

Bank account interest rate risk refers to the risk of losses of the overall income and economic value of bank accounts as a result of adverse changes in interest rate level, maturity structure and other factors. Based on the requirements of the *Guidelines for the Management of Interest Rate Risk in the Banking Book of Commercial Banks (Revised)* issued by CBIRC and other laws and regulations, the Bank continued to improve the interest rate risk governance structure; optimized the interest rate risk related systems; enriched the interest rate risk measurement framework and improved the refinement of management to ensure that the Bank can effectively identify, measure, monitor and manage and control interest rate risk assumed by various businesses.

Following the principle of being reasonable and prudent, the Bank effectively measured bank account interest rate risk by means of gap analysis, duration analysis, scenario simulation, stress testing, etc. Based on the above measurements, the Bank established and implemented bank account interest rate risk limit management system, continued to monitor interest rate risk exposure and limit usage, and regularly reported to the Board of Directors (or the special committees authorized by it) and senior management. With a comprehensive consideration of interest rate risk characteristics and actual business development, the Bank strengthened the analysis, research and judgment of the market trend of interest rates. The Bank adjusted the asset and liability structure in a reasonable way and optimized interest rate risk exposure.

In the domestic market, the LPR has been lowered several times during the year. With the acceleration of interest rate marketization, the volatility level of interest rate risk in the bank account of RMB business increased. In the international market, the US dollar market has experienced the most aggressive and largest rate hike in history, accelerating the cost of foreign currency liabilities to the upside and making foreign currency interest rate risk management more difficult. In response to the negative impact of interest rate fluctuations, the Bank continuously paid attention to changes in economic situation at home and abroad; enhanced the observation, research and judgment of macroeconomic and interest rate trends; and timely guided the structure adjustment of asset and liability. Meanwhile, the Bank implemented active interest rate risk management strategy. The Bank adjusted business portfolio re-pricing term in due time by using pricing tools such as internal funds transfer pricing (FTP) to effectively control bank account interest rate risk. During the reporting period, the Bank's various monitoring indicators were all performing well, and the level of bank account interest rate risk was under control on the whole.

3.6.8 Reputation risk

Reputation risk mainly refers to the risk of negative evaluation of the Bank by stakeholders, the public and the media as a result of the Bank's behavior, the behavior of its employees or external events, which may damage the Bank's brand value, adversely affect the Bank's ordinary course of business, or even affect market stability and social stability. The Bank further improved its reputation risk management system in terms of governance structure, operating activities, normalization construction, and supervision and management. Under the guidance of the regulatory authorities, the Bank has taken active action. In accordance with the *Administrative Measures for Reputation Risks of Banking and Insurance Institutions (for Trial Implementation)* issued by the CBIRC and other regulatory requirements, guided by the basic principles of being "forward-looking, matching, full-coverage and effective" as well as the implementation principles of "level-to-level management, division of responsibility, real-time monitoring, prevention-oriented, rapid response, classified disposal, being duty-bound for the work, and coordinated response", the Bank incorporated reputation risk management into its corporate governance and comprehensive risk management system, continuously implemented various reputation risk management work, and continued to improve the effectiveness of reputation risk management. In 2022, the Bank mainly focused on the seven specific tasks below: First, the Bank strengthened reputation risk screening and public opinion early warning, upgraded and developed the visualized big data monitoring system, and formulated emergency plans and special monitoring mechanism against "the National People's Congress and the Chinese People's Political Consultative Conference", "3.15 consumer rights protection day", "Double 11 shopping festival" and other important nodes. Second, the Bank established the evaluation mechanism before the process of major complaint letters and visits or class actions against the head office and branches and made plans based on the evaluation results to effectively prevent risks. Third, the Bank properly handled reputation risk events, it adopted a three-dimensional and multi-level strategy for false information, clarified the truth in an appropriate form, and responded the public concerns. Fourth, the Bank comprehensively implemented the guidance of positive public opinion and enhanced its brand image all around with "traditional media" and "new media" in a supplementary way. Fifth, the Bank conducted drills for crisis response and disposal from time to time to strengthen the capacity building of all functional departments and branches to control reputation risks and handle public opinion. Sixth, the Bank strengthened assessment and accountability and included the prevention and disposal of reputation risk events in the assessment scope of each unit through the improvement of the Bank's risk assessment mechanism. Seventh, focusing on its various initiatives to actively fulfill its corporate social responsibilities, the Bank has carried out publicity on themes such as supporting the real economy, consumer rights protection, rural revitalization, and green finance to enhance its brand image.

3.6.9 Strategic risk

The Bank closely followed the national strategy, actively implemented the decisions and arrangements of the CPC Central Committee and the State Council, adhered to strategic determination, and continued to promote the *Three-year Development Strategic Plan of Ping An Bank (2020-2022)*. It continuously enhances its financial support to household consumption, private enterprises, micro/small enterprises, manufacturing, agriculture-related and other areas; proactively helped expand domestic demands; actively practiced green finance; fully supported rural revitalization; continuously strengthened comprehensive risk management; and fully promoted high-quality development.

On the premise of adhering to the established strategic objectives, the Bank organically connected the three-year development strategic plan with the annual operation objective plan; closely integrated the development and changes of the internal and external situation with the help of its keen market insight; and continuously enriched and deepened the connotation of the strategies, so as to ensure that the Bank's development is always focused on the main channel of strategic transformation, and to actively push forward the comprehensive implementation and efficient execution of the strategic plan across the whole Bank.

Management Discussion and Analysis

3.6 Risk management(Continued)

3.6.9 Strategic risk(Continued)

The Bank has unwaveringly adhered to the core leadership position of the Party. It established the core leadership position of the Party in terms of structure; ensured the core leadership role of the Party in terms of mechanism; continued to carry out a series of special rectification actions for violations of regulations and disciplines in terms of action; and comprehensively established a long-term mechanism to eliminate violations of regulations and disciplines in terms of management. The Bank also adhered to promoting development, strengthening management and preventing risks through Party construction, and unifying thoughts, retaining cohesion, raising morale and guiding work with the Party's guidelines and policies to provide a solid ideological foundation and organizational guarantee for the Bank's strategic transformation.

On the whole, the Bank's strategy is in line with the requirements of the Party and the country, the development and changes of macroeconomic landscape and the changes in customer demands. The Bank's overall ability to execute strategy is improving, and its risk control capability is continuously enhancing. Strategic risk is generally controllable.

3.6.10 Information technology risk

Information technology risk refers to the operational risk, legal risk, reputation risk and other risks caused by natural factors, human factors, technical loopholes and management defects in the application of information technology in the commercial banks.

The Bank has established the information technology risk management structure. The three lines of defense against information technology risk are the Financial Technology Related Departments, the Risk Management Department and the Audit and Supervision Department. They have a clear division of labor; are relatively independent; also restrict each other; are responsible for their own responsibilities and interlinked. They implement information technology risk management and control before, during and after the process. The Bank continued to improve the information technology risk management system and information technology risk strategy. The Bank strengthened information technology risk identification, analysis and assessment, monitoring, control, disposal, reporting and early warning tracking management mechanism; expanded the width and depth of risk management, so as to ensure the safe, continuous and stable operation of the Bank's information system.

During the reporting period, the Bank's overall information technology risks were under control, no major IT operation interruption events occurred, and the information system was in good working conditions.

3.6.11 Other risks

Other risks exposed to the Bank include legal risk and compliance risk.

(1) Legal risk

The Bank continued to enhance legal risk control. First, continuous improvement was made in terms of the format of legal instruments, and standard legal instruments were reviewed and modified. And the system of standard legal instruments was further optimized in accordance with the latest requirements of laws and regulations and regulatory authorities. Second, the daily legal review and consulting were carried out in an orderly manner to provide prompt, professional and efficient legal support for the Bank's new product research and development, new business development and major projects, etc. Third, for key businesses, legal research and legal risk warning and prompting were conducted to support healthy development of business. Fourth, the Bank strengthened the management of litigation and arbitration cases, i.e. fully implemented a unified case management system applicable to all departments and a unified management system of lawyers. Meanwhile, the Bank strengthened the guidance and intervention of major litigation cases; established a mechanism for experts to follow major cases and actively and properly handled litigation and arbitration cases and non-litigation risk events to prevent legal litigation risk and reputation risk.

(2) Compliance risk

Adhering to the operation concept of compliance, the Bank promoted the implementation of the new compliance transformation strategy to continuously improve the compliance risk management level. The Bank optimized and improved its compliance risk management structure, regime, manual, system, etc.; the Bank used technological means to empower compliance risk monitoring in institutions, businesses, processes, personnel, etc. and strictly held the bottom line; the Bank increased compliance education and assessment incentives, and upgraded compliance governance and compliance constraints such as risk warning, risk investigation, rectification tracking and accountability for violations to further build a solid compliance culture in which employees are "not willing to, not able to and not dare not to" break the rules.

First, the Bank explored and established the compliance governance network system to create an atmosphere of co-construction, co-governance, co-responsibility and sharing of compliance. Based on grid management, the Bank compacted the main responsibility of compliance of institutions at all levels and defined the compliance standard actions for personnel at all levels. The Bank built a full-coverage, whole-process and all-round compliance governance network system with "the Bank as a network, and assigned personnel to designated grids in the network together with appropriate responsibilities and duties"; and formed "compliance community with a shared future" with system co-construction, compliance co-governance and responsibility sharing. The Bank promoted its compliance governance capability to escort the compliance operation.

Second, the Bank strengthened its system life cycle management, improved the system management process. It transformed regulatory requirements into internal rules and regulations in a timely and dynamical manner to ensure that all business fields and key management links are covered. Meanwhile, the Bank organized the preparation of annual system plan; performed system review; reviewed system applicability and reasonableness and required rectification and follow-up for problems identified in an effort to enhance system quality. The Bank consolidated the management base for business development and internal management control.

Third, the Bank strengthened the professionalism of legal compliance review and management to advance the quality and effectiveness of the support to business development. Through optimizing review process, expanding the scope of review preposition and implementing "one-to-one" support for professional legal compliance, the Bank paid close attention to the changes in key regulatory policies, and transmitted regulatory policies in a timely manner to identify compliance risk and promote operating agencies, so as to improve their resistance against compliance risk and boost the healthy development of business.

Fourth, the Bank attached great importance to the management of related-party transactions, and improved the management ability of related-party transactions. The Bank earnestly implemented laws, regulations and regulatory requirements. The Bank established a relatively sound management system and operation mechanism for related-party transactions. The Bank also continuously optimized the procedures and rules for the management of related parties and related-party transactions, continued to promote and implement the management requirements of compliance and effectiveness to facilitate healthy and orderly related-party transactions.

Management Discussion and Analysis

3.6 Risk management(Continued)

3.6.11 Other risks(Continued)

(2) Compliance risk(Continued)

Fifth, the Bank strengthened anti-money laundering management and comprehensively improved the effectiveness of anti-money laundering. The Bank improved the anti-money laundering management system, optimized the centralized operation mode of anti-money laundering, and continuously strengthened the anti-money laundering team building; it strove to explore technology empowerment to anti-money laundering, optimized the anti-money laundering model monitoring system, and continuously improved the anti-money laundering monitoring level. The Bank has also strengthened risk management and control of high-risk customers and businesses, and actively carried out anti-money laundering advocacy and training for internal personnel to effectively prevent risks of money laundering, terrorism financing and international sanction.

Sixth, the Bank improved the construction of the long-term mechanism for case prevention and continued to carry out case risk prevention and control actions. The head office's Compliance, Internal Control and Case Prevention and Control Committee is a leadership organization for senior management to implement compliance, internal control and case prevention and control management of the Bank. It was responsible for reviewing risk level of each line of services and branches as well as risk control over major fields on a regular basis. It strengthened the case prevention in high-risk areas, compiled and issued typical cases of criminal cases, and carried out case prevention and compliance warning education. The Committee strengthened the management of employees' behavior, and carried out special investigations of "curing stubborn illness" and special actions to prevent and crack down on "two illegal acts and one fraud". It iterated the employee behavior intelligent management system, enriched the system data, improved the risk behavior monitoring model, organized early warning data verification and investigated the responsibility for the confirmed violations. It also comprehensively refined compliance evaluation standards, strengthened compliance and internal control evaluation, and led operation units to improve the compliance and internal control management level.

Seventh, the Bank deepened the compliance culture with intensive cultivation and upgraded the compliance culture system. Focusing on the programmatic document the *Guidelines for Compliance Culture Construction of Ping An Bank*, the Bank deepened the compliance culture system and its standard actions, and relied on the compliance culture publicity and education platform "Ping An Compliance E-site" at mobile end to continuously push the learning tasks and publicity and guidance information in different interactive forms to all employees point-to-point through the series of columns, namely "Compliance E-learning, Compliance E-viewing, Compliance E-reading and Compliance E-answering", so as to effectively guide all employees to improve compliance awareness and duty performance capability. The Bank creates a compliance culture through conducting the compliance short video competition, namely, "E-shooting". The Bank incorporated the effectiveness of the compliance culture construction into the internal control assessment of institutional compliance and firmly promoted the penetration of the compliance culture throughout the Bank.

3.7 Prospects

Forecast of operational performance from January to March 2023

Warnings on predicting any potential loss in accumulated net profit from the beginning of the year to the end of the next reporting period or any material change as compared with that in the same period of last year and the reasons

Applicable Not applicable

3.7.1 Prospects of macro environment

The year 2023 is the opening year of fully implementing the spirit of the 20th CPC National Congress, the crucial year of forming a connecting link between the preceding and the following for the “14th Five-Year Plan”, as well as the opening year of building Chinese modernization. The country will uphold Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era; thoroughly implement the spirit of the 20th CPC National Congress; solidly promote Chinese modernization; adhere to the general tone of seeking improvement in a stable way; implement the new concept of development in a complete, accurate and comprehensive way; accelerate the establishment of a new development pattern; strive to promote high-quality development; and coordinate development and security. It will also comprehensively deepen reform and opening up and vigorously boost market confidence; organically combine the implementation of the strategy of expanding domestic demand with deepening the structural reform on the supply side; give prominence to the work of stabilizing growth, employment and prices; and effectively prevent and resolve major risks, so as to promote the overall improvement of economic operation, achieve effective improvement in quality and reasonable growth in quantity, and make a good start for building a modern socialist country in all respects.

In 2023, it is expected that the proactive fiscal policy will be more effective; the prudent monetary policy will be more precise and powerful; the development and safety of industrial policies will be promoted simultaneously; science and technology policies will focus on self-reliance and self-improvement, and social policies will firmly secure the bottom line of people’s livelihood to form a joint force to promote high-quality development. It is also expected that the macro economy will still maintain stable and healthy growth and achieve steady progress.

3.7.2 Competition situation and development trend of the industry

Looking ahead to the year of 2023, new technological trends and forms, new business models and ecosystems will continue to emerge. The advancement of the new development pattern will generate new opportunities and challenges for the banking industry. The Bank will maintain a sensitive insight into macroeconomic development, market changes and customer demand, deepen comprehensive digital operation, strengthen financial risk prevention and control, and promote the return of financial services to their original purpose.

First, the top priority will be to continuously improve financial institutions’ ability to serve the real economy. Commercial banks will actively implement the spirit of the 20th CPC National Congress and adhere to the people-centered development concept; research industry and customer trends, explore customers’ needs in depth, and comprehensively improve the ability to serve the real economy; support national strategy projects, actively contribute to the national peak carbon dioxide emissions and carbon neutral strategy and support rural revitalization; and continue to remove financing barriers and lower financing costs for micro, small and medium-sized enterprises. The banks will fully facilitate the transformation and upgrade of the real economy, support the innovation and development of technology enterprises, help build a new development

Management Discussion and Analysis

3.7 Prospects of the Bank(Continued)

3.7.2 Competition situation and development trend of the industry(Continued)

pattern, help achieve high-quality development, and help realize the Chinese modernization.

Second, it is necessary to continuously enhance financial risk prevention and control. Commercial banks will strictly comply with regulatory requirements; focus on enabling more forward-looking, overall and proactive financial risk prevention and control; further enhance their level of risk management and improve the quality of bank assets; continue to improve the risk management mechanism; and hold the bottom line of non-occurrence of systematic risks to build a solid foundation for promoting financial stability and financial security.

Third, it is an inevitable trend to continuously uphold the principle of being technology-driven and technology-empowered. With the continuous development of science and technology, commercial banks will closely follow the development trends of the latest technologies; closely integrate finance with technology; constantly promote technology-empowered finance and innovate the means and methods of financial services; actively explore the new way and new model to serve technology enterprises, private enterprises and micro/small enterprises; promote a virtuous circulation of technology, industry and finance; significantly improve the coverage and availability of personal financial services and reduce the cost of financial services; and constantly satisfy people's yearning and pursuit of a better life.

3.7.3 Operational plan

In 2023, the Bank will actively implement the spirit of the 20th CPC National Congress and adhere to the people-centered development concept, keep the mission of serving the real economy in mind and hold the bottom line of non-occurrence of systematic financial risks. Main business lines within the Bank will also develop a clearer roadmap based on the upgraded business strategy. Specifically, the Bank will effectively carry out work in the following three aspects:

First, the Bank will continuously improve the capacity of serving the real economy. Closely following the national strategy, the Bank will lay out two racing tracks of "new digital-driven transaction bank and industry-driven modern industrial finance", continuously strengthen the credit support for private enterprises and micro/small enterprises, innovate the serving model for micro/small enterprises, and remove financing barriers and lowering financing costs for private enterprises and micro/small enterprises. The Bank will continue to increase its support for enterprises in national strategic industries and provide all-round, all-process services with full life cycle by means of "commercial bank + investment bank + investment" to help upgrade national industries. It will actively implement green finance and step up its support for advanced manufacturing and strategic emerging industries. And the Bank will continue to increase the intensity of personal consumption loan lending to upgrade national consumption and realize people's welfare. The Bank will implement its "15 initiatives" to support the real economy, formulate targeted measures in terms of organization and promotion, resource allocation, team building and risk policy, and will carry out a more comprehensive layout in serving the real economy, the national interest and people's livelihood in the future.

Second, the Bank will comprehensively enhance financial risk prevention and control. The Bank will continuously reinforce asset quality management and increase the collection and mitigation of stock non-performing assets; it will continue to focus on key industries, areas and customers and enhance the risk management and control for new assets to promote the adjustment of asset structure; it will continue to uphold the principle of being technology-driven and make full use of latest technologies such as big data and AI to build a smart risk control platform and comprehensively improve the efficiency and level of risk management.

Third, the Bank will continuously deepen digital operation on all fronts. Adhering to the customer-centered concept, the Bank will continue to deepen the principle of being technology-driven, utilize advanced technologies to empower business, management and risk control, continuously deepen comprehensive digital operation, and improve management efficiency internally and customer experience externally.

3.7.4 Risk management

In 2023, the Bank will proactively respond to opportunities and challenges, holistically improve the ability of risk management, and support business development in an effective way. In 2023, the Bank's risk management mainly includes the following aspects:

Continuing to reinforce asset quality. First, the Bank will focus on key fields and major customers' risks of real estate and promote risk prevention and resolution. Second, the Bank will focus on group customers with potential risk and implement "a board of chess" control engineering. Third, the Bank will continuously reinforce the three layers supervision system in headquarter, business divisions and branches, and optimize the implementation of standardized control actions on risk. Fourth, the Bank will strengthen the control of indicators for assets quality, consolidate forward-looking early warning and strategy classification, and promote orderly withdrawal of customer groups with higher risk. Fifth, the Bank will continuously optimize the risk strategies of retail business, upgrade collection management mechanism, and perform good risk mitigation for overdue customers.

Giving support to stable business development. First, the Bank will do a good job of financial services for the real economy, implement the requirements of the 20th National Congress, anchor the key development directions, and actively support credit supply. Second, the Bank will do a good job of financial support for major projects, seize the opportunities of industrial foundation reconstruction projects and major technology and equipment research projects, and facilitate medium- and long-term project financing. Third, the Bank will deepen the industry ecology, give full play to the advantages of industry banking research, target key industries, expand industry customer groups, and foster key customer groups such as "specialized, refined, distinctive and innovative" enterprises and science and innovation enterprises. Fourth, the Bank will continue to improve product service capability, upgrade the products of transaction bank and investment bank, give full play to product advantages, and provide customers with comprehensive financial services.

Intensifying compliance risk management and control. First, the Bank will advocate the establishment of compliance management system, improve the compliance governance network system and promote basic ability of compliance. Second, the Bank will strengthen the construction of compliance team, intensify the overall management ability of the compliance team in legal compliance review, related-party transactions management, anti-money laundering management, operational risk management and litigation case management through upgrading team configuration and compliance talent cultivation mechanism, and promote the level of compliance management. Third, the Bank will strengthen publicity and guidance of compliance culture, and improve compliance awareness of all employees.

Strengthening system tools construction. First, the Bank will promote the upgrade of "Smart Risk Control Platform 2.0", iterate on basic applications such as smart due diligence and smart control, expand new scenarios such as smart post-loan, smart collateral and smart rating, and open up the integrated management process of early warning, post-loan and disposal. It will also promote the intelligent coverage of consignment and inter-bank business and continuously improve the level of intelligent risk management. Second, the Bank will strengthen the underlying governance of risk data, dig deeper into the value of data for risk management, and upgrade the risk line indicator library and flexible statistical query tools to assist in bank-wide operational decision analysis.

Enhancing the risk team building. First, the Bank will continue to build a learning-oriented organization, and carry out various and targeted trainings, so as to empower key groups to improve their abilities in an all-round way. Second, the Bank will continue to promote the construction of risk talent echelon, and study key business issues around "innovation + convention" training to open new horizons for the breakthrough. Third, the Bank will recruit talented personnel in every business sector to optimize the talent echelon for the enhancement of the core competence of risk management lines.

Corporate Governance

4.1 Basic situation of corporate governance

During the reporting period, the Bank was committed to further completing the corporate governance system and perfecting the corporate governance structure in accordance with the provisions of the *Company Law*, *Securities Law*, *Commercial Bank Law* and other relevant laws and regulations, as well as the regulatory requirements of China Securities Regulatory Commission and China Banking and Insurance Regulatory Commission. The Bank has established a number of corporate governance systems, including the Articles of Association, rules of procedures for the Shareholders' General Meeting, rules of procedures for the Board of Directors and its special committees and working instructions, rules of procedures for the Supervisory Committee and its special committees and working instructions, information disclosure management system, investor relations system, measures for the administration of equity affairs, measures for the administration of shares held by directors, supervisors and senior management staff and changes in shareholding, registration management system for people with insider information, accountability system of major errors in annual report information disclosure, system of preventing major shareholders and related parties occupying the funds, performance evaluation methods of directors and supervisors, etc.

During the reporting period, the shareholders' general meeting of the Bank has effectively played its functions in accordance with the relevant provisions of the *Company Law* and the *Articles of Association*. The Board of Directors shall be responsible to the Shareholders' General Meeting, and bear the ultimate responsibility for the operation and management of the Bank, and shall hold the meeting in accordance with the legal procedures and exercise its functions and powers. The Supervisory Committee, with its responsible attitude towards all shareholders, shall maintain close contact and communication with the Board of Directors and the management, and carry out performance evaluation of directors, supervisors and senior management, to effectively perform the supervisory functions and duties. The management of the Bank abides by the principle of good faith, prudently and diligently performs its duties, and carries out management according to the decision of the Board of Directors.

Whether there is a significant difference between the actual situation of corporate governance and laws, administrative regulations and the regulations of the China Securities Regulatory Commission on the governance of listed companies

Yes No

4.2 Independence of the company in ensuring its assets, personnel, finance, organization, business, etc. from the controlling shareholder and actual controller

There is no actual controller for the Bank. The Bank is completely separated from its controlling shareholder in terms of assets, personnel, finance, organization, business, etc. and has self-operation capabilities of carrying out independent and complete businesses. In terms of assets, the Bank's assets are complete, and the property relations are clear. The Bank has independent premises for business activities and property rights, trademark registration right and non-patented technology and other intangible assets. In terms of personnel, the Bank is independent of the controlling shareholder in labor, personnel and payroll management and other aspects; members of the operating management do not hold posts in the shareholders' units. In terms of finance, the Bank has established an independent financial management system and accounting system, with independent accounting and independent tax. In terms of organization, the Bank has an organization structure which is completely independent from the controlling shareholder. In terms of business, the Bank has an independent operation and sales system.

During the reporting period, the controlling shareholder of the Bank did not interfere with operation and management of the Bank, and there were no other non-standard situations of corporate governance.

4.3 Competition in the same business

Applicable Not applicable

During the reporting period, the Bank's controlling shareholder and other entities controlled by it did not engage in the same or similar business as the Bank's.

4.4 Information about Annual General Meeting and Extraordinary General Meeting during the reporting period

4.4.1 Conditions of Annual General Meeting during the reporting period

| Session of meeting | Type of meeting | Investor participation rate | Date of meeting | Disclosure date | Resolution of meeting |
|---|-------------------------------|-----------------------------|------------------|------------------|---|
| 2021 Annual General Meeting | Annual General Meeting | 68.9339% | 28 June 2022 | 29 June 2022 | The Annual Board of Directors Work Report, the Annual Supervisory Committee Work Report, the Annual Report and Summary, the Annual Final Financial Report and Financial Budget Report, the Annual Profit Distribution Plan, the Annual Related-party Transactions and Related-party Transaction Management System Execution Report, the Appointment of Accounting Firm for the year, the Capital Management Plan (2022-2024), the General Authorization on Issuing Financial Bonds and Tier 2 Capital Bonds, and the Amendment to the Articles of Association were approved |
| The First Extraordinary General Meeting in 2022 | Extraordinary General Meeting | 64.2371% | 10 November 2022 | 11 November 2022 | The Composition of the 12th Session of the Board of Directors, the Composition of the 11th Session of the Supervisory Committee, the Proposal on Electing Non-executive Directors, Executive Directors, Independent Directors, Shareholder Supervisors, and External Supervisors were approved. |

4.4.2 Preferred shareholders with resumed voting rights request to convene an extraordinary general meeting

Applicable Not applicable

Corporate Governance

4.5 Directors, supervisors and senior management

4.5.1 General information

| Name | Title | Service status | Gender | Age | Term |
|--------------|--|----------------|--------|-----|---|
| Xie Yonglin | Chairman | In-service | Male | 54 | From December 2016 to change of term |
| Hu Yuefei | Director, President of the Bank | In-service | Male | 60 | Director: From December 2007 to change of term President of the Bank: from December 2016 till now |
| Chan Sin Yin | Director | In-service | Female | 45 | From January 2014 to change of term |
| Cai Fangfang | Director | In-service | Female | 48 | From January 2014 to change of term |
| Guo Jian | Director | In-service | Male | 58 | From February 2017 to change of term |
| Yang Zhiqun | Director, Vice president of the Bank | In-service | Male | 52 | Director: From January 2020 to change of term Vice president of the Bank: from April 2019 till now |
| Guo Shibang | Director, Vice president of the Bank | In-service | Male | 57 | Director: From December 2017 to change of term Vice president of the Bank: from April 2019 till now |
| Xiang Youzhi | Director, Vice president of the Bank, CFO | In-service | Male | 58 | Director: From January 2020 to change of term Vice president of the Bank: From June 2020 till now CFO: from January 2018 till now |
| Yang Jun | Independent director | In-service | Male | 64 | From September 2020 to change of term |
| Ai Chunrong | Independent director | In-service | Male | 60 | From September 2020 to change of term |
| Ye Wangchun | Chairman of the Supervisory Committee, Employee supervisor | In-service | Male | 67 | From December 2022 to change of term |
| Che Guobao | Supervisor of shareholder | In-service | Male | 73 | From December 2010 to change of term |
| Wang Chunhan | External supervisor | In-service | Male | 71 | From September 2020 to change of term |
| Wang Songqi | External supervisor | In-service | Male | 70 | From September 2020 to change of term |
| Han Xiaojing | External supervisor | In-service | Male | 67 | From September 2020 to change of term |
| Sun Yongzhen | External supervisor | In-service | Female | 54 | From October 2018 to change of term |
| Deng Hong | External supervisor | In-service | Female | 48 | From November 2022 to change of term |
| Ju Weiping | Vice president of the Bank | In-service | Male | 59 | From June 2020 till now |
| Zhou Qiang | Secretary of the Board | In-service | Male | 50 | From June 2014 till now |
| Yao Jason Bo | Director | Left post | Male | 51 | From June 2010 to November 2022 |
| Guo Tianyong | Independent director | Left post | Male | 54 | From August 2016 to August 2022 |
| Yang Rusheng | Independent director | Left post | Male | 54 | From February 2017 to November 2022 |
| Cai Hongbin | Independent director | Left post | Male | 55 | From September 2020 to November 2022 |
| Qiu Wei | Chairman of the Supervisory Committee, Employee supervisor | Left post | Male | 60 | From June 2010 to December 2022 |
| Wang Qun | Employee supervisor | Left post | Female | 54 | From June 2017 to November 2022 |

| Name | Shareholding at the beginning of the period (share) | Shareholding increased in the period (share) | Shareholding decreased in the period (share) | Other increase or decrease (share) | Shareholding at the end of the period (share) | Reason for the increase or decrease of shares |
|--------------|---|--|--|------------------------------------|---|---|
| Xie Yonglin | 26,700 | - | - | - | 26,700 | |
| Hu Yuefei | 104,104 | - | - | - | 104,104 | |
| Chan Sin Yin | - | - | - | - | - | |
| Cai Fangfang | - | - | - | - | - | |
| Guo Jian | - | - | - | - | - | |
| Yang Zhiqun | 50,000 | - | - | - | 50,000 | |
| Guo Shibang | - | - | - | - | - | |
| Xiang Youzhi | 26,000 | - | - | - | 26,000 | |
| Yang Jun | - | - | - | - | - | |
| Ai Chunrong | - | - | - | - | - | |
| Ye Wangchun | - | - | - | - | - | |
| Che Guobao | - | - | - | - | - | |
| Wang Chunhan | - | - | - | - | - | |
| Wang Songqi | - | - | - | - | - | |
| Han Xiaojing | - | - | - | - | - | |
| Sun Yongzhen | - | - | - | - | - | |
| Deng Hong | - | - | - | - | - | |
| Ju Weiping | 30,000 | - | - | - | 30,000 | |
| Zhou Qiang | - | - | - | - | - | |
| Yao Jason Bo | - | - | - | - | - | |
| Guo Tianyong | - | - | - | - | - | |
| Yang Rusheng | - | - | - | - | - | |
| Cai Hongbin | - | - | - | - | - | |
| Qiu Wei | 50,000 | - | - | - | 50,000 | |
| Wang Qun | - | - | - | - | - | |
| Total | 286,804 | - | - | - | 286,804 | |

Notes:

(1) On 2 August 2022, Mr. Guo Tianyong resigned as an independent director of the Bank, chairman of the Nomination Committee, member of the Audit Committee and member of the Remuneration and Appraisal Committee of the Board of Directors, as he had served as an independent director of the Bank for six years. Due to the resignation of Mr. Guo Tianyong, the number of independent directors on the Board of Directors of the Bank accounts for less than one third. His resignation will take effect after the new independent directors are elected at the shareholders' general meeting of the Bank and their qualifications are approved by the China Banking and Insurance Regulatory Commission (CBIRC).

(2) On 10 November 2022, the Bank's first Extraordinary General Meeting in 2022 deliberated and passed the proposal on change of Board of Directors. The 12th Board of Directors of the Bank was composed of 15 directors, including 6 non-executive directors, 4 executive directors and 5 independent directors. Among them, the positions of Ms. Fu Xin and Mr. Hu Jianfeng as non-executive directors, and the positions of Mr. Wu Zhipan, Mr. Chen Su, and Mr. Liu Feng as independent directors shall be approved by the CBIRC.

(3) According to the Articles of Association of the Bank, more than one-third of the members of the Board of Directors of the Bank shall be independent directors. Until the qualifications of Mr. Wu Zhipan, Mr. Chen Su and Mr. Liu Feng as independent directors are approved by the CBIRC, Mr. Guo Tianyong, Mr. Cai Hongbin and Mr. Yang Rusheng, the independent directors of the 11th Board of Directors, will continue to perform their duties as independent directors and leave their posts on the day when the qualifications of Mr. Wu Zhipan, Mr. Chen Su and Mr. Liu Feng as independent directors are approved by the CBIRC respectively.

(4) The persons mentioned in this table do not hold the Bank's stock options or restricted shares.

Corporate Governance

4.5 Directors, supervisors and senior management(Continued)

4.5.2 Whether there is any resignation of directors and supervisors within their term of office and dismissal of senior management during the reporting period

Yes No

On 20 December 2022, Mr. Qiu Wei resigned from the position of employee supervisor and chairman of the 11th Supervisory Committee for work reasons. After his resignation, Mr. Qiu Wei continued to serve as the Deputy Secretary of the CPC Committee and Secretary of the Committee for Discipline Inspection of Ping An Bank.

4.5.3 Changes in the directors, supervisors and senior management of the company

| Name | Role | Type | Date | Reason |
|--------------|--|--|------------------|--|
| Guo Tianyong | Independent director | Left post due to expiration of appointment | 2 August 2022 | Left post due to expiration of appointment |
| Yao Jason Bo | Director | Left post due to expiration of appointment | 10 November 2022 | Left post due to expiration of appointment |
| Yang Rusheng | Independent director | Left post due to expiration of appointment | 10 November 2022 | Left post due to expiration of appointment |
| Cai Hongbin | Independent director | Left post due to expiration of appointment | 10 November 2022 | Left post due to expiration of appointment |
| Wang Qun | Employee supervisor | Left post due to expiration of appointment | 10 November 2022 | Left post due to expiration of appointment |
| Qiu Wei | Chairman of the Supervisory Committee, Employee supervisor | Left post | 20 December 2022 | Resignation |
| Fu Xin | Non-executive director | Elected | 10 November 2022 | Election at expiration of office terms |
| Hu Jianfeng | Non-executive director | Elected | 10 November 2022 | Election at expiration of office terms |
| Wu Zhipan | Independent director | Elected | 10 November 2022 | Election at expiration of office terms |
| Chen Su | Independent director | Elected | 10 November 2022 | Election at expiration of office terms |
| Liu Feng | Independent director | Elected | 10 November 2022 | Election at expiration of office terms |
| Deng Hong | Employee supervisor | Elected | 10 November 2022 | Election at expiration of office terms |
| Ye Wangchun | Chairman of the Supervisory Committee, Employee supervisor | Elected | 30 December 2022 | By-election |

4.5.4 Professional background, main work experiences and current major responsibility in the company of incumbent directors, supervisors and senior management

Mr. Xie Yonglin, Non-executive Director and Chairman.

Born in 1968, Mr. Xie holds a master's degree in science and a PhD in management from Nanjing University. He has been the Chairman and Secretary of the CPC Committee of Ping An Bank since December 2016, Deputy Secretary of the CPC Committee of China Ping An since July 2018, Co-CEO of China Ping An since December 2018, and General Manager of China Ping An since December 2019. Since April 2020, he has worked as the Executive Director of China Ping An.

Mr. Xie joined China Ping An in October 1994 as a grass-roots salesperson and successively worked as the Deputy General Manager of a Ping An Property & Casualty Insurance branch, Deputy General Manager and General Manager of a Ping An Life Insurance branch, and General Manager of the Marketing Department of Ping An Life Insurance. From June 2005 to March 2006, he was the Deputy Director of China Ping An Reform and Development Center. From March 2006 to November 2013, he was the Operation Director, HR Director, and Vice President of Ping An Bank successively. From November 2013 to November 2016, he worked successively as the Special Assistant to Chairman, General Manager & CEO, and Chairman of Ping An Securities. From September 2016 to December 2019, he was the Deputy General Manager of China Ping An.

Mr. Hu Yuefei, Executive Director and President.

Born in 1962, Mr. Hu holds a master's degree in economics from Zhongnan University of Economics and Law (formerly known as "Zhongnan University of Economics").

From January 1990 to February 1999, he was the Director of Shenzhen Development Bank Party Affairs and Publicity Office, Vice President and President of a sub-branch successively. From February 1999 to May 2006, he successively worked as the President of Shenzhen Development Bank Guangzhou Branch, and an assistant to President of head office. From May 2006 to December 2016, he worked as the Vice President of Ping An Bank (then Shenzhen Development Bank). Since December 2007, he has been a director of Ping An Bank (then Shenzhen Development Bank). Since December 2016, he has served as the President of Ping An Bank. From August 2020, he was also the Chairman of Ping An Wealth Management Co., Ltd.

Before joining Shenzhen Development Bank, he was a staff member of the People's Bank of China ("PBOC") Dong'an Sub-branch in Hunan, a staff member and Vice Chief of HR Department in Hunan Branch of the Industrial and Commercial Bank of China ("ICBC").

Ms. Chan Sin Yin, Non-executive Director.

Born in 1977, Ms. Chan is a Singapore citizen. Graduated from Massachusetts Institute of Technology ("MIT"), she holds a master's degree in electrical engineering and computer science and a bachelor's degree in both electrical engineering and economics. Since April 2020, she has worked as the Executive Director of China Ping An, currently serving as Co-CEO and Standing Deputy General Manager of China Ping An. Since January 2014, she has been a director of Ping An Bank.

Ms. Chan joined China Ping An in 2013. From January 2013 to November 2019, she was the Chief Information Officer ("CIO") of China Ping An. From December 2013 to February 2021, she was the Chief Operating Officer ("COO") of China Ping An. From June 2015 to December 2015, she was the Deputy General Manager of China Ping An. From October 2017 to November 2018, she was the Deputy CEO of China Ping An. From December 2018 till now, she was the Co-CEO of China Ping An.

Before she joined China Ping An, she was a partner (global director) of McKinsey & Company, specialized in financial services. During her 12 years in McKinsey & Company, she used to cooperate with leading financial service institutions from the United States and 10 countries in Asia. She mainly focuses on such fields as strategies, organizations, operations and information and technology.

Corporate Governance

4.5 Directors, supervisors and senior management(Continued)

4.5.4 Professional background, main work experiences and current major responsibility in the company of incumbent directors, supervisors and senior management(Continued)

Ms. Cai Fangfang, Non-executive Director.

Born in 1974, she is a master of commerce in accounting from the University of New South Wales, Australia. She has served as an executive director of China Ping An since July 2014. Also, she has been the Deputy General Manager of China Ping An since December 2019 and Chief Human Resources Officer (“CHRO”) of China Ping An since March 2015. Since January 2014, she has been a director of Ping An Bank.

Ms. Cai joined China Ping An in July 2007. She successively worked as the Deputy General Manager and General Manager in the Compensation Planning and Management Department of Human Resource Center of China Ping An from October 2009 to February 2012. She was the Deputy CFO of China Ping An and General Manager of the Planning Department of China Ping An from February 2012 to September 2013. She was the Deputy CHRO of China Ping An from September 2013 to March 2015.

Before joining China Ping An, Ms. Cai once worked as a consulting director in Watson Wyatt Consultancy (Shanghai) Co., Ltd and an audit director specialized in financial industry in Britain Standards Institutions Management Systems Certification Co. Ltd.

Mr. Guo Jian, Non-executive Director.

Born in 1964, Mr. Guo holds his master’s degree in electronic physics and devices from Chengdu Institute of Telecommunications (now the University of Electronic Science and Technology of China). He is now a full-time director in China Electronics Information Service Co., Ltd., Chairman of Supervisory Committee in China Electronics Shenzhen Company and Vice Chairman of Shenzhen Jingwah Electronics Co., Ltd.. He has worked as a director of Ping An Bank since February 2017.

Mr. Guo Jian joined China Electronics Shenzhen Company in May 1988, taking up the positions of an assistant to General Manager, Deputy General Manager, General Manager, Director and Deputy Secretary of the CPC Committee; and he was appointed as Deputy Secretary of the CPC Committee, Deputy General Manager and General Manager under the E-commerce Business Department of China Electronics Corporation Information Service Co., Ltd.. He has served as a part-time director in China Electronics Information Service Co., Ltd. since July 2020; he has served as a director of CET since October 2021; he has served as the Chairman of Supervisory Committee in China Electronics Shenzhen Company Limited (it changed its name to China Electronics Shenzhen Company in September 2022) since November 2021; and he has served as Vice Chairman of Shenzhen Jingwah Electronics Co., Ltd. since May 2022.

He is a CPPCC member of Shenzhen, Vice-Chairman of Guangdong Provincial Enterprise Confederation, Vice-Chairman of Shenzhen Enterprise Confederation, etc.

Mr. Yang Zhiqun, Executive Director and Vice President of the Bank.

Born in 1970, Mr. Yang holds a doctor's degree in world economics from Nankai University and is now a senior economist.

From 1991 to October 1996, he served in Guangzhou Jiufu Electric Co., Ltd. and China Nanhai Petroleum United Service General Company; from October 1996 to September 2008, he served in China Minsheng Bank as a teller, Deputy Chief, Chief and Deputy General Manager of Division 1 under the Marketing Department of Guangzhou Branch (directing operations), Vice President of Tianhe Branch (directing operations), President of Tianhe Branch, Senior Assistant to President of the Branch, and Vice President of the Branch successively; from October 2008 to February 2011, he was the leader of the preparatory group of Former Ping An Bank Guangzhou Branch and President of the Branch; from March 2011 to March 2015, he was President of Ping An Bank (formerly known as Shenzhen Development Bank) Guangzhou Branch; from March 2015 to November 2016, he served as General Manager of Ping An Securities Co., Ltd.; he has served as the Secretary of the CPC Committee of Ping An Bank Shenzhen Branch since November 2016; from May 2017 to April 2019, he was an assistant to President of Ping An Bank and President of Shenzhen Branch; he has served as Vice President of Ping An Bank and President of Shenzhen Branch since April 2019, and Executive Director of Ping An Bank since January 2020.

Mr. Guo Shibang, Executive Director and Vice President of the Bank.

Born in 1965, Mr. Guo is a doctoral candidate in Guanghua School of Management, Peking University. Now he is also a senior economist.

From July 1991 to July 1998, he successively worked as the principal staff member and deputy-director-general level researcher (directing operations) at the head office of ICBC Capital Planning Department; from July 1998 to March 2011, he successively worked as the President of CMBC Beijing Shangdi Branch, member of CPC Committee & Deputy General Manager of Beijing Management Department, Secretary of the CPC Committee & President of Dalian branch, and Vice Chairman of Retail Management Committee at the head office & General Manager of Retail Banking Department; from March 2011 to March 2014, he successively served as the Director of Financial Business Department for micro and small-sized enterprises and President of Financial Business Department for small enterprises of Ping An Bank (formerly named as Shenzhen Development Bank); from March 2014 to October 2016, he successively worked as the Special Assistant to CEO and Vice General Manager of Ping An Securities, CRO and Chief Compliance Officer, etc.; from October 2016 to May 2017, he worked as the Special Assistant to Chairman of Ping An Bank; from May 2017 to April 2019, he was the assistant to the President of Ping An Bank; he has been a director of Ping An Bank since December 2017, and the Vice President of Ping An Bank since April 2019.

Mr. Xiang Youzhi, Executive Director, Vice President of the Bank and CFO.

Born in 1964, he is a doctor of management from Xiamen University, and is a senior accountant.

From July 1987 to September 1991, Mr. Xiang worked as a teaching assistant in Faculty of Economics and Management of East China Metallurgic Institute (now Anhui University of Technology); from September 1991 to July 1994, he got a master's degree in accounting from Xiamen University; from August 1994 to August 1995, he worked as a lecturer in Faculty of Economics and Management of East China Metallurgic Institute (now Anhui University of Technology); from September 1995 to August 1998, he pursued a doctorate in management from Xiamen University; from September 1998 to April 2007, he successively served as the Manager of the Accounting Department, assistant to General Manager, Deputy General Manager, and Deputy General Manager of Planning and Finance Department at the head office of China Merchants Bank; from April 2007 to July 2013, he successively worked as the Planning and Finance Director of Ping An Bank (formerly Shenzhen Development Bank), and also General Manager of Planning and Finance Management Department and General Manager of Asset and Liability Management Department of the Bank; from July 2013 to May 2014, he worked as General Manager of the Planning Department of China Ping An; from May 2014 to August 2017, he was Finance Director and General Manager of the Finance Department of China Ping An; he has worked in Ping An Bank since August 2017 and served as CFO of Ping An Bank since January 2018, Executive Director of Ping An Bank since January 2020, and Vice President and CFO of Ping An Bank since June 2020.

Corporate Governance

4.5 Directors, supervisors and senior management(Continued)

4.5.4 Professional background, main work experiences and current major responsibility in the company of incumbent directors, supervisors and senior management(Continued)

Mr. Yang Jun, Independent Director.

Born in 1958, Mr. Yang is a doctor of laws from Columbia University. He is a practicing lawyer in China and the State of New York, USA. Since September 2020, he has served as an independent director of Ping An Bank.

Mr. Yang once worked as a lawyer at Beijing Foreign Economy Law Firm, Marinoth Law Firm in America and American International Group, an executive director of Investment Banking Department of Goldman Sachs (Asia) L.L.C., Vice President of Investment Banking Department of Salomon Brothers, Managing Director of H&Q Asia Pacific in China and BOC International Holdings Limited, Vice Chairman of Hainan Bo'ao Investment Holdings Ltd., and an independent director of COSCO, Offshore Oil Engineering, CMB, Hainan Rubber and Former Ping An Bank. Since March 2003, he has served as a member of the council of China Soong Ching Ling Foundation.

Mr. Ai Chunrong, Independent Director.

Born in 1962, Mr. Ai holds a PhD in Economics from Massachusetts Institute of Technology, USA. He learned from Professor McFadden who won Nobel Memorial Prize in Economic Sciences in 2000. Currently, he is a professor of economics in the School of Economics and Management and a headmaster's chair professor in Chinese University of Hong Kong, Shenzhen. Since September 2020, he has served as an independent director of Ping An Bank.

From 1990 to 1991, Mr. Ai was a post-doctor in the National Bureau of Economic Research in the United States. From 1991 to 1994, he was an assistant professor of economics in the State University of New York at Stony Brook. From 1994 to July 2020, he was assistant professor, associate professor, professor and chair professor of economics in University of Florida. He was the Dean in the School of Statistics and Management of Shanghai University of Finance and Economics from 2006 to 2013, and Executive Vice Dean in the Institute of Advanced Research of Shanghai University of Finance and Economics from 2007 to 2015. From May 2015 to February 2020, he was the Dean in the Institute of Statistics and Big Data of Renmin University of China. He is now the Vice Dean of Shenzhen Finance Institute. He was selected as a Chang Jiang Chair Professor in 2005, a National Distinguished Expert in 2010, and a Fellow of the Econometric Society in 2021. He has been engaged in such fields as econometrics, applied microeconomics, empirical finance and China's economy.

Mr. Ye Wangchun, Chairman of the Supervisory Committee, Employee Supervisor.

Born in 1955, he is a member of the Communist Party of China and a doctor of management science and engineering from Huazhong University of Science and Technology. He serves as the Chairman of the Supervisory Committee of Ping An Bank.

From March 1973 to May 1987, Mr. Ye served as a loan officer, Deputy Director of the Office and Vice President of PBOC Hubei Honghu Branch. From May 1984 to November 1999, he served in ICBC as the Director of Hubei Jingzhou Central Sub-branch Office, Vice President, President and Secretary of the CPC Committee of Hubei Jingmen Branch, Director of Planning Department in Hubei Branch, and Vice President and Deputy Secretary of the CPC Committee of Wuhan Branch. From November 1999 to March 2007, he served in Hua Xia Bank as Office Director of head office, President and Secretary of the CPC Committee of Hangzhou Branch, General Manager of Human Resources and Education Department and Head of Organization Department in head office, and General Manager of the Business Department and Secretary of the CPC Committee in head office. From March 2007 to July 2012, he successively served as the Vice President and Acting President of the Former Ping An Bank. From July 2008 to June 2012, he served as the Executive Director of the Former Ping An Bank. From August 2012 to November 2015, he successively served as the Vice President and a Consultant from head office of Ping An Bank. From November 2015 to July 2016, he was the Chairman of Ping An Financial Technology. From August 2016 to November 2022, he successively served as the Chairman & CEO, Chairman and Executive Director of OneConnect. Since December 2022, he has worked in Ping An Bank.

Mr. Che Guobao, Supervisor of Shareholder.

Born in 1949, Mr. Che holds a bachelor's degree in construction machinery. Now, he is a shareholder, Legal Representative and Chairman of Shenzhen Yingzhongtai Investment Co., Ltd. He has been a supervisor of shareholder of Ping An Bank (former Shenzhen Development Bank) since December 2010.

Mr. Che served as the Vice Factory Director of Beijing Construction Light Steel Structure Factory from 1981 to 1982, Deputy Director General and Secretary of the CPC Committee of Shenzhen Shekou District Authority from 1983 to 1984, and Deputy General Manager of China Merchants Shekou Industrial Zone Holdings Co., Ltd. of Guangdong being responsible for investment promotion, finance, import & export trade, harbour service etc. from 1985 to 1991. He has been the Chairman, Legal Representative and a Shareholder of Shenzhen Yingzhongtai Investment Co., Ltd. since 1992.

Mr. Wang Chunhan, External Supervisor.

Born in 1951, Mr. Wang holds a junior college degree and is now a senior economist. He is now the external supervisor of Bank of Tibet. He has been an external supervisor of Ping An Bank since September 2020.

From May 1975 to March 1988, Mr. Wang successively worked as an accountant, an officer and Deputy Secretary of the Party branch at the office in Siwei Road of PBOC Wuhan Branch; Deputy Secretary (directing operations) and Secretary of the Party branch at the office in Chezhan Road; a leader at the Party Affairs Consolidation Office of the Branch, Deputy Director (directing operations) and Director (in the period from September 1983 to July 1985, he was studying in Jiangnan University) of Political Affairs Office of the Branch. He was the Vice President of PBOC Wuhan Branch from April 1988 to December 1997 (in the period from October 1994 to December 1997, he was also a member of the leadership team of Wuhan Municipal Government City Cooperative Bank and Director of the Construction Preparation Office). He was appointed as the Executive Vice Chairman, Secretary of the CPC Committee and President of Wuhan Commercial Bank from December 1997 to December 2000. He was the Chairman, Secretary of the CPC Committee and President of Wuhan Commercial Bank from December 2000 to December 2006. He was Chairman, and Secretary of the CPC Committee of Hankou Bank from December 2006 to July 2009 (Wuhan Commercial Bank was renamed as Hankou Bank in June 2008). He was a counsellor of the People's Municipal Government of Wuhan from July 2009 to May 2014. He has been an external supervisor of Bank of Tibet since December 2020. He was an independent director of Qishang Bank, Bank of Tibet and Ping An Bank respectively.

Corporate Governance

4.5 Directors, supervisors and senior management(Continued)

4.5.4 Professional background, main work experiences and current major responsibility in the company of incumbent directors, supervisors and senior management(Continued)

Mr. Wang Songqi, External Supervisor.

Born in 1952, Mr. Wang holds a PhD in economics. He is a professor and doctoral supervisor at the Graduate School of Science Academy of Social Sciences, and a part-time doctoral supervisor of Central University of Finance and Economics. He has been an external supervisor of Ping An Bank since September 2020.

Mr. Wang got his bachelor's degree in economics from the Financial Department of Jilin University of Finance and Economics in 1982, a master's degree in economics from Financial Department of Tianjin University of Finance and Economics in 1985 and a PhD from the Finance and Economics Department of Renmin University of China in 1988. He was a teacher at the Finance and Economics Department of Renmin University of China from August 1988 to December 1995. He has served as a research fellow both in National Academy of Economic Strategy and Institute of Finance and Banking under the Chinese Academy of Social Sciences since January 1996. From 1990, he was a member of the fourth council of China Society for Finance and Banking. He once worked as the Chairman of National Middle-aged and Young Financial Research Association. He is now an executive member of the sixth council of China Society for Finance and Banking. He receives special government allowances from the State Council. He served as an independent director of Ping An Bank.

Mr. Han Xiaojing, External Supervisor.

Born in 1955, Mr. Han got a master's degree in laws. He is a practicing lawyer in China and a founding partner of Commerce & Finance Law Offices in Beijing. He has been an external supervisor of Ping An Bank since September 2020.

Mr. Han got his bachelor's degree in laws from Zhongnan University of Economics and Law (old name: Hubei Finance and Economics College) in 1982 and his master's degree in laws from China University of Political Science and Law in 1985. He worked as a lecturer from 1985 to 1986 in China University of Political Science and Law. He served as a lawyer at China Legal Affairs Center from 1986 to 1992. Since 1992, he has been a partner of Commerce & Finance Law Offices, mainly engaged in securities, corporate restructuring / merger, banking, project financing, etc. He is now an independent non-executive director of China COSCO Holdings Company Limited, Far East Horizon Ltd., Vital Mobile Holdings Limited and Angelalign Technology Company Limited, and an external director of China National Aviation Fuel Group Corporation Limited. He served as an independent director of Ping An Bank.

Ms. Sun Yongzhen, Employee Supervisor.

Born in 1968, she received a master's degree in economics from Zhongnan University of Economics and Law and is now a senior economist. Now, she serves as the Chief Audit Executive and Deputy Secretary of Committee for Discipline Inspection of Ping An Bank. She has worked as an employee supervisor of Ping An Bank since October 2018.

From July 1993 to October 1996, Ms. Sun successively served as the senior staff member, principal staff member and deputy-director-general-level researcher of Capital Planning Department under PBOC, Shenzhen Special Economic Zone Branch; from October 1996 to February 2005, she successively served as the Deputy General Manager of Capital Planning Department, Deputy General Manager of Financial Institution Department and Deputy General Manager of Financial Interbank Department under Shenzhen Development Bank; from March 2005 to August 2017, she successively served as a researcher of Division I in the Joint Stock Bank Supervision Department, researcher of Policy and Regulation Department, head of the office of supervision, Director of Foreign Bank Supervision Department, and Director of HR Department (Director of Organization Department of the CPC Committee) in CBRC Shenzhen Branch; since August 2017, she has served as the Chief Audit Executive and Deputy Secretary of Committee for Discipline Inspection of Ping An Bank.

Ms. Deng Hong, Employee Supervisor.

Born in 1974, she is now the President of Ping An Bank Wuhan Branch. She has been an employee supervisor of Ping An Bank since November 2022.

From 1993 to 2001, Ms. Deng served as the senior staff member of Housing Reform Office directly under Hubei Province; from 2001 to 2004, she served as the principal staff member of Hubei Education Examinations Authority; from 2004 to 2009, she served as the Director of PBOC Wuhan Branch; from 2009 till now, she successively served as the head of Marketing Department of Corporate Banking Office under Business Department of Ping An Bank (former Shenzhen Development Bank) Wuhan Branch, head of Division 9 under the Marketing Department, President of Guanggu Sub-branch, Sales Director of Wuhan Branch, General Manager of Ping An Securities Hubei Branch, Vice President of Ping An Bank Wuhan Branch (directing operations), and President of Ping An Bank Wuhan Branch.

Mr. Ju Weiping, Vice President.

Born in 1963, he received a master's degree in MBA from Zhongnan University of Economics and Law.

From December 1980 to October 2000, Mr. Ju successively worked as loan officer, the Director of Business Department and President of Huaiyin District Sub-branch, Jinan Branch, Shandong, Agricultural Bank of China, and the Deputy General Manager of the Business Department of Shandong Branch; from October 2000 to November 2006, he successively served as the Vice President of SPDB Jinan Branch and the Vice President of SPDB Qingdao Branch; from December 2006 to November 2007, he worked as the General Manager of Ping An Annuity Insurance Company of China, Ltd., Qingdao Branch; from November 2007 to June 2010, he worked as the General Manager of Ping An Annuity Insurance Company of China, Ltd., Shandong Branch; from June 2010 to December 2012, he served as the General Manager of Ping An Annuity Insurance Company of China, Ltd., Beijing Branch; from December 2012 to March 2014, he worked as an assistant to the General Manager of Ping An Annuity Insurance Company of China, Ltd.; from March 2014 to December 2017, he served as the Deputy General Manager of Ping An Annuity Insurance Company of China, Ltd.; from December 2017 to June 2018, he served as Secretary of the CPC Committee of Ping An Bank Beijing Branch; from June 2018 to June 2020, he served as an assistant to the President of Ping An Bank and President of Ping An Bank Beijing Branch; since June 2020, he has served as Vice President of Ping An Bank and President of Ping An Bank Beijing Branch.

Mr. Zhou Qiang, Secretary of the Board.

Born in 1972, he majored in international finance in School of Finance of Nankai University and received a PhD in economics.

From July 2001 to April 2007, Mr. Zhou successively served as Business Manager of Investment Banking Division of Ping An Securities Co., Ltd., Deputy General Manager and General Manager of Investment Banking Management Department; from April 2007 to October 2011, he served as Deputy Director of Board Office and Securities Affairs Representative of China Ping An; from October 2011 to May 2014, he successively served as an assistant to the General Manager and Deputy General Manager of Ping An Securities. Since June 2014, he has served as secretary of the board of Ping An Bank.

Corporate Governance

4.5 Directors, supervisors and senior management(Continued)

4.5.5 Directors and supervisors' service status in shareholder units

| Name | Serving shareholder unit | Title | Term |
|--------------|---|---|-----------------------------|
| Xie Yonglin | Ping An Insurance (Group) Company of China, Ltd. | Executive director | From April 2020 till now |
| | | General manager | From December 2019 till now |
| | | Co-CEO | From December 2018 till now |
| | | Deputy secretary of the CPC Committee | From July 2018 till now |
| Chan Sin Yin | Ping An Insurance (Group) Company of China, Ltd. | Executive director | From April 2020 till now |
| | | Co-CEO | From December 2018 till now |
| | | Standing deputy general manager | From January 2016 till now |
| | Ping An Life Insurance Company of China, Ltd. | Non-executive director | From June 2013 till now |
| Cai Fangfang | Ping An Insurance (Group) Company of China, Ltd. | Deputy general manager | From December 2019 till now |
| | | CHRO | From March 2015 till now |
| | | Executive director | From July 2014 till now |
| | | Non-executive director | From December 2013 till now |
| Guo Jian | China Electronics Shenzhen Corporation | Chairman of Supervisory Committee | From November 2021 till now |
| Che Guobao | Shenzhen Yingzhongtai Investment Co., Ltd. | Chairman, legal representative, shareholder | From December 1992 till now |

4.5.6 Directors, supervisors and senior management staff's service status in other units besides shareholder units

| Name | Name of other entities | Title |
|--------------|--|------------------------------------|
| Xie Yonglin | Ping An International Financial Leasing Co., Ltd. | Non-executive director |
| | Ping An Annuity Insurance Company of China, Ltd. | Non-executive director |
| Hu Yuefei | Ping An Wealth Management Co., Ltd. | Chairman |
| | Ping An Property & Casualty Insurance Company of China, Ltd. | Non-executive director |
| Chan Sin Yin | Ping An Assets Management Co., Ltd. | Non-executive director |
| | Ping An Health Insurance Company of China, Ltd. | Non-executive director |
| | OneConnect Financial Technology Co., Ltd. | Non-executive director |
| | Ping An Healthcare and Technology Company Limited | Non-executive director |
| Cai Fangfang | Ping An Property & Casualty Insurance Company of China, Ltd. | Non-executive director |
| | Ping An Assets Management Co., Ltd. | Non-executive director |
| | Ping An Health Insurance Company of China, Ltd. | Non-executive director |
| Guo Jian | Shenzhen Municipal Committee of CPPCC | CPPCC member |
| | Shenzhen Chamber of Commerce for import & export | President |
| | Shenzhen Enterprise Confederation | Vice president |
| | China Electronics Corporation Information Service Co., Ltd. | Full-time Director |
| | Shenzhen Jingwah Electronics Co., Ltd. | Vice President |
| Yang Zhiqun | CET Electric Technology Inc. | Director |
| | Shenzhen Supply Chain Finance Association | President |
| | Shenzhen Banking Association | President of the 10th Council |
| Yang Jun | China Soong Ching Ling Foundation | Director |
| Ai Chunrong | CUHK-Shenzhen SME | Professor |
| Wang Chunhan | Bank of Tibet | External supervisor |
| Wang Songqi | Graduate School of Chinese Academy of Social Sciences | Professor and doctoral supervisor |
| | Institute of Finance & Banking of Chinese Academy of Social Sciences | Researcher |
| | Central University of Finance and Economics | Part-time doctoral supervisor |
| | Sixth China Society for Finance and Banking | Executive director |
| Han Xiaojing | Commerce & Finance Law Offices | Partner |
| | Sino-Ocean Group Holding Limited | Independent non-executive director |
| | Far East Horizon Ltd. | Independent non-executive director |
| | Vital Mobile Holdings Limited | Independent non-executive director |
| | Angelalign Technology Company Limited | Independent non-executive director |
| | China National Aviation Fuel Group Corporation Limited | External director |
| Ju Weiping | China Behavior Law Association | Director |
| | China Enterprise Reform and Development Society | Vice president |
| | Zhongnan University of Economics and Law | Guest professor |

Corporate Governance

4.5 Directors, supervisors and senior management(Continued)

4.5.7 Penalties imposed by securities regulatory authorities in past three years on directors, supervisors and senior management staff who were in-service or left their posts during the reporting period

Applicable Not applicable

4.6 Compensation for directors, supervisors and senior management staff

Decision-making process, determining bases and actual payment of compensation for directors, supervisors and senior management staff of the Bank: the compensation plan for the Bank's senior management staff was deliberated and approved by board meeting of the Bank. The compensation plan for the Bank's directors and supervisors was deliberated and approved by the general meeting of shareholders of the Bank after being deliberated and approved by the Board of Directors and Supervisory Committee respectively.

Compensation for directors, supervisors and senior management staff during the reporting period:

(In RMB'0000)

| Name | Title | Service status | Gender | Age | Total pre-tax compensation settled by the Bank during the reporting period | Whether receiving compensation from related parties of the Bank |
|--------------|--|----------------|--------|-----|--|---|
| Xie Yonglin | Chairman | In-service | Male | 54 | - | Yes |
| Hu Yuefei | Director and president of the Bank | In-service | Male | 60 | 336.71 | No |
| Chan Sin Yin | Director | In-service | Female | 45 | - | Yes |
| Cai Fangfang | Director | In-service | Female | 48 | - | Yes |
| Guo Jian | Director | In-service | Male | 58 | 32.90 | Yes |
| Yang Zhiqun | Director and vice president of the Bank | In-service | Male | 52 | 314.24 | No |
| Guo Shibang | Director and vice president of the Bank | In-service | Male | 57 | 400.04 | No |
| Xiang Youzhi | Director, vice president of the Bank and CFO | In-service | Male | 58 | 300.66 | No |
| Yang Jun | Independent director | In-service | Male | 64 | 41.42 | No |
| Ai Chunrong | Independent director | In-service | Male | 60 | 43.00 | No |
| Ye Wangchun | Chairman of the Supervisory Committee, employee supervisor | In-service | Male | 67 | 0.31 | No |
| Che Guobao | Supervisor of shareholder | In-service | Male | 73 | 32.20 | Yes |

| Name | Title | Service status | Gender | Age | Total pre-tax compensation settled by the Bank during the reporting period | Whether receiving compensation from related parties of the Bank |
|--------------|--|----------------|--------|-----|--|---|
| Wang Chunhan | External supervisor | In-service | Male | 71 | 35.80 | No |
| Wang Songqi | External supervisor | In-service | Male | 70 | 34.72 | No |
| Han Xiaojing | External supervisor | In-service | Male | 67 | 32.92 | No |
| Sun Yongzhen | Employee supervisor | In-service | Female | 54 | 258.01 | No |
| Deng hong | Employee supervisor | In-service | Female | 48 | 63.78 | No |
| Ju Weiping | Vice president of the Bank | In-service | Male | 59 | 263.94 | No |
| Zhou Qiang | Secretary of the Board | In-service | Male | 50 | 260.48 | No |
| Yao Jason Bo | Director | Left post | Male | 51 | - | Yes |
| Guo Tianyong | Independent director | Left post | Male | 54 | 43.86 | No |
| Yang Rusheng | Independent director | Left post | Male | 54 | 46.16 | No |
| Cai Hongbin | Independent director | Left post | Male | 55 | 44.07 | No |
| Qiu Wei | Chairman of the Supervisory Committee, employee supervisor | Left post | Male | 60 | 271.83 | No |
| Wang Qun | Employee supervisor | Left post | Female | 54 | 247.84 | No |

Notes:

(1) Directors Xie Yonglin, Chan Sin Yin, Cai Fangfang and Yao Jason Bo serve in and receive compensation from Ping An Insurance (Group) Company of China, Ltd., majority shareholder of the Bank. See the *2022 Annual Report of Ping An Insurance (Group) Company of China, Ltd.* for information about their compensation. Aforesaid persons did not receive compensation from the Bank.

(2) According to the *Supervisory Guidelines on Sound Compensation in Commercial Banks* and relevant regulations of the Bank, part payment of performance compensation for the Bank's senior management staff will be delayed. The delay period is 3 years. The total pre-tax compensation the Bank's senior management staff settled by the Bank included the performance compensation which is delayed and unpaid. And this part of performance compensation will be paid in a delayed manner by year in next 3 years.

(3) Compensations settled by the Bank during the reporting period by newly appointed staff or those who left post in the current year are calculated by their work time during the reporting period.

(4) The total pre-tax compensation of executive directors, employee supervisors and senior management staff who work for the Bank is to be confirmed and others will be disclosed separately after confirmation.

(5) As a member company of China Ping An, the Bank's senior management and some core personnel intend to voluntarily participate in the *Long-term Service Plan of Ping An Insurance (Group) Company of China, Ltd.* The source of funds is based on the amount of employee benefits payable and the final actual settlement is subject to the conditions specified in the Plan.

Equity incentive awarded to the company's directors and senior management staff during the reporting period

Applicable Not applicable

Corporate Governance

4.7 Remuneration management structure and decision-making procedures

The Board of Directors has Remuneration and Appraisal Committee; the independent directors are accounted for more than half of the members. The members of the Committee have professional knowledge. As per authorization of the Board of Directors, the Remuneration and Appraisal Committee performs its duties in accordance with the Articles of Association and the *Working Rules of the Remuneration and Appraisal Committee under the Board of Directors of Ping An Bank*. It mainly reviews the remuneration management system and policy of the Bank, drafts remuneration plan for directors and senior management staff, proposes suggestions on the remuneration plan to the Board of Directors, and supervises the implementation of the plan.

4.8 Evaluation and incentive mechanism of senior management staff

During the reporting period, the Bank made performance evaluation on senior management staff according to the completion of their individual annual work objectives and plans and those of the Bank, and the bonuses of senior management staff were closely linked to the assessment results. The Bank will continue to improve the performance evaluation and incentive and restraint mechanisms of senior management staff.

4.9 Implementation of responsibilities of directors during the reporting period

4.9.1 Conditions of the Board of Directors during the reporting period

| Session of meeting | Date of meeting | Disclosure date | Resolution of meeting |
|--|-----------------|-----------------|--|
| The 28th meeting of the 11th session of the Board of Directors | 13 January 2022 | 14 January 2022 | Deliberated and approved the Payment Plan of Dividends on Preference Shares and Report on the Progress of Stock Wealth Management Assets Disposal in the Fourth Quarter of 2021 |
| The 29th meeting of the 11th session of the Board of Directors | 9 March 2022 | 10 March 2022 | Deliberated and approved 2021 Annual Report and its Summary, Annual Profit Distribution Pre-plan, Annual Final Financial Report and Financial Budget Report, the Proposal for the Appointment of Accounting Firm for the year of 2022, Management Measures for Consolidated Financial Statements, Internal Control Self-Evaluation Report, Authorization to the operating management on Write-off and Disposal of Non-performing Assets, Sustainable Development Report, Work Report of the Board of Directors, Work Report of Independent Directors, Evaluation Report on the Performance of Directors, Comprehensive Risk Management Report, Risk Preference Statement, Annual Report on Related Party Transactions and Implementation of the Management System of Related Party Transactions, and the Compensation of Certain Senior Management Staff |
| The 30th meeting of the 11th session of the Board of Directors | 12 April 2022 | 13 April 2022 | Deliberated and approved 2022 Annual Institutional Development Plan, 2021 Annual Evaluation Report of Major Shareholders and Strong Shareholders, and Related Party Transactions with Ping An Insurance (Group) Company of China, Ltd. and OneConnect Financial Technology Co., Ltd. |
| The 31st meeting of the 11th session of the Board of Directors | 26 April 2022 | 27 April 2022 | Deliberated and approved 2022 First Quarterly Report, Revision of the Internal Audit Charter, Capital Management Plan (2022-2024), General Authorization to Issue Financial Bonds and Tier 2 Capital Bonds, 2021 Internal Capital Adequacy Assessment Report, 2021 Capital Adequacy Ratio Report, and 2022 Capital Adequacy Ratio Management Plan |
| The 32nd meeting of the 11th session of the Board of Directors | 6 June 2022 | 7 June 2022 | Deliberated and approved the Revision of the Articles of Association, Proposal on Holding 2021 Annual General Meeting and Report on Management of Consolidated Financial Statements for the year of 2021 |
| The 33rd meeting of the 11th session of the Board of Directors | 29 July 2022 | - | Reviewed related reports of Remuneration and Appraisal Committee |
| The 34th meeting of the 11th session of the Board of Directors | 17 August 2022 | 18 August 2022 | Deliberated and approved 2022 Interim Report Together with Its Summary, Adjustment of Authorization on Write-off and Disposal of Non-performing Assets, Comprehensive Risk Management Report for the First Half of the Year, 2022 Annual Recovery and Disposal Plan, and 2022 Incentive Plan for Certain Senior Management staff |

Corporate Governance

4.9 Implementation of responsibilities of directors during the reporting period(Continued)

4.9.1 Conditions of the Board of Directors during the reporting period(Continued)

| Session of meeting | Date of meeting | Disclosure date | Resolution of meeting |
|--|------------------|------------------|---|
| The 35th meeting of the 11th session of the Board of Directors | 24 October 2022 | 25 October 2022 | Deliberated and approved 2022 Third Quarterly Report, Report on the Evaluation of Consumer Protection Supervision in 2021 and the Next Key Work of Consumer Protection, Revision of the Management Measures for Related Party Transactions, Composition of the 12th Session of Board of Directors, Nomination of Candidates for Non-executive Director, Executive Director and Independent Director of the 12th Session of the Board of Directors, Report on Recourse Deduction in Performance Compensation for the year of 2021, and Proposal on Holding the First Extraordinary General Meeting in 2022 |
| The 1st meeting of the 12th session of the Board of Directors | 10 November 2022 | 11 November 2022 | Deliberated and approved the Proposal on Electing Mr. Xie Yonglin as the Chairman of the 12th session of the Board of Directors, and Establishment and Composition of the Special Committees of the 12th session of Board of Directors |
| The 2nd meeting of the 12th session of the Board of Directors | 23 December 2022 | 24 December 2022 | Deliberated and approved Adjustment of Authorization on Write-off and Disposal of Non-performing Assets, Revision of Management Measures for Recovery and Disposal Plan, and Related Party Transactions with Ping An Securities Co., Ltd. |
| The 3rd meeting of the 12th session of the Board of Directors | 29 December 2022 | 31 December 2022 | Deliberated and approved the Proposal on the Write-off of Corporate Engagement |

4.9.2 Participation of directors in the board meetings and shareholders' general meetings

Participation of directors in the board meetings and shareholders' general meetings

| Name of director | Number of participations in the board meetings during the reporting period | On-site attendance | Off-site attendance | Entrusted attendance | Absence | Failure to participate in the meetings for successive two times | Frequency of participating in shareholders' general meetings |
|------------------|--|--------------------|---------------------|----------------------|---------|---|--|
| Xie Yonglin | 11 | 7 | 4 | 0 | 0 | No | 2 |
| Hu Yuefei | 11 | 6 | 4 | 1 | 0 | No | 2 |
| Chan Sin Yin | 11 | 6 | 4 | 1 | 0 | No | 0 |
| Yao Jason Bo | 8 | 5 | 3 | 0 | 0 | No | 0 |
| Cai Fangfang | 11 | 7 | 4 | 0 | 0 | No | 0 |

| Name of director | Number of participations in the board meetings during the reporting period | On-site attendance | Off-site attendance | Entrusted attendance | Absence | Failure to participate in the meetings for successive two times | Frequency of participating in shareholders' general meetings |
|------------------|--|--------------------|---------------------|----------------------|---------|---|--|
| Guo Jian | 11 | 7 | 4 | 0 | 0 | No | 0 |
| Yang Zhiqun | 11 | 7 | 4 | 0 | 0 | No | 0 |
| Guo Shibang | 11 | 7 | 4 | 0 | 0 | No | 0 |
| Xiang Youzhi | 11 | 7 | 4 | 0 | 0 | No | 2 |
| Yang Jun | 11 | 7 | 4 | 0 | 0 | No | 0 |
| Ai Chunrong | 11 | 7 | 4 | 0 | 0 | No | 0 |
| Guo Tianyong | 11 | 7 | 4 | 0 | 0 | No | 0 |
| Cai Hongbin | 11 | 6 | 4 | 1 | 0 | No | 0 |
| Yang Rusheng | 11 | 7 | 4 | 0 | 0 | No | 2 |

Notes:

(1) According to the Bank's *Articles of Association*, there should be more than one-third independent directors among the members of the Board of Directors. Before the qualifications of independent directors of Mr. Wu Zhipan, Mr. Chen Su and Mr. Liu Feng are approved by CBIRC. Mr. Guo Tianyong, Mr. Cai Hongbin and Mr. Yang Rusheng, the independent directors of the 11th session of the Board of Directors, will continue to perform their duties as independent directors.

(2) Description of failure to participate in the meetings for successive two times by themselves: None.

4.9.3 Objections raised by the directors on related issues raised by the Company

Yes No

4.9.4 Other instructions on implementation of responsibilities of the directors

Are the suggestions related to the Bank proposed by the directors accepted?

Yes No

In 2022, the directors of the Bank made a number of comments and suggestions during the meeting and adjournment, which were accepted or responded by the Bank. The independent directors of the Bank actively, effectively and independently performed duties in accordance with the relevant laws, regulations, rules and requirements of the Bank's Articles of Association, made independent judgments and decisions on major issues, and gave objective and impartial independent opinions on a total of 18 items, thereby safeguarding the overall interests of the Bank, especially protecting the legal rights and interests of minority shareholders from being violated, and making due contributions to the corporate governance optimization and the construction, operation and management of the Board of Directors of the Bank.

Corporate Governance

4.10 Information about the special committees set under the Board of Directors during the reporting period

| Name of the committee | Members | Times of the meetings | Date of the meetings | Contents | Comments and suggestions | Other implementations of responsibilities | Details of objections |
|---|---|-----------------------|---|--|--|---|-----------------------|
| Strategic Development and Consumer Right Protection Committee of the 11th session of the Board of Directors | Xie Yonglin, Hu Yuefei, Chan Sin Yin, Yao Jason Bo, Cai Fangfang, Guo Jian, Ai Chunrong | 4 | 13 January 2022, | Deliberated and approved the Three-year Data Governance Plan (2022-2024), Capital Management Plan (2022-2024), General Authorization to Issue Financial Bonds and Tier 2 Capital Bonds, and Report on the Evaluation of Consumer Protection Supervision in 2021 and the Next Key Work of Consumer Protection. Listened to and reviewed the Report on Important Strategic Measures in 2022, Implementation Plan for the Consumer Rights Protection Work Schedule in 2022, and Notification on Consumer Complaints in the Banking Industry | The Committee agreed to the proposals in accordance with regulatory regulations and work rules, and made comments and suggestions on relevant work | | |
| | | | 9 March 2022, | | | | |
| Strategic Development and Consumer Right Protection Committee of the 12th session of the Board of Directors | Xie Yonglin, Hu Yuefei, Chan Sin Yin, Cai Fangfang, Fu Xin, Guo Jian, Ai Chunrong | | 26 April 2022, | | | | |
| | | | 24 October 2022 | | | | |
| Audit Committee of the 11th session of the Board of Directors | Yang Rusheng, Yao Jason Bo, Xiang Youzhi, Guo Tianyong, Ai Chunrong, Cai Hongbin | 8 | 8 March 2022, | Deliberated and approved Annual Report Together with Its Summary, Interim Report Together with Its Summary, Quarterly Report, Annual Financial Statements and Audit Report, Annual Profit Distribution Pre-plan, Annual Final Financial Report and Financial Budget Report, Annual Internal Control Self-Evaluation Report, Annual Internal Audit Work Report and Work Plan & Budget, Proposal for the Appointment of Accounting Firm for the year of 2022, Authorization on Write-off and Disposal of Non-performing Assets, Adjustment of Authorization on Write-off and Disposal of Non-performing Assets, Write-off of Corporate Engagement, Management Measures for Consolidated Financial Statements, Report on Management of Annual Consolidated Financial Statements, Revision of the Internal Audit Charter, Revision of Code of Conduct, Revision of the Guidance on Data Governance, and Revision of the Anti-money Laundering Management Measures. Listened to and reviewed Quarterly Agreed Procedure Report, Interim Review Report, Compliance Work Report, Internal Audit Report, Self Assessment Report on Data Governance and Risks of Money Laundering and Terrorism Financing, and Annual Practitioner Behavior Assessment Report | The Committee agreed to the proposals in accordance with regulatory regulations and work rules, and made comments and suggestions on relevant work | None | None |
| | | | 26 April 2022, | | | | |
| | | | 28 May 2022, | | | | |
| | | | 26 July 2022, | | | | |
| | | | 16 August 2022, | | | | |
| Audit Committee of the 12th session of the Board of Directors | Liu Feng, Fu Xin, Hu Jianfeng, Xiang Youzhi, Ai Chunrong, Wu Zhipan, Chen Su | | 24 October 2022, | | | | |
| | | | 23 December 2022, | | | | |
| | | | 28 December 2022 | | | | |
| Risk Management Committee of the 11th session of the Board of Directors | Yao Jason Bo, Yang Zhiqun, Guo Shibang, Yang Jun, Cai Hongbin | 5 | 25 January 2022, 8 March 2022, 26 April 2022, 16 August 2022, | Deliberated and approved Comprehensive Risk Management Report, Risk Preference Statement, Report on the Management of Interest Rate Risk in the Banking Book, Internal Capital Adequacy Assessment Report, Recovery and Disposal Plan, Evaluation Report on the Development of Derivatives Business and Risk Management, Revision of the Basic System of Business Continuity Management, and Revision of Management Measures for Recovery and Disposal Plan. Listened to and reviewed Liquidity Risk Management Report, Report on Quality of Liabilities Management, and Report on Revision of Management Measures for Collateral and Reputation Risks | The Committee agreed to the proposals in accordance with regulatory regulations and work rules, and made comments and suggestions on relevant work | | |
| | | | 22 December 2022 | | | | |
| Risk Management Committee of the 12th session of the Board of Directors | Fu Xin, Yang Zhiqun, Guo Shibang, Yang Jun, Chen Su | | | | | | |

| Name of the committee | Members | Times of the meetings | Date of the meetings | Contents | Comments and suggestions | Other implementations of responsibilities | Details of objections |
|--|--|-----------------------|---|--|--|---|-----------------------|
| Related Transaction Control Committee of 11th session of the Board of Directors | Yang Jun, Guo Shibang, Yang Rusheng | 5 | 25 January 2022, 8 March 2022, 30 March 2022, | Deliberated and approved Annual Report on Related Party Transactions and Implementation of the Management System of Related Party Transactions, Annual List of Related Parties, Revision of the Management Measures for Related Party Transactions, and Related Party Transactions with Ping An Life Insurance Company of China, Ltd., Shenzhen Wangliting Network Information Technology Co., Ltd., Ping An International Financial Leasing (Tianjin) Co., Ltd., Shenzhen Ping An Financial Services Co., Ltd., Ping An Insurance (Group) Company of China, Ltd., OneConnect Financial Technology Co., Ltd., Ping An Technology (Shenzhen) Co., Ltd. and Ping An Securities Co., Ltd. | The Committee agreed to the proposals in accordance with regulatory regulations and work rules, and made comments and suggestions on relevant work | | |
| Related Transaction Control Committee of 12th session of the Board of Directors | Ai Chunrong, Hu Jianfeng, Guo Shibang, Chen Su, Liu Feng | | 18 October 2022, 22 December 2022 | | | | |
| Nomination Committee of the 11th session of the Board of Directors | Guo Tianyong, Xie Yonglin, Cai Fangfang, Yang Jun, Ai Chunrong | 2 | 25 April 2022, 24 October 2022 | Deliberated and approved the Appointment of Mr. Tang Jiakai as an assistant to President and Chief Information Officer, Composition of the 12th Session of the Board of Directors, and Proposal on Nomination of Candidates for Non-executive Director, Executive Director and Independent Director of the 12th Session of the Board of Directors | The Committee agreed to the proposals in accordance with regulatory regulations and work rules, and made comments and suggestions on relevant work | None | None |
| Nomination Committee of the 12th session of the Board of Directors | Wu Zhipan, Xie Yonglin, Cai Fangfang, Yang Jun, Chen Su | | | | | | |
| Remuneration and Appraisal Committee of the 11th session of the Board of Directors | Cai Hongbin, Cai Fangfang, Guo Tianyong, Yang Rusheng | 5 | 8 March 2022, 25 April 2022, 26 July 2022, 16 August 2022, | Deliberated and approved the Compensation of Certain Senior Management Staff, the Incentive Plan for Senior Management Staff and Report on Recourse Deduction in Performance Compensation for the year of 2021. Listened to and reviewed the Report on Advance Payment of Annual Performance Bonus for Senior Management Staff, and Report on the Settlement of Annual Performance Bonus for Senior Management Staff | The Committee agreed to the proposals in accordance with regulatory regulations and work rules, and made comments and suggestions on relevant work | | |
| Remuneration and Appraisal Committee of the 12th session of the Board of Directors | Yang Jun, Cai Fangfang, Wu Zhipan, Liu Feng | | 18 October 2022 | | | | |

Note: The Bank held the 1st meeting of the 12th session of the Board of Directors on 10 November 2022, and deliberated and approved the Proposal on the Establishment and Composition of the Special Committees of the 12th session of Board of Directors. The appointments of Ms. Fu Xin, Mr. Hu Jianfeng, Mr. Wu Zhipan, Mr. Chen Su and Mr. Liu Feng in the Special Committees of the 12th session of Board of Directors take effect after their qualifications as directors are approved by CBIRC. Mr. Guo Tianyong, Mr. Cai Hongbin and Mr. Yang Rusheng, the independent directors of the 11th session of the Board of Directors, will respectively leave their posts on the date when the qualifications of independent directors of Mr. Wu Zhipan, Mr. Chen Su and Mr. Liu Feng are approved by CBIRC. Before leaving their posts, they shall respectively perform their respective responsibilities of the Special Committees mentioned above.

Corporate Governance

4.11 Information about the Supervisory Committee

Whether the Supervisory Committee found any risks in the company during the supervision activities during the reporting period

Yes No

The Supervisory Committee had no objection to the supervision issues during the reporting period.

4.11.1 Composition and working condition of the Supervisory Committee

During the reporting period, the Supervisory Committee, with its responsible attitude towards all shareholders and employees, fulfilled its duties, pursued diligence & responsibility, and conducted compliance operation according to the law in accordance with the Company Law, Securities Law, various guidelines of regulatory authorities, the Bank's Articles of Association, and various rules and regulations of the Supervisory Committee. A relatively comprehensive supervision system encompassing meeting supervision, strategic supervision, tour inspection and investigation supervision, performance evaluation supervision, external audit check supervision and communication and meeting supervision was set up, which positively promoted the robust development of the Bank's business, enhancement of risk control, and improvement of corporate governance structure.

The 11th Supervisory Committee set up 2 special committees: Audit and Oversight Committee and Nomination and Appraisal Committee. In 2022, the Supervisory Committee held 7 meetings of the Supervisory Committee and 7 meetings of special committees of the Supervisory Committee (including 4 meetings of Audit and Oversight Committee, and 3 meeting of Nomination and Appraisal Committee), and expressed opinions on the Bank's financial accounting, responsibility performances of directors, supervisors and executives, as well as related reports and conclusions. The Chairman of the Supervisory Committee and members of the Supervisory Committee also attended 7 meetings of the Board of Directors throughout the year, 14 meetings of the special committees of the Board of Directors and 2 shareholders' general meeting, directly participated in most of business line meetings, compliance, internal control and case preventing meetings and risk control meetings of the Bank, effectively exercised the performance supervision of the Board of Directors and the senior management, as well as the supervision of the Bank's financial management, risk management and internal control.

4.11.2 Working situation of external supervisors

During the reporting period, external supervisors of the Bank actively, effectively and independently performed supervisory duties in accordance with the relevant laws, regulations, rules and requirements of the Bank's Articles of Association, gave independent opinions, safeguarded the overall interests of the Bank, and made due contributions to the corporate governance optimization of the Bank, and improvement of the supervision mechanism.

Participation of external supervisors in the meetings of the Supervisory Committee:

| Name | Number of participations in the meetings of the Supervisory Committee during the reporting period | Attendance in person | Entrusted attendance | Absence | Failure to participate in the meetings for successive two times |
|--------------|---|----------------------|----------------------|---------|---|
| Wang Chunhan | 7 | 7 | 0 | 0 | No |
| Wang Songqi | 7 | 7 | 0 | 0 | No |
| Han Xiaojing | 7 | 7 | 0 | 0 | No |

4.12 Particulars about reception of researches, visits and interviews

During the reporting period, the Bank conducted a number of communications about the Bank's operations, financial position and other matters with the institutional investors through the results announcements, the analyst meeting and the acceptance of investor research, and individual investors could make inquiry by phone. The communications involved topics on the Bank's operations and development strategy, periodic reports and interim announcements and their explanations. In accordance with the requirements of the *Guidelines on Fair Information Disclosure of Shenzhen Stock Exchange Listed Companies*, the Bank and the parties subject to the information disclosure obligation have strictly followed the principle of fair information disclosure with no violation. The Bank's primary receptions of investors during the reporting period are as follows:

| Date | Location | Mode | Type of visiting party | Visiting party | Topics discussed and materials provided | Reference |
|-------------------|----------|-----------------------|------------------------|----------------------------------|---|---|
| 12 January 2022 | Shenzhen | Communication by call | Institution(s) | Foreign investor(s) | | |
| 6 February 2022 | Shenzhen | Onsite visit | Institution(s) | Domestic investor(s) | | |
| 10 March 2022 | Shenzhen | Onsite visit | Institution(s) | Domestic and foreign investor(s) | | |
| 21-25 March 2022 | Shenzhen | Communication by call | Institution(s) | Domestic and foreign investor(s) | | |
| 11 April 2022 | Shenzhen | Communication by call | Institution(s) | Domestic investor(s) | | |
| 17 May 2022 | Shenzhen | Communication by call | Institution(s) | Domestic and foreign investor(s) | Operations and development strategies, regular reports and interim announcements and their explanations of the Bank | CNINFO (http://www.cninfo.com.cn) |
| 19 May 2022 | Shenzhen | Communication by call | Institution(s) | Domestic investor(s) | | <i>Record Chart of Investor Relationship Activities of Ping An Bank Co., Ltd.</i> |
| 9 June 2022 | Shenzhen | Communication by call | Institution(s) | Domestic investor(s) | | |
| 14 July 2022 | Shenzhen | Communication by call | Institution(s) | Domestic investor(s) | | |
| 18 August 2022 | Shenzhen | Communication by call | Institution(s) | Domestic and foreign investor(s) | | |
| 1 September 2022 | Shenzhen | Communication by call | Institution(s) | Domestic investor(s) | | |
| 13 September 2022 | Shenzhen | Communication by call | Institution(s) | Foreign investor(s) | | |
| 8 October 2022 | Shenzhen | Communication by call | Institution(s) | Domestic investor(s) | | |
| 2 November 2022 | Shenzhen | Communication by call | Institution(s) | Foreign investor(s) | | |
| 10 November 2022 | Shenzhen | Communication by call | Institution(s) | Foreign investor(s) | | |
| 2 December 2022 | Shenzhen | Communication by call | Institution(s) | Domestic investor(s) | | |

Corporate Governance

4.13 Information about organizations and employees

4.13.1 Establishment of organizations

The Bank continued to promote the AI-enabled upgrade of its outlets and optimize its branch distribution and physical presence. At the end of 2022, the Bank had 109 branches (including Hong Kong Branch) and a total of 1,191 outlets. Information about the Bank's organizations (including head office, branches and special-purpose organizations) is as follows:

| Name | Address | Number of organizations | Asset size | Number of employees |
|---------------------------------------|--|-------------------------|------------|---------------------|
| Head office | No. 5047, Shennan East Road, Luohu District, Shenzhen | 1 | 2,124,616 | 6,643 |
| Shenzhen Branch | No. 1099, Shennan Middle Road, Futian District, Shenzhen | 102 | 686,241 | 4,382 |
| Shanghai Branch | No. 1333, Lujiazui Ring Road, Pudong New Area, Shanghai | 74 | 372,484 | 2,347 |
| Beijing Branch | No. 158, Fuxingmennei Street, Xicheng District, Beijing | 55 | 325,320 | 2,286 |
| Guangzhou Branch | Zhukong Commercial Building, No. 1, Huaqiang Road, Zhujiang New Town, Tianhe District, Guangzhou | 51 | 263,252 | 1,802 |
| Hangzhou Branch | Building 1, Ping An Financial Center, No. 280, Minxin Road, Jianggan District, Hangzhou | 32 | 157,627 | 1,634 |
| Wuhan Branch | No. 54, Zhongbei Road, Wuchang District, Wuhan | 28 | 86,508 | 945 |
| Nanjing Branch | No. 128, Shanxi Road, Gulou District, Nanjing | 31 | 84,703 | 1,016 |
| Shanghai Pilot Free Trade Zone Branch | No. 799, Yanggao South Road, Pudong New Area, Shanghai | 1 | 68,512 | 159 |
| Xi'an Branch | No. 240, Dongxin Street, Xincheng District, Xi'an | 19 | 59,548 | 646 |
| Foshan Branch | District Five, Foshan News Center, Yuhe Road, Foshan New City, Foshan | 29 | 56,301 | 868 |
| Hong Kong Branch | 42/F, Block 1, Exchange Square, Connaught Place 8, Hong Kong | 1 | 54,761 | 99 |
| Qingdao Branch | No. 28, Miaoling Road, Laoshan District, Qingdao | 21 | 53,356 | 650 |
| Chengdu Branch | No.99, Second Tianfu Street, Hi-tech Zone, Chengdu | 26 | 52,535 | 829 |
| Tianjin Branch | No. 349, Nanjing Road, Nankai District, Tianjin | 26 | 49,494 | 875 |
| Xiamen Branch | No. 82, Lianqian Sub-district, Zhanhong Road, Siming District, Xiamen | 18 | 49,282 | 473 |
| Zhengzhou Branch | No. 25, Business Outer Ring Road, Zhengdong New District, Zhengzhou | 24 | 48,671 | 683 |
| Changsha Branch | No. 106, Building T1, Binjiang Financial Center Phase II, No. 112, Chazishan East Road, Guanshaling Sub-district, Yuelu District, Changsha | 19 | 44,729 | 583 |
| Dalian Branch | No. 21, Ganglong Road, Zhongshan District, Dalian | 22 | 43,331 | 679 |
| Fuzhou Branch | No. 109, Wusi Road, Gulou District, Fuzhou | 30 | 43,073 | 650 |
| Ningbo Branch | No. 139, Haiyan North Road, Yinzhou District, Ningbo | 16 | 42,924 | 548 |
| Taiyuan Branch | No. 6, Bingzhou North Road, Yingze District, Taiyuan | 10 | 39,850 | 344 |

| Name | Address | Number of organizations | Asset size | Number of employees |
|---|--|-------------------------|------------|---------------------|
| Chongqing Branch | No. 778, Jingwei Avenue, Yuzhong District, Chongqing | 30 | 38,697 | 747 |
| Shenzhen Qianhai Branch | Building 28A, Qianhai Enterprise Dream Park, No. 63, Qianwan First Road, Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Shenzhen | 1 | 38,467 | 43 |
| Huizhou Branch | No. 8, Maidi East Road, Huicheng District, Huizhou | 7 | 36,930 | 310 |
| Kunming Branch | No. 1101, Dianchi Road, Kunming Dianchi National Tourist Resort, Kunming | 19 | 31,275 | 712 |
| Dongguan Branch | Block A, Fortune Plaza, Hongfu Road, Nancheng District, Dongguan | 10 | 30,293 | 475 |
| Zhuhai Branch | No. 288, Hongshan Road, Xiangzhou District, Zhuhai | 11 | 27,597 | 351 |
| Wenzhou Branch | Podium Building of Hezhong Building, No. 168, Shifu Road, Nanhui Street, Lucheng District, Wenzhou | 22 | 27,009 | 470 |
| Nanchang Branch | Ruituoronghe Building, No. 88, Shangdu Road, Honggutan New District, Nanchang | 10 | 26,592 | 320 |
| Shijiazhuang Branch | No. 78, Xinhua Road, Xinhua District, Shijiazhuang | 15 | 26,494 | 448 |
| Wuxi Branch | No. 670, Zhongshan Road, Wuxi | 12 | 26,470 | 283 |
| Suzhou Branch | No. 89, Suxiu Road, Suzhou Industrial Park, Suzhou | 15 | 26,328 | 342 |
| Hefei Branch | No. 999, Dongliu Road West, Shushan District, Hefei | 9 | 26,148 | 422 |
| Jinan Branch | No. 13777, Jingshi Road, Lixia District, Jinan | 14 | 23,975 | 547 |
| Guiyang Branch | Jincheng Street, Guanshanhu District, Guiyang | 7 | 21,551 | 257 |
| Shenyang Branch | No. 34, Taian Road, Heping District, Shenyang | 11 | 18,566 | 326 |
| Haikou Branch | No. 22, Jinlong Road, Longhua District, Haikou | 10 | 15,970 | 358 |
| Nanning Branch | B101-109, Jiuzhou International Building, No. 9, Zhongxin Road, Qingxiu District, Nanning | 6 | 15,790 | 234 |
| Quanzhou Branch | Lianjie International Center Building, No. 109, Binghai Street, Fengze District, Quanzhou | 17 | 15,188 | 325 |
| Changzhou Branch | No. 288, Feilong East Road, Changzhou | 11 | 14,209 | 233 |
| Yantai Branch | No. 96, Huanshan Road, Zhifu District, Yantai | 9 | 10,844 | 124 |
| Zhongshan Branch | No. 1, Xingzheng Road, East District, Zhongshan | 10 | 10,829 | 283 |
| Yiwu Branch | No. 877, Chengbei Road, Yiwu | 9 | 10,636 | 182 |
| Guangdong Pilot Free Trade Zone Nansha Branch | No. 106, Fengze East Road, Nansha District, Guangzhou | 1 | 10,270 | 26 |
| Weifang Branch | No. 343, Dongfeng East Street, Kuiwen District, Weifang | 4 | 9,952 | 98 |
| Shaoxing Branch | No. 711-713, Jiefang Avenue, Shaoxing | 5 | 9,093 | 112 |
| Dongying Branch | No. 55, Fuqian Street, Dongying District, Dongying | 2 | 9,037 | 49 |

Corporate Governance

4.13 Information about organizations and employees(Continued)

4.13.1 Establishment of organizations(Continued)

| Name | Address | Number of organizations | Asset size | Number of employees |
|--|--|-------------------------|------------|---------------------|
| Nantong Branch | No. 38, Yuelong Road, Chongchuan District, Nantong | 4 | 7,342 | 156 |
| Taizhou Branch | No. 181, Baiyunshan South Road, Taizhou Economic Development Zone, Taizhou | 9 | 7,114 | 133 |
| Sanya Branch | No. 128, Xinfeng Road, Jiyang District, Sanya | 2 | 6,511 | 35 |
| Chongqing Pilot Free Trade Zone Branch | No. 1, Caifu Avenue, Yubei District, Chongqing | 1 | 6,437 | 8 |
| Hohhot Branch | 1-3/F, Block A, Ulan Fortune Plaza, No. 56, Ruyihe Street, Ruyi Development Zone, Hohhot | 3 | 6,384 | 153 |
| Linyi Branch | No. 10, Jinqueshan Road, Lanshan District, Linyi | 4 | 6,370 | 87 |
| Tianjin Pilot Free Trade Zone Branch | Building 1, Ronghe Plaza, No. 168, Xisi Road, Tianjin Pilot Free Trade Zone (Tianjin Airport Economic Area), Tianjin | 1 | 5,955 | 34 |
| Xuzhou Branch | No. 2, Xi'an North Road, Xuzhou | 2 | 5,877 | 93 |
| Harbin Branch | No. 193, Zhongshan Road, Nangang District, Harbin | 1 | 5,796 | 142 |
| Taizhou Branch | No. 39, Qingnian South Road, Hailing District, Taizhou | 3 | 5,531 | 149 |
| Tangshan Branch | No. 31, Xinhua West Street, Lubei District, Tangshan | 4 | 5,366 | 88 |
| Mianyang Branch | No. 116, Northern Section of Huoju West Street, Hi-tech Zone, Mianyang | 2 | 5,243 | 42 |
| Changchun Branch | 1-5/F, Building 9, No.10606, Renmin Street, Nangan District, Changchun | 1 | 4,928 | 134 |
| Lanzhou Branch | No. 4286, Yantan Road, Chengguan District, Lanzhou | 3 | 4,913 | 149 |
| Huzhou Branch | No. 72, Lianjiaxiang Road, Building 1, Shangzuo, Tianyuanyicheng, Huzhou | 3 | 4,910 | 70 |
| Urumqi Branch | 1/F, Tower B, Urumqi Evening News Media Building, No. 1119, Huizhan Avenue, Shuimogou District, Urumqi | 2 | 4,745 | 135 |
| Zhangzhou Branch | Liyuan Plaza, Eastern Section of Nanchang Road, Xiangcheng District, Zhangzhou | 6 | 4,701 | 74 |
| Langfang Branch | F4, New World Center Office Building, Aimin East Road, Guangyang District, Langfang | 3 | 4,419 | 64 |
| Luoyang Branch | No. 55, Binhe South Road, Luolong District, Luoyang | 3 | 4,388 | 71 |
| Jingzhou Branch | Fengtai Mansion, Beijing Road, Shashi District, Jingzhou | 5 | 4,011 | 69 |
| Yinchuan Branch | 1/F, Zhonghuan Building, No.619, Shanghai East Road, Xingqing District, Yinchuan | 1 | 3,901 | 114 |
| Liuzhou Branch | No. 1-17 to No. 1-19, 1/F, MixC Shopping Mall, No.17, Wenchang Road, Liuzhou | 1 | 3,630 | 46 |

| Name | Address | Number of organizations | Asset size | Number of employees |
|---|---|-------------------------|------------|---------------------|
| Zhenjiang Branch | Building 9, Ruixiang Garden, No. 8, Hejiawan Road, Runzhou District, Zhenjiang | 1 | 3,562 | 61 |
| Yancheng Branch | Fenghuang Culture Plaza, No. 611, Century Avenue, Yancheng | 2 | 3,559 | 84 |
| Leshan Branch | No. 358, Southern Section of Chunhua Road, Shizhong District, Leshan | 4 | 3,358 | 46 |
| Guangdong-Macao In-Depth Cooperation Zone in Hengqin Branch | Block 2, Phase I, Hengqin International Business Center, No. 3018, Huandao East Road, Hengqin New Area, Zhuhai | 1 | 3,337 | 13 |
| Baoding Branch | Office Commercial Building, Jinguan Mansion, No. 588, Chaoyang North Avenue, Jingxiu District, Baoding | 2 | 3,329 | 54 |
| Yichang Branch | Zhongxing Plaza, No. 179, Yiling Avenue, Wujiagang District, Yichang | 3 | 3,302 | 49 |
| Xiangyang Branch | No. 10, Chunyuan West Road, Xiangyang | 4 | 3,064 | 64 |
| Jining Branch | Huiji Central Building, Junction of Guanghe Road and Gongqingtuan Road, Jining | 2 | 3,036 | 57 |
| Kaifeng Branch | No. 169, Jinming Avenue, Kaifeng | 2 | 3,029 | 39 |
| Zibo Branch | Zhongrun Comprehensive Building, No. 1, Zhongrun Avenue, High-tech District, Zibo | 3 | 2,848 | 61 |
| Nanyang Branch | Wanda International, Junction of Zhongzhou Road and Yong'an Road, Wolong District, Nanyang | 2 | 2,726 | 38 |
| Cangzhou Branch | Tianchi International Business Office Building, South-western Corner of Junction of Shanghai Road and Jilin Avenue, Yunhe District, Cangzhou | 2 | 2,699 | 51 |
| Putian Branch | Room 101, No. 521, Meiyuan East Road, Zhenhai Sub-district, Licheng District, Putian | 2 | 2,517 | 43 |
| Rizhao Branch | No. 89, Taian Road, Rizhao | 3 | 2,381 | 34 |
| Weihai Branch | No. 75, Qingdao North Road, Weihai, Shandong | 3 | 2,370 | 45 |
| Yangzhou Branch | No. 447, Jiangyang Middle Road, Yangzhou | 2 | 2,322 | 74 |
| Wuhu Branch | 1-2/F, Podium Building, Weixing Times Financial Center at the intersection of Beijing Middle Road and Jiuhua Middle Road, Jinghu District, Wuhu | 3 | 2,196 | 52 |
| Zunyi Branch | 1/F, Tian'an Mansion, Xiamen Road, Huichuan District, Zunyi | 2 | 2,148 | 53 |
| Ganzhou Branch | Building 9, Yangming International Center, No. 18 Xinganzhou, Ganzhou, Jiangxi | 3 | 2,116 | 55 |
| Xianyang Branch | No. 2, Dingcheng Garden, No. 11, Renmin East Road, Weicheng District, Xianyang | 1 | 1,897 | 31 |
| Hengyang Branch | Room 1104, 1/F, Hengyang Shenguo Commercial Center, No. 21, Jiefang Avenue, Zhengxiang District, Hengyang | 3 | 1,867 | 37 |

Corporate Governance

4.13 Information about organizations and employees(Continued)

4.13.1 Establishment of organizations(Continued)

| Name | Address | Number of organizations | Asset size | Number of employees |
|---|--|-------------------------|------------|---------------------|
| Jinzhong Branch | No. 1, East Region of Yujing City Garden Phase II, No. 233, Xinjian North Road, Yuci District, Jinzhong | 2 | 1,806 | 35 |
| Fuyang Branch | 1-2/F, Building S1, Yijing Education Square, No. 666, Junction of Yinghuai Avenue and Huaihe Road, Yingzhou District, Fuyang | 1 | 1,785 | 44 |
| Yueyang Branch | Room 109A, 1/F, Building 2, Garden Mansion, No. 9, Jin'e Middle Road, Yueyanglou District, Yueyang | 3 | 1,641 | 45 |
| Tai'an Branch | No. 286-1, Dongyue Street, Taishan District, Tai'an | 2 | 1,596 | 43 |
| Shantou Branch | No. 107 and No. 206-108, North Tower, Huarun Mansion, No. 95, Changping Road, Shantou | 2 | 1,429 | 64 |
| Zhanjiang Branch | Shop No. 01, 1/F, Huanlejia Mansion, Urban Highland Garden, No. 71, Middle Renmin Avenue, Zhanjiang Economic and Technological Development Zone, Zhanjiang | 1 | 1,409 | 52 |
| Changde Branch | Room 103, 1/F, Dingfeng Fortune Plaza, No. 448, Longgang Road, Wuling District, Changde | 1 | 1,226 | 30 |
| Handan Branch | 2/F, Chuangxin Sunshine New World, No.81, Dongliu North Street, No.455, Renmin East Road, Congtai District, Handan | 1 | 1,221 | 45 |
| Deyang Branch | New Era Plaza, No. 308, First Section of Changjiang West Road, Deyang | 2 | 1,204 | 32 |
| Xinxiang Branch | Yingbin building, No. 680, Jinsui Avenue (East), Hongqi District, Xinxiang | 1 | 1,174 | 40 |
| Branch in Xiamen Area of Fujian Pilot Free Trade Zone | No. 99, Xiangyu Road, Huli District, Xiamen | 1 | 1,128 | 9 |
| Baotou Branch | 1/F, 2/F and 4/F, No.4-1, Steel Street, Qingshan District, Baotou | 1 | 1,041 | 35 |
| Jiujiang Branch | No. 239, Lushan South Road, Jiujiang | 1 | 1,020 | 29 |
| Honghe Branch | No. 101 and 205, Building 3, Jin'an Pincheng, Junction of Chaoyang Road and Xuehai Road, Mengzi, Honghe Hani and Yi Autonomous Prefecture | 2 | 858 | 29 |
| Anshan Branch | 27A, Shengli South Road, Tiedong District, Anshan | 1 | 646 | 35 |
| Jiangmen Branch | Room 108-112, Junjingwan Building, No. 79, Fazhan Avenue, Pengjiang District, Jiangmen | 1 | 586 | 36 |
| Branch in Fuzhou Area of Fujian Pilot Free Trade Zone | No. 68-1, Jiangbin East Avenue, Mawei Town, Mawei District, Fuzhou | 1 | 528 | 6 |
| Huanggang Branch | Shop 101 and 106, Building 1, Phase I, Yakun Dijing, No. 17, Zhonghuan Road, Huangzhou District, Huanggang | 1 | 387 | 28 |
| Qingdao Free Trade Zone Branch | No. 75, Honghe Road, Huangdao District, Qingdao | 1 | 66 | 3 |

| Name | Address | Number of organizations | Asset size | Number of employees |
|--|---|-------------------------|------------|---------------------|
| Treasury Operation Center | No. 1333, Lujiazui Ring Road, Pudong New Area, Shanghai | 1 | 66,426 | 66 |
| Automobile Consumption Financial Center (sub-center inclusive) | 20/F, Rongchao Mansion, No. 4036, Jintian Road, Futian Central District, Fuzhong Community, Lianhua Sub-district, Futian District, Shenzhen | 61 | 324,557 | 870 |
| Credit Card Center (sub-center inclusive) | No. 1, Liyumen Street, Qianwan First Road, Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Shenzhen | 76 | 562,859 | 1,992 |
| Total | | 1,191 | / | 43,873 |

Notes:

- (1) The number of organizations was counted according to the business licenses.
- (2) The netting amount for branch current payments was not deducted from the "Asset size" above.

4.13.2 Information about employees

At the end of 2022, the total number of in-service employees of the Group was 44,207 (including employees on secondment). The number of retired ex-employees who shall receive pensions was 84. The total number of in-service employees of Ping An Wealth Management, the Bank's wholly-owned subsidiary, was 334. Professional composition: 32,402 business personnel, 6,910 financial and operating personnel, 2,843 management and operation personnel and 2,052 supporting administrative and other personnel. Education distribution: 90.78% of the personnel hold bachelor's degrees or higher degrees. 99.43% of the personnel have college degrees or higher degrees.

(1) Employee compensation policy

To support the Bank's medium and long-term strategic development goals, and to give full play to compensation resources' guiding effects on strategic transformation requirements and stimulation of business vitality, by improving compensation incentive mechanism and reasonably designing compensation structure and level, the Bank has developed a compensation policy, which is "market-oriented and follows the principle of paying compensations based on posts and bonuses on performance and determining long-term incentives based on long-term business performance and banking market value".

On the basis of good corporate governance requirements, the Bank has brought risk factors into incentive mechanism for assessment and appraisal. The Bank has set multidimensional indexes to comprehensively evaluate the performance of each business unit. A linkage mechanism of compensation resources with assessment results was also established. At the same time, the Bank has set up a linkage mechanism of employee bonuses with individual performance, department performance and organization performance to fully arouse the enthusiasm of organizations and employees.

To better prevent risks, improper incentives or over incentives, the Bank has performed the plan of delay and recourse deduction in performance compensation. Personnel who are related to this plan are all senior management staff, other management staff associated with risk management and market frontline staff. The period of the delay payment of performance compensation matches with the period of risk exposure. And according to risk index implementation, the nature and effect of risk exposure events and so on, it will be decided whether the payment will be made or how much the payment proportion will be when the delay period expires.

Corporate Governance

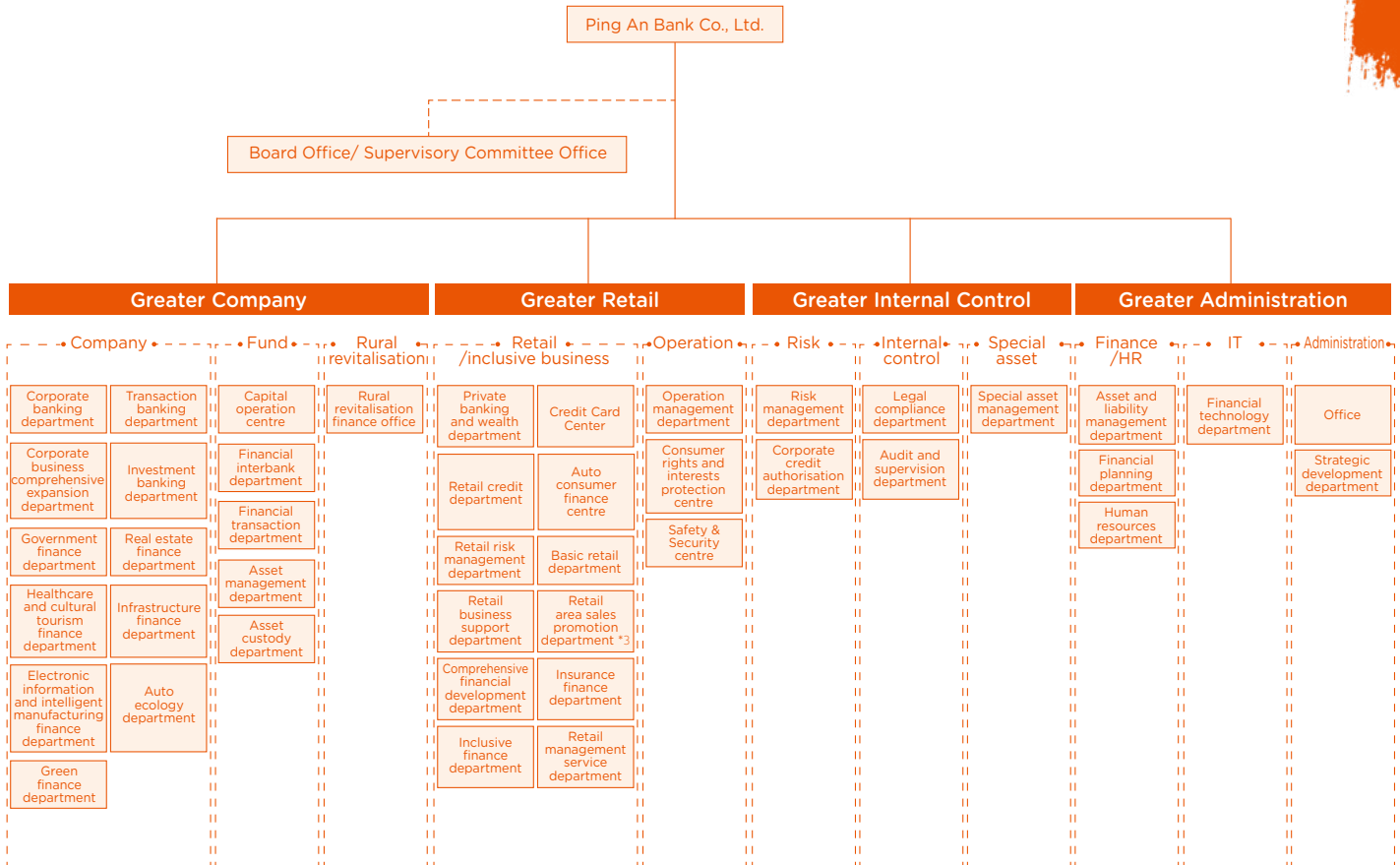
4.13 Information about organizations and employees(Continued)

4.13.2 Information about employees(Continued)

(2) Employee cultivating and development

In 2022, with the goal of improving the professional and technological capabilities, the Bank planned and implemented new talent and potential talent training in a unified way and consolidated the construction of talent echelon. The Bank further upgraded the technology certification and improved the staff's consciousness and capability of transformation and innovation. The Bank organized more than 9,000 professional capability improvement trainings for all levels and types of employees, covering strategic culture, business skills, management capabilities, FinTech, compliance risk and other fields, to comprehensively enable personal growth and professional progress.

4.14 Department setting at the end of the reporting period



Corporate Governance

4.15 Profit distribution of ordinary shares and capital reserve converted into share capital of the company

4.15.1 Formulation, implementation or adjustment of profit distribution policy, particularly cash dividends policy during the reporting period

The Bank deliberated and approved the *Plan of Returns to Shareholders of Ping An Bank Co., Ltd. for the period from 2021 to 2023* at the Annual Shareholders' General Meeting of 2020 held on 8 April 2021. From 2021 to 2023, the profit distributed in cash every year is between 10% and 30% of the distributable profit achieved in the current year. The Bank is currently in a mature stage with major capital expenditure arrangements. From 2021 to 2023, on the premise that the company's capital adequacy ratio meets the regulatory requirements, when the company distributes the dividends by way of cash or stock or a combination of both, the proportion of cash dividends in the current year's profit distribution is not less than 40% (including 40%).

The 2022 profit distribution proposal is as follow:

In 2022, the audited net profit of the Bank was RMB43,633 million, and the profit available for distribution was RMB190,327 million. According to the above profit situation and relevant national regulations, the Bank has distributed the following profits for 2022 as below:

1. The statutory surplus reserve balance of the Bank has exceeded 50% of the share capital, and the statutory surplus reserve will not be withdrawn for the time being.
2. The provision for general risk will be withdrawn based on the difference of 1.5% of the balance of risk assets at the end of the period, amounting to RMB5,301 million.

After the above profit distribution, the Bank's provision for general risk was RMB62,384 million, and the balance of undistributed profit was RMB185,026 million as of 31 December 2022.

3. Taking into account factors such as shareholders' returns on investment, the regulatory authorities' requirements on capital adequacy ratio and the sustainable development of the Bank's businesses, in addition to the above statutory profit distribution, the Bank proposes to distribute cash dividends of RMB2.85 (tax inclusive) for every 10 shares based on the total share capital of 19,405,918,198 shares as of 31 December 2022, with a total cash dividend of RMB5,531 million. After the cash dividend was distributed, the remaining undistributed profit of the Bank was RMB179,495 million.

The above proposal has been approved at the 2022 Annual General Meeting of Shareholders.

The profit distribution proposal of the Bank for 2021 was based on the total share capital of 19,405,918,198 of the Bank as at 31 December 2021, and cash dividends of RMB2.28 (tax inclusive) were distributed to all shareholders for every 10 shares. There was no proposal to issue bonus shares or to convert reserve funds into share capital. The Bank issued the *Announcement on the Implementation of 2021 Annual Interest Distribution of Ping An Bank Co., Ltd.* on 15 July 2022. The date of record of the profit distribution was 21 July 2022 and the ex-dividend date was 22 July 2022. The profit distribution proposal of the Bank for 2021 was implemented during the reporting period.

Special description of cash dividend policy

| | |
|--|-----|
| Whether it complies with the provisions of the Articles of Association or the requirements of resolutions of the Shareholders' General Meeting: | Yes |
| Whether the dividend standards and proportions are definite and clear: | Yes |
| Whether the relevant decision-making processes and mechanisms are complete: | Yes |
| Whether the independent directors perform their duties and play their due role: | Yes |
| Whether the minority shareholders have the opportunity to fully express their opinions and demands and whether their legitimate rights and interests are adequately protected: | Yes |
| Whether the conditions and procedures for adjusting and changing the cash dividend policy are compliant and transparent: | Yes |

4.15.2 Table of cash dividends on ordinary shares in recent three years

(In RMB million)

| Dividend-receiving year | Amount of cash dividends (tax inclusive) | Net profit attributable to shareholders of the Bank in the dividend-receiving year | Proportion accounting for net profit attributable to shareholders of the Bank | Amount of cash dividends in other ways | Proportion of cash dividends in other ways |
|-------------------------|--|--|---|--|--|
| 2022 | 5,531 | 45,516 | 12.15% | N/A | N/A |
| 2021 | 4,425 | 36,336 | 12.18% | N/A | N/A |
| 2020 | 3,493 | 28,928 | 12.07% | N/A | N/A |

4.15.3 During the reporting period, the Bank has profits and the parent company has positive undistributed profits, however, the pre-plan for cash dividends distribution is not proposed

Applicable Not applicable

Corporate Governance

4.15 Profit distribution of ordinary shares and capital reserve converted into share capital of the company(Continued)

4.15.4 Pre-plan of profit distribution and capital reserve converted into share capital during the reporting period

Applicable Not applicable

| | |
|--|-----------------|
| Number of bonus shares per 10 ordinary shares (share) | - |
| Number of dividends per 10 ordinary shares (RMB) (inclusive of tax) | 2.85 |
| Number of shares converted by capital reserve per 10 ordinary shares (share) | - |
| Base of share capital in distribution pre-plan (share) | 19,405,918,198 |
| Total cash dividends (RMB) (inclusive of tax) | 5,530,686,686 |
| Distributable profit (RMB) | 190,326,734,414 |
| Proportion of cash dividends to total profit distribution | 100% |

Conditions of the cash dividends

If the company has developed to a mature stage and there are major capital expenditure arrangements, when distributing profits, the proportion of cash dividends to the profit distribution shall be at least 40%.

Description of details on pre-plan of profit distribution or capital reserve converted into share capital

2022 annual profit distribution pre-plan of Ping An Bank Co., Ltd.: based on the total share capital of 19,405,918,198 shares of the Bank as at 31 December 2022, cash dividends of RMB2.85 (inclusive of tax) were distributed to all shareholders for every 10 shares. There was no proposal to issue bonus shares or to convert reserve funds into share capital. The pre-plan shall be reviewed and approved by the Bank at the 2022 Annual Shareholders' General Meeting.

4.16 During the reporting period, there were no equity incentive plan, employee stock ownership plan or other incentive measures for employees and their implementation for the Bank

4.17 Construction and implementation of internal control system during the reporting period

4.17.1 Construction and implementation of internal control

In 2022, the Bank continued to optimize its internal control management system and improve the level of internal control management. First, the legal compliance department of the headquarter and branches, as the functional department of internal control management of the Bank, took the lead in the overall planning of the internal control management system of the Bank, and optimized and improved the internal control management policies, frameworks, tools, processes, operation norms, etc.. Second, the Bank upgraded and improved the departmental control and inspection system by applying technological means to enhance the refinement, digitalization and intelligence of management tools. Third, the Bank regularly reviewed the implementation of internal control management of business departments. Fourth, the Bank followed up and monitored the internal control management status and strengthened the effectiveness of internal control management. Fifth, the Bank promoted the construction of internal control management culture and cultivated a favorable culture of internal control of enterprises.

4.17.2 Details about significant deficiencies found in the internal control during the reporting period

Yes No

4.18 Management control over subsidiaries

| Company name | Integration plan | Integration progress | Problems encountered | Measures taken | Progress of resolution | Subsequent resolution plans |
|-------------------------------------|------------------|----------------------|----------------------|----------------|------------------------|-----------------------------|
| Ping An Wealth Management Co., Ltd. | N/A | N/A | N/A | N/A | N/A | N/A |

Corporate Governance

4.19 Internal control self-evaluation report or internal control audit report

4.19.1 Internal control self-evaluation report

| | |
|--|--|
| Disclosure date of internal control self-evaluation report | 9 March 2023 |
| Disclosure index of internal control self-evaluation report | CNINFO http://www.cninfo.com.cn |
| The proportion of total assets included in the evaluation scope in those of the company's consolidated financial statement | 100% |
| The proportion of operating revenue included in the evaluation scope in that of the company's consolidated financial statement | 100% |

Identification standard for deficiencies

| Type | Financial report | Non-financial report |
|----------------------|---|--|
| Qualitative standard | <p>Material deficiency: It may have or has caused a significant amount of misstatement of financial report;</p> <p>Significant deficiency: It may have or has caused a larger amount of misstatement of financial report;</p> <p>General deficiency: It may have or has caused a smaller amount of misstatement of financial report.</p> | <p>Material deficiency: 1. It has a serious impact on the realization of the Bank's overall control objectives; 2. It may have or has caused a significant amount of financial loss; 3. It is in violation of the relevant laws and regulations or regulatory requirements and the circumstances are very serious, thus causing severe punishment from the regulatory authorities or other very serious legal consequences; 4. It may lead to serious business or service problems, affecting a number of key products or causing failure in the provision of services to key customers; 5. It has a wide range of negative impacts, thus causing widespread public concern at home and abroad, and having serious negative impacts on the Bank's reputation and stock price.</p> <p>Significant deficiency: 1. It has a certain impact on the realization of the Bank's overall control objectives; 2. It may have or has caused a larger amount of financial loss; 3. It is in violation of the relevant laws and regulations as well as regulatory requirements and the circumstances are serious, thus causing more serious punishment from the regulatory authorities or other more serious legal consequences; 4. It may lead to business or service problems, causing a significant decline in the quality of one or several key products or the services provided to key customers; 5. The negative impact spreads in and out of the industry, thus causing public concern, and bringing a greater negative impact on the Bank's reputation in some areas.</p> <p>General deficiency: 1. It has a slight impact or basically no impact on the realization of the Bank's overall control objectives; 2. It may have or has caused a smaller amount of financial loss; 3. It is in violation of the relevant laws and regulations or regulatory requirements, and the circumstances are minor, thus causing lighter punishment from the regulatory authorities or other minor legal consequences; 4. It may lead to business or service problems, affecting one or several key products/key customer groups; the impact can be immediately controlled; 5. The negative impact is limited to a certain range, the degree of public concern is lower, and it brings a smaller negative impact on the Bank's reputation.</p> |

| Type | Financial report | Non-financial report |
|---|--|---|
| Quantitative standard | Material deficiency: The proportion of the misstatement amount in the financial statement to the total assets at the end of the year $\geq 0.25\%$, or to the total annual profit $\geq 5\%$; Significant deficiency: The proportion of the misstatement amount in the financial statement to the total assets at the end of the year falls within the range of $[0.0125\%, 0.25\%)$, or to the total annual profit falls within the range of $[0.25\%, 5\%)$; General deficiency: The proportion of the misstatement amount in the financial statement to the total assets at the end of the year $< 0.0125\%$, or to the total annual profit $< 0.25\%$. | Material deficiency: The proportion of the financial loss to the annual operating revenue $\geq 1\%$; Significant deficiency: The proportion of the financial loss to the annual operating revenue falls within the range of $[0.05\%, 1\%)$; General deficiency: The proportion of the financial loss to the annual operating revenue $< 0.05\%$. |
| | Number of material deficiencies in financial reporting (Nr.) | 0 |
| | Number of material deficiencies in non-financial reporting (Nr.) | 0 |
| Number of significant deficiencies in financial reporting (Nr.) | 0 | 0 |
| Number of significant deficiencies in non-financial reporting (Nr.) | 0 | 0 |

4.19.2 Internal control audit report

Applicable Not applicable

Review comments in the internal control audit report

We believe that Ping An Bank maintained effective internal control over all significant aspects in accordance with the *Basic Norms of Enterprise Internal Control* and the relevant regulations on 31 December 2022.

| | |
|--|--|
| Disclosure of internal control audit report | Disclosure |
| Disclosure date of internal control audit report | 9 March 2023 |
| Disclosure index of internal control audit report | CNINFO http://www.cninfo.com.cn |
| Opinion type of internal control audit report | Standard and unqualified |
| Whether there are material deficiencies in the non-financial reporting | No |

Whether the accounting firm issues internal control audit report with non-standard opinion?

Yes No

Whether the internal control audit report issued by the accounting firm shares the same opinion with the self-evaluation report of the Board of Directors

Yes No

Corporate Governance

4.20 Rectification of problems in self-inspection of special actions on governance of listed companies

Yes No

Environmental and Social Responsibilities

5.1 Environmental protection related works

Whether the Bank and its subsidiaries belong to the key pollutant discharging units announced by the environmental protection department

Yes No

Administrative penalties for environmental problems during the reporting period

| Name of companies or subsidiaries | Reason | Violation | Result | Impact on the production and operation of listed companies | Rectification measures |
|-----------------------------------|--------|-----------|--------|--|------------------------|
| N/A | N/A | None | N/A | N/A | N/A |

There is no other environmental information to be disclosed.

5.2 Social responsibilities

5.2.1 Social responsibility performance

See the *2022 Sustainable Development Report of Ping An Bank Co., Ltd.* published by the Bank on the CNINFO (<http://www.cninfo.com.cn>) on 9 March 2023 for further information.

5.2.2 Serving the real economy

In 2022, the Bank earnestly acted upon the policy decisions and financial regulatory requirements of the CPC Central Committee and the State Council, kept in mind the political and people-oriented nature of financial work, strongly supported the real economy, and covered more customer groups with high-quality financial services. The Bank strengthened credit supply, optimized credit structure, reduced financing costs, reinforced asset quality and continuously promoted financial innovation and technology empowerment. Through optimizing asset allocation, strengthening team building and launching featured risk policies, the Bank actively supported high-quality development of private enterprises and micro, small and medium-sized enterprises, and constantly promoted the quality and efficiency of financial services. At the end of 2022, the Bank's total on-balance sheet and off-balance sheet credit facilities amounted to RMB4,940,002 million, with an increase of 5.6% over the end of last year.

“True inclusive service, true micro/small enterprises and true credit”, and continuing to improve the level of inclusive financial service. The Bank has always taken the service of inclusive customer groups as the strategic focus, increased technology empowerment, and focused on customer needs to effectively help the healthy and sustainable development of micro, small and medium-sized enterprises. The Bank implemented the new model of retail transformation, constantly deepened digital and online operation, effectively enhanced the smart inclusive service capability, and built 7 × 24 hours loan service. At the same time, with the help of leading technologies such as big data, AI, Internet of Things and blockchain,

Environmental and Social Responsibilities

5.2 Social responsibilities(Continued)

5.2.2 Serving the real economy(Continued)

the Bank looked deep into supply chain scenarios and ecosystem, advanced the “New-Micro-Loan” product for micro/small enterprises to realize digital upgrade, and continuously optimized the inclusive products such as “Home Equity Loans” and “Mortgage E-Loan”, effectively alleviating the financing barriers and lowering financing costs for enterprises. Meanwhile, firmly carrying out the requirements from the four ministries, the Bank actively responded to the two proposes of “fee reduction and profit concession”, and helped market entities including small and micro enterprises and individual business owners reduce their pressures.

At the end of 2022, the total customers of the Bank’s loans to small and micro enterprises (SME) with single account credit of RMB10,000 thousand and below excluding bills financing (“inclusive loans to small and micro enterprises”) were 1,057.8 thousand, of which the number of customers with loan amount less than RMB1,000 thousand was 88%, and SME owners and individual business owners at the bottom of the industrial chain were the absolute subjects. The balance of loans was RMB528,226 million, up by 38.2% as compared with the end of last year, of which the balance of the credit-based inclusive loans to small and micro enterprises was 109,343 million, accounting for 20.7% of the balance of inclusive loans to small and micro enterprises. In 2022, inclusive loans to small and micro enterprises was RMB468,087 million, representing a year-on-year increase of 31.2%, and the weighted average interest rate of newly issued inclusive loans declined by 1.93 percentage points as compared with the same period of last year. The NPL ratio was within a reasonable range. The Bank further supported private enterprises, and newly issued loans for private enterprise customers accounted for above 70% of newly issued corporate loans for all customers in 2022; at the end of 2022, the balance of loans to private enterprises increased by 18.4% over the end of last year, accounting for 74.5% of the balance of corporate loans.

Continuing to promote finance innovation and technology empowerment to achieve breakthroughs in the service model of manufacturing enterprises. First, the Bank looked deep into the industrial chain of manufacturing and explored the financial needs of ecological customer group scenarios. The Bank continuously innovated and iterated financing products and modes to meet customers’ scenario-based, diversified and customized needs of supply chain finance, and effectively helped remove financing barriers and lower financing costs for micro, small and medium-sized customers. Second, the Bank thoroughly implemented the operation strategy of “bill integration”, deeply embedded bill business into the supply chain ecosystem, and focused on providing convenient and efficient bill settlement and financing services in the factors of manufacturing and green industry, as well as the specialized, refined, distinctive and innovative enterprises. Third, the Bank built the Digital Pocket into a digital asset management and comprehensive service platform for micro, small and medium-sized enterprise users. The Bank output “finance + technology” capabilities through componentization and standardization of open banking, jointly reached and served a large number of micro, small and medium-sized customer groups, formed the full-coverage output model, and built an open, cooperative and win-win financial service ecosystem. Fourth, the Bank improved the service convenience of small and micro enterprises, implemented risk control based on big data model, and realized online processing and approval automation to reduce the manual intervention and shortened the credit process by realizing the online process and automatic approval of system models. For manual transfer business, the Bank implemented “on-call approval” and completed the manual final approval within 24 hours to ensure the approval efficiency of businesses of small and micro enterprises. At the end of 2022, the balance of medium and long-term loans to manufacturing sector of the Bank increased by 35.3% as compared with the end of last year. It was 26.6 percentage points higher than the increase of the total principal of loans and advances to customers.

5.2.3 Actively practicing green finance

The report of the 20th CPC National Congress clearly put forward the new era requirements of promoting the green development and harmonious coexistence between human and nature. Focusing on the spirit of the 20th CPC National Congress, the Bank seriously carried out the national strategy to achieve carbon neutrality, and deeply laid out the industrialization development of green finance. The Bank actively supported major projects of green industry such as clean energy, energy conservation, environmental protection, clean production, ecological environment, green infrastructure upgrading and green services. The Bank comprehensively promoted the low-carbon, green and sustainable development of the real economy. At the end of 2022, the balance of domestic green financial businesses of the Bank and Ping An Wealth Management Co., Ltd amounted to RMB170,050 million, representing an increase of 49.5% as compared with the end of last year. The Bank's balance of green loans was RMB109,768 million, up by 58.8% from the end of 2021.

Firming the strategic direction and deepening the new green finance system. The Bank continued to improve the structure, system and process of green finance, and provided a series of resource support including credit policies, special quota, incentives and subsidies. The Bank organized special actions on green finance, so as to deepen green finance service system. First, the Bank seriously carried out carbon emission reduction support tools of central bank and actively publicized preferential policies for carbon emission reduction to customers. Second, the Bank promoted the long-term operation and investment of assets of core customer groups in green industry through carrying out a special action of “three maps” of the customer, the product and the operation. Third, the Bank successfully issued the first green financial bond of RMB20 billion and raised funds to support the development of green industry.

Innovating product upgrade and establishing a new ecosystem of green development. The Bank continuously upgraded green financial products, implemented the business of “equity + debt” integration of clean energy capacity expansion, innovated the pre-financing mode of new energy power station project, built an asset transaction platform of new energy power station, implemented the first CCUS (carbon capture, utilization and storage) high-carbon transformation project loan in the national steel industry, piloted carbon emission reduction sustainable linkage project and other innovative products, and provided comprehensive financial solutions for large central and state-owned enterprises, energy groups and private leading listed companies in renewable energy construction. Under the guidance of the regulatory authorities, the Bank also continued to carry out researches on green finance topics, such as transformation finance, carbon finance and green consumption, to inject new driving forces into the green development of the real economy. The Bank released the first white paper on green finance of China's banking in January 2022, which systematically explains the industries related to green finance from the perspective of banking for the first time. The Bank publicized the concept of green finance to the whole society to promote development of green finance.

Launching the debit card and credit card carbon accounts for the first time and building a new image of green service.

Since the Bank launched the first debit card and credit card carbon accounts platform- “Low-carbon Home” in China in May 2022, it has continuously promoted product iteration and content optimization. First, the Bank fully linked with various business segments and actively integrated into the individual green finance business scenarios such as new energy vehicles, ESG investment and financing, and peasant households' photovoltaic loans. Second, the Bank consolidated its own resources and industry strength to carry out innovative exploration of carbon insurance, green agricultural assistance, green inclusive and voluntary services and other modules. Third, the Bank continuously built a low-carbon ecosystem, and cooperated with the Guangdong Provincial Committee of the Communist Youth League, various public welfare foundations and China Emissions Exchange to expand green scenarios and green rights and interests to realize the organic integration of green ideas and public welfare. The Bank continuously guided the green transformation of residents' lifestyle and helped reduce carbon emissions in the consumption field through deep-seated internal integration and multi-dimensional external linkage.

With the efforts and contributions in tackling climate change and supporting green development, the Bank won the “Global Green Finance Award - Annual Award” of the International Financial Forum, and is the only joint-stock commercial bank selected. In September 2022, MSCI upgraded the Bank's ESG rating to BBB. At the same time, the Bank won the “Top 10 Green Finance Innovation Award” of the magazine *The Banker* because of the innovative cases of green finance supporting the real economy.

Environmental and Social Responsibilities

5.2 Social responsibilities(Continued)

5.2.4 Information about consolidating and expanding the achievements of poverty alleviation and fully promoting rural revitalization

(1) Planning of rural revitalization

The Bank earnestly acted upon the spirit of the 20th CPC National Congress, regarded advancing common prosperity as the starting point and focus of financial work, and continued to make efforts in financial services for rural revitalization and financial support. The Bank relied on the digital rural ecosystem, supported poverty alleviation areas and key counties that receiving assistance for rural revitalization, continuously improved service quality and efficiency, and supported the development of the real economy. The Bank also strove to expand and extend the “4 + 2 +1” service model of rural revitalization based on the implementation of targeted poverty alleviation, namely promoting the integration of comprehensive finance and the scenarios of “agriculture, rural areas and rural residents” through financing, integration of intelligent, branding and technological empowerment. The Bank worked to develop a platform for industrial revitalization that connected leading peasant households, agricultural enterprises, banks, insurance companies and agricultural research institutes under the guidance of the government.

(2) Summary of rural revitalization

In 2022, the Bank's invested funds of RMB33,078 million for supporting rural revitalization, with a total investment of RMB69,254 million, it issued 90,439 rural revitalization debit cards, with a total debit card of 113,930, benefiting 80 thousand rural people and 1,030 thousand rural people in total.

Improving talent cultivating mechanism and helping revitalize rural talents. The Bank effectively conducted the cultivation of rural bellwether of becoming rich and the improvement of financial literacy of leading cadres in accordance with the requirements of the “Volunteer Activities for the Country People” - insurance, finance, medical and health activities of Ping An Group. On the government side, the Bank undertook a special training course on financial literacy in a prefecture-level city in Guangdong to help local governments cultivate a group of grassroots cadres who understand finance. On the individual side, the Bank focused on the local characteristic industries to cultivate new farmers, held training camps for rural bellwether of becoming rich in Zhejiang, Yunnan, Guangdong and Fujian, respectively, and held remote trainings on the “Rural Bellwether of Becoming Rich Online Cultivation Platform of Ping An Bank” to strengthen talent support for rural revitalization.

Innovating financial products and services and serving the real economy. Complying with the general requirement of “five-in-one” in the Rural Revitalization Strategic Plan, the Bank formulated a *Three-year (2023-2025) Development Plan Report on Rural Revitalization Finance of Ping An Bank Co., Ltd.*, innovated financial products according to special needs of regions, industries and customers, provided the relevant professional financial services, and built an integrated agriculture-related loan system serving large and medium-sized enterprises, small and micro customers and rural people, to support the development of the real economy. At the end of 2022, the balance of agriculture-related loans was RMB106,008 million, representing an increase of 7.1% as compared with the end of last year. In terms of government services and large enterprises, the Bank implemented its first rural revitalization government guided fund custody project and rural revitalization management business of resources, assets and funds. The Bank has reached strategic cooperation with an agricultural leading enterprise and issued rural revitalization loans of RMB1 billion to support national food security strategy. In terms of small and medium-sized customers, the Bank accelerated the innovation of agriculture-related inclusive financial products and launched “preferential agricultural loans”. For customer groups of micro/small enterprises in the specific scene ecosystem, the Bank customized the characteristic preferential agricultural loan scheme to provide development funds for multiple physical industries such as mariculture, crispy grass carp breeding, fishing and fishery. At the same time, the Bank relied on the Nebula-IoT to build industry ecology, developed exclusive products, served industry chain closed-loop transactions, and implemented biological asset mortgage, dairy supply chain and other engagements. In terms of individual services, the Bank cooperated with the Guangdong Provincial Committee of the Communist Youth League to launch a registered volunteer certificate according to the volunteer service scenes and the characteristics of the youth volunteer group. The certificate

can provide financial payment, public welfare feedback and other services for registered volunteers, and provide more convenience for youth to participate in urban and rural volunteer services.

Strengthening corporate-private business linkage and promoting rural economic development. The Bank built the “equity + public welfare” service system for rural revitalization of strategic customers, strengthened corporate-private business linkage, smoothed the channels of customer value-added services, public welfare and charity, and led the strategic customers to carry out assistance activities in a deep-going way to help farmers increase their income and rural development. The Bank has created a “Rural-Assisting Mall” in Ping An Digital Pocket and Pocket Mall, transformed the platform traffic to sales volume of rural products, and provided rural-assisting products to customers through nearly 1,000 outlets, which promoted the brand of consuming rural-assisting products while providing warm services to customers. In 2022, the Bank increased the sales of assisting agricultural products amounting to RMB35,610 thousand and accumulated the sales amounting to RMB156 million.

Speeding up the innovation of agricultural technology and creating digital rural model. The Bank has striven to build a digital rural “five-one” service solution, namely, focusing on one industry, conducting a round of training, providing a set of online exhibition tools, configuring a group of key financial products and implementing a special technology, to create value for local economic development. The Bank has established digital rural demonstration sites and built a series of “smart agricultural bases” such as smart tea garden, smart coffee garden, smart mango base, etc. in Xichang, Sichuan Province, Nujiang, Yunnan Province, Heyuan, Guangdong Province, Tiandong, Guangxi Province and Wanzhou, Chongqing Province.

5.2.5 Protection of consumer rights and interests

The Bank continuously strengthened the management of protection of consumer rights and interests (“consumer protection”), adhered to the operation concept of “responsible finance”, actively assumed and performed the main responsibility of consumer protection, and continuously improved the work level of consumer protection.

“The Board of Directors, the Supervisory Committee and senior management” attach great importance to consumer protection

The Board of Directors, the Supervisory Committee and senior management of the Bank adhered to the people-centered development concept, took the implementation of the concept of “finance for the people” as the starting point and foothold of the consumer protection, attached great importance to the guidance and supervision of the Bank’s consumer protection, and continued to promote the high-quality development of the Bank’s consumer protection.

Deepening the operation mechanism of consumer protection

The Bank constantly consolidated the construction and operation of important mechanisms for consumer protection, improved the internal control system of consumer protection, built the intelligent control system of the whole consumer protection process, paid attention to the control role of the full process of “reviewing before the process, controlling during the process and supervising after the process”, continued to optimize the assessment and appraisal system of consumer protection, strengthened the organization, guidance and supervision of branches, and constantly improved the work level of consumer protection.

Implementing education and publicity of consumer protection

The Bank carried out financial knowledge popularization and consumer education activities through multiple channels, forms and dimensions, and actively conducted normalized and centralized education and publicity activities and innovative publicity and awareness-raising activities of its own. Centering on the elderly, youth, new citizens, rural residents and other key groups, the Bank carried out financial knowledge publicity. The Bank opened financial anti-fraud flash stores in Beijing,

Environmental and Social Responsibilities

5.2 Social responsibilities(Continued)

5.2.5 Protection of consumer rights and interests(Continued)

Shanghai, Shenzhen, Hangzhou and other cities. The Bank deepened the Pocket Bank APP, created a digital online education and publicity base, and enhanced the service coverage and education and publicity efforts for non-outlet areas and those who cannot reach the outlet.

Innovating technology empowerment methods

The Bank upgraded the SMS and phone number forgery detection platform, and added a large print version in the forgery detection platform suitable for elderly customers on the basis of the original platform to ensure the safety of special groups' property. The Bank strengthened the supervision and management on consumer protection by using big data, AI and other technologies, and continued to upgrade and improve the control mechanism of the whole consumer protection process. The Bank has won 2022 "Innovation China" Excellent Solution Award for Financial Digital Transformation based on "consumer rights and interests protection middle platform of big data and AI" project.

Enhancing customer complaint management

The Bank has adhered to its customer-centric orientation, publicized the information of complaint acceptance ways in its business outlets, official website, Pocket Bank APP and other channels, continuously improved its complaint management process, and promoted the work level of complaint management. In 2022, the Bank accepted and collected 225,629 customer complaints (including 11,610 complaints transferred from supervision in the first three quarters) with an incidence of the complaints rate of 0.18%. The details are as follows:

(1) From the perspective of handling channels, complaints from the front office business channel accounted for 10.7%, and complaints from the middle and back office business channels accounted for 89.3%. In the front office business channel, the complaints from electronic channel accounted for 46.9%, complaints from operating site accounted for 33.2%, other complaints accounted for 13.3%, complaints from third-party channels accounted for 4.8% and complaints from self-service equipment accounted for 1.8%;

(2) From the perspective of business categories, the complaints mainly include 51.6% of credit card business complaints, 15.2% of loan business complaints, 13.7% of debit card business complaints, 7.1% of debt collection business and 2.6% of payment and bank agency business complaints;

(3) From the perspective of reasons for complaints, the complaints mainly include 44.9% of complaints caused by the management system, business rules and processes of financial institutions, 19.8% of complaints caused by pricing charges, 7.2% of complaints caused by service attitude and service quality, 6.5% of complaints caused by methods and means of debt collection, and 4.7% of complaints caused by the terms of consumer contract;

(4) From the perspective of regional distribution, it mainly includes: 2,996 complaints in Guangdong (excludes Shenzhen), and the main business types of complaints are loan business and bank card business; 2,975 complaints in Shenzhen, and the main business types of complaints are bank card business and loan business; and 1,399 complaints in Beijing, and the main business types of complaints are loan business and individual financial information business. The specific distribution of complaints by region is shown in the table below:

| Region | Number of complaints | Region | Number of complaints | Region | Number of complaints |
|----------------|----------------------|-----------|----------------------|----------|----------------------|
| Beijing | 1,399 | Fujian | 809 | Yunnan | 339 |
| Tianjin | 486 | Jiangxi | 219 | Tibet | 0 |
| Hebei | 782 | Shandong | 986 | Shaanxi | 507 |
| Shanxi | 302 | Henan | 920 | Gansu | 59 |
| Inner Mongolia | 154 | Hubei | 1,032 | Qinghai | 0 |
| Liaoning | 468 | Hunan | 533 | Ningxia | 60 |
| Jilin | 102 | Guangdong | 2,996 | Xinjiang | 97 |
| Heilongjiang | 186 | Guangxi | 242 | Dalian | 289 |
| Shanghai | 1,135 | Hainan | 265 | Ningbo | 172 |
| Jiangsu | 1,064 | Chongqing | 664 | Xiamen | 265 |
| Zhejiang | 918 | Sichuan | 676 | Qingdao | 532 |
| Anhui | 318 | Guizhou | 263 | Shenzhen | 2,975 |

Note: The above table does not include the data of Head Office level and credit card, and the data of Dalian, Ningbo, Xiamen, Qingdao and Shenzhen areas are listed separately.

For customer complaints, the Bank continued to increase resource investment, increased the staffing of consumer protection personnel and strengthened the capacity building of consumer protection personnel, strengthened the construction of diversified resolving mechanisms, and actively promoted the retrospective treatment of financial disputes to ensure the effective implementation of consumer protection and continuously improve customer satisfaction. Under the supervision and guidance, the Bank has constantly improved the information system of handling complaints to ensure that all customer complaints in the complaint system are accepted, the processing information is updated in real time, and the process is all traceable, so as to ensure the prompt and efficient handling of customer complaints. At the same time, the Bank established close cooperation relationship with mediation institutions, and provided consumers with multi-channel and multi-level solutions to quickly, conveniently and efficiently resolve financial disputes. The Bank paid attention to deeply dig into the root causes of complaints and retrospective rectification, timely dealt with the problems in products or services, reduced the occurrence of problems from the source, and seriously held accountable for violations.

The Bank is committed to creating maximum value for customers, attaches importance to the infrastructure of consumer protection, integrates consumer protection concept into daily operation management and business innovation, and effectively assumes the main responsibility of protecting the legitimate rights and interests of financial consumers.

Significant Matters

6.1 Commitments

6.1.1 Commitments that have been fulfilled during the reporting period and have not yet been fulfilled as at the end of the reporting period by parties including actual controllers, shareholders, related parties, purchasers and the company

Applicable Not applicable

| Commitment causes | Commitment type | Commitment party | Contents of commitment | Time of commitment | Duration of commitment | Performance |
|--|--|--|--|--------------------|------------------------|-------------------------|
| Commitment made during the asset reorganization | Commitment on competition in the same business, related party transaction and independence | Ping An Insurance (Group) Company of China, Ltd. | <p>Ping An intends to subscribe 1,638,336,654 shares issued by the Bank in a non-public offering (the Major Asset Reorganization) with 90.75% of its original shares of Ping An Bank and the cash of RMB2,690,052,300:</p> <p>1. After the completion of the Major Asset Reorganization, during the period when Ping An is a controlling shareholder of Shenzhen Development Bank, if Ping An and other enterprises controlled by Ping An intend to engage in or substantially get the same business or commercial opportunities as those of Shenzhen Development Bank in the future, and the assets and business formed by such business or commercial opportunities may constitute a potential competition in the same business with Shenzhen Development Bank, Ping An and other enterprises controlled by Ping An will not engage in the same or similar business as that of Shenzhen Development Bank to avoid a direct or indirect competition with the business operation of Shenzhen Development Bank.</p> <p>2. After the completion of the Major Asset Reorganization, for matters that constitute a related party transaction of Shenzhen Development Bank between Ping An and other enterprises controlled by Ping An and Shenzhen Development Bank, Ping An and other enterprises controlled by Ping An will follow the principle of openness, fairness and impartiality of market transactions, and perform transactions with Shenzhen Development Bank at a fair and reasonable market price. Ping An fulfills the decision-making procedures in accordance with the provisions of relevant laws, regulations and normative documents, and fulfills the obligation of information disclosure according to the law. Ping An guarantees that Ping An and other enterprises controlled by Ping An will not obtain any improper benefits or make Shenzhen Development Bank undertake any unfair obligation through the transactions with Shenzhen Development Bank.</p> <p>3. After the completion of the Major Asset Reorganization, during the period of Ping An as a controlling shareholder of Shenzhen Development Bank, Ping An will maintain the independence of Shenzhen Development Bank and ensure that the personnel, assets, finance, organization and business of Shenzhen Development Bank are independent of those of Ping An and other enterprises controlled by Ping An.</p> | 29 July 2011 | Long-term | Performance in progress |
| Other commitments made for medium and small shareholders of the company | Other commitments | The Bank | The company has not made a performance commitment for the preference share issue. The company will take effective measures to improve the use efficiency of funds raised to further enhance the profitability of the company, thereby minimizing the impact of the preference share issue on the return to ordinary shareholders and fully protecting the legitimate rights and interests of shareholders of the company, especially the minority shareholders. | 14 March 2016 | Long-term | Performance in progress |
| If the commitments are performed timely | | | | | | Yes |
| Specific reasons of failing to complete the performance and next plan (if any) | | | | | | N/A |

6.1.2 If the profit forecast can be carried out for the company's assets or projects and the reporting period is within the period of profit forecast, the company shall explain whether the assets or projects can realize the original profit forecast and the reasons

Applicable Not applicable

6.2 Occupation of funds of the listed company for non-operating purposes by controlling shareholders and their related parties

Applicable Not applicable

During the reporting period, there was no occupation of funds of the listed company for non-operating purpose by controlling shareholders and its related parties at the Bank.

6.3 Special instructions and independent opinions of independent directors on the funds occupation and external guarantee of the related parties of the Bank

The Bank had no situation that the controlling shareholder and other related parties occupied the funds of the Bank during the reporting period or during the previous period but continued into the reporting period.

The guarantee business is one of the Bank's conventional banking businesses approved by the relevant regulatory authorities. The Bank attaches great importance to the risk management of the business and strictly implements the relevant operation procedures and approval procedures, so that the risks of external guarantee business are effectively controlled. During the reporting period, the Bank had no other significant guarantee businesses that need to be disclosed except for the financial guarantee businesses within the scope of business approved by the relevant regulatory authorities.

6.4 Description of the Board of Directors on the "non-standard audit report" issued in the latest period

Applicable Not applicable

Significant Matters

6.5 Description of the Board of Directors, Supervisory Committee and independent directors (if any) on the “non-standard audit report” issued by the accounting firm during the reporting period

Applicable Not applicable

6.6 Description of changes in accounting policies and accounting estimates or correction of major accounting errors as compared to the financial reports for last year

Applicable Not applicable

6.7 Reason for changes in the scope of the consolidated financial statements as compared to the financial report for last year

Applicable Not applicable

During the reporting period, the Bank had no change in scope of the consolidated financial statements.

6.8 Employment and dismissal of accounting firms

Currently appointed accounting firm

The Bank held the 2021 Annual General Meeting on 28 June 2022, which deliberated and approved the *PAB Proposal for the Continued Appointment of Accounting Firm for 2022*. The Bank continued to engage Ernst & Young Hua Ming LLP as its auditor for the year of 2022 to provide audit and relevant services.

| | |
|--|----------------------------|
| Name of domestic accounting firm | Ernst & Young Hua Ming LLP |
| Remuneration of domestic accounting firm (including subsidiaries) | RMB8,900 thousand |
| Duration of audit service provided by domestic accounting firm | 2 years |
| Names of CPAs of domestic accounting firm | Chang Hua, Wang Yangyan |
| Duration of audit service provided by CPAs of domestic accounting firm | 2 years |
| Name of foreign accounting firm (if any) | N/A |
| Remuneration of foreign accounting firm (if any) | N/A |
| Duration of audit service provided by foreign accounting firm (if any) | N/A |
| Name of CPAs of foreign accounting firm (if any) | N/A |
| Duration of audit service provided by CPAs of foreign accounting firm | N/A |

Whether the employment of the accounting firm has been changed at the current period

Yes No

Employment of accounting firm, financial consultant and sponsor for internal control audit

| | |
|---|----------------------------|
| Name of accounting firm for internal control audit | Ernst & Young Hua Ming LLP |
| Remuneration of accounting firm for internal control audit (including subsidiaries) | RMB1,500 thousand |
| Name of financial consultant | N/A |
| Remuneration of financial consultant | N/A |
| Name of sponsor | N/A |
| Remuneration of sponsor | N/A |

6.9 Delisting after the disclosure of annual report

Applicable Not applicable

Significant Matters

6.10 Relevant matter of bankruptcy reorganization

Applicable Not applicable

During the reporting period, there was no relevant matter of bankruptcy reorganization for the Bank.

6.11 Major litigation and arbitration matters

In 2022, there was no litigation and arbitration matter that had significant impact on the operation for the Bank. At the end of 2022, there were 236 pending litigations in which the Bank acted as the prosecuted party, involving an amount of RMB1,028 million.

6.12 Punishment and rectification

During the reporting period, the Bank and its directors, supervisors, senior management staff, controlling shareholders, and actual controllers were not subject to any investigations by competent authorities, any coercive measures by judicial departments or discipline inspection departments, any transfer to judicial authorities, any criminal liabilities by judicial authorities, any investigations, administrative penalties or administrative supervision measures by the CSRC, any disciplinary actions by stock exchanges, or any penalties by other regulators that may have a significant impact on the Bank's operation.

6.13 Integrity conditions of the company and its controlling shareholder

During the reporting period, there was no case where the obligations determined by the legal documents in force by the court were not fulfilled and a large amount of debt was due and unpaid for the company and its controlling shareholder.

6.14 Matters on major related party transactions

1. See “IX. Related Party Relationships and Transactions” in “Section X Financial Report” for details of “transactions between the Bank and Ping An and its related parties”, “transactions between the Bank and other major shareholders and their related parties”, “main transactions between the Bank and key management personnel” and “main transactions between the Bank and affiliated legal persons of the units of key management personnel and associates”.

2. Disclosure of major related transactions in the Interim Report which is available for inspection in related website

During the reporting period, the Board of the Bank deliberated and approved the proposal on the related party transactions with Ping An Insurance (Group) Company of China, Ltd., OneConnect Financial Technology Co., Ltd. and Ping An Securities Co., Ltd..

Please refer to the *Notice about Related Party Transactions of Ping An Bank Co., Ltd.* dated 13 April 2022 and 24 December 2022 published on *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, *Securities Daily* and on the website of CNINFO (<http://www.cninfo.com.cn>) for further information.

6.15 Material contracts and their performance

1. Major entrustment, underwriting or lease: there was no major entrustment, underwriting or lease during the reporting period.

2. Material guarantee: apart from the guarantee business within its operating scope approved by the CBIRC, the Bank had no other material guarantee.

3. Other material contracts and their performance: The Bank had no material contract dispute during the reporting period.

6.16 Material entrusted funding and entrusted investments

During the reporting period, the Bank had no entrusted funding and entrusted investments items out of the scope of normal businesses. See “IV. Notes to key items in the financial statements - Note 7. Financial assets held for trading / Note 8. Investment on debts / Note 9. Other investment on debts” / Note 52. Structured entities and “VIII. Risk disclosure - Note 1. Credit risk” in “Section X Financial Report” for specific information about the Bank’s entrusted funding and entrusted investments.

Significant Matters

6.17 Other significant events

On 17 October 2022, the Bank successfully issued special financial bonds for loans to micro and small-sized enterprises with a total amount of RMB20 billion on the National Interbank Bond Market. The total amount of bonds issued in the current period was RMB20 billion, and the bonds have a maturity of 3 years, with a fixed coupon rate of 2.45%. The funds raised will be earmarked for special loans to micro and small-sized enterprises upon the approval from regulatory authorities in accordance with applicable laws as further credit loan support to promote the steady and healthy development of micro and small-sized enterprises.

On 28 October 2022, the Bank successfully issued financial bonds with a total amount of RMB10 billion on the National Interbank Bond Market. The total amount of bonds issued in the current period was RMB10 billion, and the bonds have a maturity of 3 years, with a fixed coupon rate of 2.45%. Among which the total amount of variety 1 issued was RMB5 billion. Upon the approval from competent authorities in accordance with applicable laws, the funds raised will be used to meet the needs of the issuer's asset and liability allocation, so as to enrich the source of funds, optimize the liability maturity structure, and promote the steady development of the business. The total amount of variety 2 issued was RMB5 billion, and the funds raised will be used for the merger and acquisition loan lending of real estate projects.

On 8 November 2022, the Bank successfully issued green financial bonds with a total amount of RMB20 billion on the National Interbank Bond Market. The total amount of bonds issued in the current period was RMB20 billion, and the bonds have a maturity of 3 years, with a fixed coupon rate of 2.45%. The funds raised will be used for the green industry projects specified in the *Catalog of Green Bond Support Projects (2021)* upon the approval from regulatory authorities in accordance with applicable laws.

| Description of significant events | Disclosure date | Index of website disclosing temporary reports |
|--|------------------|---|
| Special financial bonds for loans to micro and small-sized enterprises | 21 October 2022 | <i>China Securities Journal, Securities Times, Shanghai Securities News, Securities Daily and CNINFO (http://www.cninfo.com.cn)</i> |
| Financial bonds | 3 November 2022 | |
| Green financial bonds | 11 November 2022 | |

6.18 Significant events of the subsidiary of the company

Applicable Not applicable

There were no significant events that should be disclosed by Ping An Wealth Management Co., Ltd., the Bank's subsidiary.

Changes in Shares and Shareholders

7.1 Changes in shares

7.1.1 Changes in shares

| Type of shares | Before change | | Change | | | | After change | | |
|---|------------------|----------------|---------------------|-------------|-----------------------|----------|--------------|------------------|----------------|
| | Number of shares | Percentage (%) | Issue of new shares | Bonus issue | Transfer from reserve | Other | Sub-total | Number of shares | Percentage (%) |
| I. Restricted shares | 396,248 | Around 0 | - | - | - | (25,000) | (25,000) | 371,248 | Around 0 |
| 1. Shareholding of the state | - | - | - | - | - | - | - | - | - |
| 2. Shareholding of state-owned legal entity | - | - | - | - | - | - | - | - | - |
| 3. Shareholding of other domestic investors | 396,248 | Around 0 | - | - | - | (25,000) | (25,000) | 371,248 | Around 0 |
| Including: | | | | | | | | | |
| Shareholding of domestic legal entity | 156,145 | Around 0 | - | - | - | - | - | 156,145 | Around 0 |
| Shareholding of domestic natural person | 240,103 | Around 0 | - | - | - | (25,000) | (25,000) | 215,103 | Around 0 |
| 4. Shareholding of foreign investors | - | - | - | - | - | - | - | - | - |
| Including: | | | | | | | | | |
| Shareholding of overseas legal entity | - | - | - | - | - | - | - | - | - |
| Shareholding of foreign natural person | - | - | - | - | - | - | - | - | - |
| II. Unrestricted shares | 19,405,521,950 | Around 100 | - | - | - | 25,000 | 25,000 | 19,405,546,950 | Around 100 |
| 1. RMB ordinary shares | 19,405,521,950 | Around 100 | - | - | - | 25,000 | 25,000 | 19,405,546,950 | Around 100 |
| 2. Domestically listed foreign shares | - | - | - | - | - | - | - | - | - |
| 3. Overseas listed foreign shares | - | - | - | - | - | - | - | - | - |
| 4. Others | - | - | - | - | - | - | - | - | - |
| III. Total | 19,405,918,198 | 100 | - | - | - | - | - | 19,405,918,198 | 100 |

Changes in Shares and Shareholders

7.1 Changes in shares(Continued)

7.1.1 Changes in shares(Continued)

Reason for the change in shares

Applicable Not applicable

During the reporting period, the change in the shares of the restricted shares of the executives led to a decrease of 25,000 restricted shares held by the Bank's domestic natural persons. The Bank's restricted shares decreased by 25,000 shares.

Approval for the change in shares

Applicable Not applicable

Transfer registration related to shares change

Applicable Not applicable

Progress for share repurchase

Applicable Not applicable

Progress for reducing repurchased shares by means of centralized bidding

Applicable Not applicable

Effect of shares change on the financial indicators such as basic and diluted earnings per share and net assets per share attributable to ordinary shareholders of the company in the latest fiscal year and period

Applicable Not applicable

Other disclosure deemed necessary by the company or required by the securities authorities

Applicable Not applicable

7.1.2 Statement of changes in restricted shares

(Unit: Share)

| Name of shareholder | Number of restricted shares at the beginning of the period | Number of shares release from sales restriction in the current period | Number of increased restricted shares in the current period | Number of restricted shares at the end of the period | Reason for sales restriction | Unlocking date |
|---|--|---|---|--|------------------------------|----------------|
| Shenzhen Tefa Communication Development Co., Ltd. | 113,089 | - | - | 113,089 | Share reform | - |
| Shenzhen Tourism Association | 30,504 | - | - | 30,504 | Share reform | - |
| Shenzhen Futian District Agriculture Development Service Company Yannan Agricultural Machine Agency | 12,552 | - | - | 12,552 | Share reform | - |
| Total | 156,145 | - | - | 156,145 | - | - |

Notes:

(1) The lock-up period of the restricted shares held by Shenzhen Tefa Communication Development Co., Ltd., Shenzhen Tourism Association and Shenzhen Futian District Agriculture Development Service Company Yannan Agricultural Machine Agency expired on 20 June 2008, but the relevant shareholders have not yet delegated the company to apply for unlocking procedures.

(2) The figures in the table above do not include 215,103 executive lock-up shares held by directors and senior management staff.

7.2 The issuance and listing of securities

Conditions on securities issuance (excluding preference shares) during the reporting period

Applicable Not applicable

Description of total number of shares of the company, changes in shareholder structure and changes in the company's asset and liability structure

Applicable Not applicable

Shares of existing internal staff

Applicable Not applicable

Changes in Shares and Shareholders

7.3 Shareholders and actual controller

7.3.1 Number of shareholders and shareholding conditions

(Unit: Share)

| | | Total number of ordinary shareholders as at the end of the month before the disclosure date of the annual report | | Total number of preference shareholders with restored voting rights as at the end of the reporting period (if any) | | Total number of preference shareholders with restored voting rights as at the end of the month before the disclosure date of the annual report (if any) | |
|---|---------|--|---------|--|---|---|---|
| Total number of ordinary shareholders as at the end of the reporting period | 487,200 | | 477,304 | | - | | - |

Shareholdings of the top 10 shareholders

| Name of shareholder | Nature of shareholder | Number of shares held at the end of the reporting period | Shareholding (%) | Changes during the reporting period | Number of restricted shares held | Number of unrestricted shares held | Pledged or frozen | |
|--|-----------------------|--|------------------|---|----------------------------------|------------------------------------|-------------------|------------------|
| | | | | | | | Status of shares | Number of shares |
| Ping An Insurance (Group) Company of China, Ltd.- the Group - proprietary fund | Domestic legal entity | 9,618,540,236 | 49.56 | - | - | 9,618,540,236 | - | - |
| Hong Kong Securities Clearing Company Limited | Overseas legal entity | 1,245,448,490 | 6.42 | (499,548,050) | - | 1,245,448,490 | - | - |
| Ping An Life Insurance Company of China, Ltd. - proprietary fund | Domestic legal entity | 1,186,100,488 | 6.11 | - | - | 1,186,100,488 | - | - |
| Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance product | Domestic legal entity | 440,478,714 | 2.27 | - | - | 440,478,714 | - | - |
| China Securities Finance Corporation Limited | Domestic legal entity | 429,232,688 | 2.21 | - | - | 429,232,688 | - | - |
| Bank of Communications Co., Ltd. - E Fund Shanghai Stock Exchange 50-Index Enhanced Securities Investment Fund | Domestic legal entity | 67,167,068 | 0.35 | 7,023,526 | - | 67,167,068 | - | - |
| China Electronics Shenzhen Corporation | Domestic legal entity | 62,523,366 | 0.32 | - | - | 62,523,366 | - | - |
| New China Life Insurance Company Ltd.- dividend - dividends for individual - 018L - FH002Shen | Domestic legal entity | 61,700,908 | 0.32 | 22,438,003 | - | 61,700,908 | - | - |
| Hexie Health Insurance Co., Ltd. - universal product | Domestic legal entity | 58,894,176 | 0.30 | 58,894,176 | - | 58,894,176 | - | - |
| UBS Asset Management (Singapore) Co., Ltd - UBS Luxembourg Investment SICAV | Overseas legal entity | 48,594,283 | 0.25 | 16,586,005 | - | 48,594,283 | - | - |
| Details of strategic investors or general legal persons becoming top 10 shareholders for issuing new shares (if any) | | | | None | | | | |
| Explanations of the related party relationship or acting-in-concert relationship among the above shareholders | | | | 1. Ping An Life Insurance Company of China, Ltd. is a controlled subsidiary of and parties acting in concert of Ping An Insurance (Group) Company of China, Ltd. "Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund", "Ping An Life Insurance Company of China, Ltd. - proprietary fund" and "Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance product" are related. 2. The Bank is not aware of any related-party relationship or parties acting in concert among other shareholders. | | | | |
| Explanation of the entrusting/entrusted voting rights and abstaining from voting rights involving the above shareholders | | | | None | | | | |
| Special explanation of the existence of special repurchase accounts in top 10 shareholders | | | | None | | | | |

Shareholdings of the top 10 shareholders not subject to restrictions

| Name of shareholder | Number of unrestricted shares held | Type of shares | |
|--|------------------------------------|---------------------|------------------|
| | | Type of shares | Number of shares |
| Ping An Insurance (Group) Company of China, Ltd.- the Group - proprietary fund | 9,618,540,236 | RMB ordinary shares | 9,618,540,236 |
| Hong Kong Securities Clearing Company Limited | 1,245,448,490 | RMB ordinary shares | 1,245,448,490 |
| Ping An Life Insurance Company of China, Ltd. - proprietary fund | 1,186,100,488 | RMB ordinary shares | 1,186,100,488 |
| Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance product | 440,478,714 | RMB ordinary shares | 440,478,714 |
| China Securities Finance Corporation Limited | 429,232,688 | RMB ordinary shares | 429,232,688 |
| Bank of Communications Co., Ltd. - E Fund Shanghai Stock Exchange 50-Index Enhanced Securities Investment Fund | 67,167,068 | RMB ordinary shares | 67,167,068 |
| China Electronics Shenzhen Corporation | 62,523,366 | RMB ordinary shares | 62,523,366 |
| New China Life Insurance Company Ltd.- dividend - dividends for individual - 018L - FH002Shen | 61,700,908 | RMB ordinary shares | 61,700,908 |
| Hexie Health Insurance Co.,Ltd. - universal product | 58,894,176 | RMB ordinary shares | 58,894,176 |
| UBS Asset Management (Singapore) Co., Ltd - UBS Luxembourg Investment SICAV | 48,594,283 | RMB ordinary shares | 48,594,283 |

| | |
|--|---|
| Descriptions of the related party relationship or acting-in-concert arrangement among the top 10 shareholders of unrestricted shares, and between the top 10 shareholders of unrestricted shares and the top 10 shareholders | <p>1. Ping An Life Insurance Company of China, Ltd. is a controlled subsidiary of and parties acting in concert of Ping An Insurance (Group) Company of China, Ltd.. "Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund", "Ping An Life Insurance Company of China, Ltd. - proprietary fund" and "Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance product" are related.</p> <p>2. The Bank is not aware of any related-party relationship or parties acting in concert among other shareholders.</p> |
| Description of the top 10 shareholders who engage in securities margin trading business | None |

Whether any of the top 10 shareholders or top 10 shareholders of unrestricted shares conducted agreed repurchase transactions during the reporting period

Yes No

Changes in Shares and Shareholders

7.3 Shareholders and actual controller

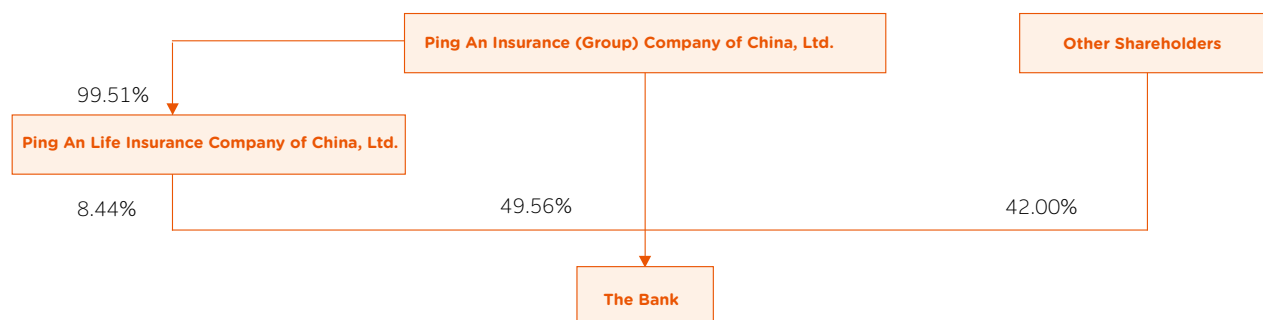
7.3.2 Particulars of controlling shareholder of the Bank

| Name of controlling shareholder | Legal representative | Establishment date | Organization code | Main business |
|--|--|--------------------|--|--|
| Ping An Insurance (Group) Company of China, Ltd. | Ma Mingzhe | 21 March 1988 | Unified social credit code: 91440300100012316L | The scope of business includes investment in insurance enterprises; supervision and management of various domestic and international businesses of investment holding enterprises; conduct of insurance funds investment business; conduct of domestic and international insurance businesses with the approval; and conduct of other businesses approved by the China Banking and Insurance Regulatory Commission and the relevant state departments. |
| Equity of other domestic and foreign listed companies controlled and equity participation by the controlling shareholder during the reporting period | The controlling shareholder of the Bank, Ping An Insurance (Group) Company of China, Ltd., was listed on the Main Board of the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange. As of the reporting date, Ping An had not yet disclosed the 2022 annual report. See the <i>2022 Annual Report of Ping An Insurance (Group) Company of China, Ltd.</i> for details when it becomes available. | | | |

7.3.3 Change in the controlling shareholder of the Bank during the reporting period

The controlling shareholder of the Bank is Ping An Insurance (Group) Company of China, Ltd. During the reporting period, there was no change in the controlling shareholder of the Bank. At the end of the reporting period, Ping An Group and its controlling subsidiary Ping An Life Insurance Company of China, Ltd., as the controlling shareholder of the Bank, held 58% of the equity interests of the Bank in total, of which Ping An Group held 49.56% of the equity interests of the Bank, and Ping An Life Insurance Company of China, Ltd. held 8.44% of equity interests of the Bank. Ping An Group dispatched directors to the Bank. Ping An Group was founded on 21 March 1988. Its registered address is 47F, 48F, 109F, 110F, 111F and 112F, Ping An Financial Center, No. 5033, Yitian Road, Futian District, Shenzhen. The registered capital is RMB18,280,241,410. The legal representative is Ma Mingzhe. The scope of business includes investment in insurance enterprises; supervision and management of various domestic and international businesses of investment holding enterprises; conduct of insurance funds investment business; conduct of domestic and international insurance businesses with the approval; and conduct of other businesses approved by the China Banking and Insurance Regulatory Commission and the relevant state departments. With a relatively loose shareholding structure, Ping An Group has neither controlling shareholder, nor any actual controlling person or ultimate beneficiary. There are no equity interests of the Bank pledged by Ping An Group and its controlling subsidiary Ping An Life Insurance Company of China, Ltd.

A diagram showing the relationship between the Bank and its controlling shareholder is as follows:



As at 31 December 2022, shareholders who directly or indirectly held more than 5% equities of China Ping An were Charoen Pokphand Group Co., Ltd. and Shenzhen Investment Holdings Co., Ltd. As of the reporting date, Ping An had not yet disclosed the 2022 annual report. See the 2022 Annual Report of Ping An Insurance (Group) Company of China, Ltd. for details when it becomes available.

7.3.4 Actual controller

There is no actual controller for the Bank.

7.3.5 The cumulative number of shares that the company's controlling shareholder or the largest shareholder and its acting-in-concert parties have pledged accounted for 80% of the number of shares of companies held by them

Applicable Not applicable

7.3.6 Other corporate shareholders with more than 10% shares held

Applicable Not applicable

7.3.7 Reducing holding-shares of controlling shareholder, actual controller, restructuring parties and other commitment units

Applicable Not applicable

Changes in Shares and Shareholders

7.3.8 Other major shareholders prescribed by the *Interim Measures for Equity Interests Management of Commercial Banks* issued by CBIRC

(1) China Electronics Shenzhen Corporation. At the end of the reporting period, China Electronics Shenzhen Company held 62,523,366 shares of the equity interest of the Bank and dispatched directors to the Bank. China Electronics Shenzhen Company was founded on 19 May 1982. The registered address is No. 2070 and No. 2072, Shennan Middle Road, Futian District, Shenzhen. The registered capital is RMB3,341.25 million. The legal representative is Xiang Qunxiong. The scope of business includes import and export of proprietary and outsourced goods and technology (Operating upon the document Wai Jing Mao Zheng Shen Han Zi [97] No. 1980); economic cooperation business with foreign enterprises (Operating upon the document Wai Jing Mao He Han [2001] No. 500); sales of textiles, groceries, industry production materials (excluding gold, silver, automobile and hazardous chemical), petroleum products (excluding refined oil), hardware, AC electrical materials, chemical products (excluding hazardous chemical), construction materials and art crafts (excluding gold accessories), and domestic sales of goods under import and export operation; labor service, information consulting, packaging service, property management and sales and rental service of self-owned properties; domestic freight forwarders; international freight forwarders; wholesale and retail of auto mobile, auto parts and engineering equipment; investment in and establishment of industries (specific projects are subject to additional approval); start-up investment. China Electronics Corporation Information Service Co., Ltd. is the controlling shareholder of China Electronics Shenzhen Company. China Electronics Corporation is the actual controlling party and ultimate beneficiary of China Electronics Shenzhen Company. China Electronics Shenzhen Company does not pledge any equity interest of the Bank.

(2) Shenzhen Yingzhongtai Investment Co., Ltd. At the end of the reporting period, Shenzhen Yingzhongtai Investment Co., Ltd. held 10,200 shares of the equity interest of the Bank and dispatched a supervisor to the Bank. Shenzhen Yingzhongtai Investment Co., Ltd. was founded on 29 December 2001. The registered address is Room 102 (Office), B46 Longxiang Villa, Longxiang North Road, Fuyong Sub-district, Baoan District, Shenzhen. The legal representative is Che Guobao. The registered capital is RMB10 million. The scope of business includes investment in and establishment of industries (specific projects are subject to additional approval); domestic commerce, goods supply and marketing (excluding monopolized goods and voice control products). Mr. Che Guobao is the controlling shareholder and the actual controlling person of Shenzhen Yingzhongtai Investment Co., Ltd.. Mr. Che Guobao and Mr. Che Guoquan are the ultimate beneficiaries of Shenzhen Yingzhongtai Investment Co., Ltd. Shenzhen Yingzhongtai Investment Co., Ltd. does not pledge any equity interest of the Bank.

Preference Shares

8.1 Issuance and listing of preference shares in the recent three years at the end of the reporting period

| Mode of issue | Date of issue | Issue price (RMB/share) | Dividend yield | Issuing number (share) | Listing date | Trading number approved for listing (share) | Termination date of listing | Query index of use progress of funds raised | Query index of changes of funds raised |
|---------------------|---------------|-------------------------|----------------|------------------------|---------------|---|-----------------------------|--|--|
| Non-public offering | 7 March 2016 | 100 | 4.37% | 200,000,000 | 25 March 2016 | 200,000,000 | - | See the <i>Special Report on the Deposit and Actual Use of Fund Raised of Ping An Bank Co., Ltd. in 2016</i> published by the Bank on the CNINFO (http://www.cninfo.com.cn) on 17 March 2017 for details. | - |

Preference Shares

8.2 Number and shareholdings of preference shareholders of the company

(Unit: Share)

| | | | |
|--|----|---|----|
| Total number of preference shareholders at the end of the reporting period | 17 | Total number of preference shareholders at the end of the month before the release of the annual report | 19 |
|--|----|---|----|

Shareholding of shareholders with more than 5% preference shares or the top 10 preference shareholders

| Name of shareholder | Nature of shareholder | Shareholding (%) | Number of shares held as at the end of the reporting period | Changes during the reporting period | Number of restricted shares held | Number of unrestricted shares held | Pledged or frozen | |
|--|-----------------------|------------------|---|-------------------------------------|----------------------------------|------------------------------------|-------------------|------------------|
| | | | | | | | Status of shares | Number of shares |
| Ping An Life Insurance Company of China, Ltd. - dividend - dividends for individual insurance | Domestic legal entity | 29.00 | 58,000,000 | - | - | 58,000,000 | - | - |
| Ping An Life Insurance Company of China, Ltd. - universal - individual universal insurance | Domestic legal entity | 19.34 | 38,670,000 | - | - | 38,670,000 | - | - |
| Ping An Property & Casualty Insurance Company of China, Ltd. - traditional - ordinary insurance product | Domestic legal entity | 9.67 | 19,330,000 | - | - | 19,330,000 | - | - |
| Bank of Communications Schroder Asset Management - Bank of Communications - Bank of Communications Schroder Asset Management Zhuoyuan No. 1 Collective Asset Management Plan | Domestic legal entity | 8.95 | 17,905,000 | - | - | 17,905,000 | - | - |
| CITIC Securities - Postal Savings Bank of China - CITIC Securities Star No. 28 Collective Asset Management Plan | Domestic legal entity | 5.48 | 10,950,000 | 5,000,000 | - | 10,950,000 | - | - |
| Bank of China Limited Shanghai Branch | Domestic legal entity | 4.47 | 8,930,000 | - | - | 8,930,000 | - | - |
| Chuangjin Hexin Fund - Hua Xia Bank - Chuangjin Hexin Taize No. 6 Collective Asset Management Plan | Domestic legal entity | 4.20 | 8,405,000 | (4,500,000) | - | 8,405,000 | - | - |
| Jiangsu International Trust Co., Ltd. - Jiangsu Trust - Hexiang Tianli No. 1 Collective Capital Trust Plan | Domestic legal entity | 3.66 | 7,325,000 | - | - | 7,325,000 | - | - |
| Hwabao Trust Co., Ltd. - Hwabao Trust - Baofu Investment No. 1 Collective Capital Trust Plan | Domestic legal entity | 3.02 | 6,040,000 | (3,000,000) | - | 6,040,000 | - | - |
| Sinolink Securities - Hua Xia Bank - Sinolink Securities Sixiang No. 2 Collective Asset Management Plan | Domestic legal entity | 2.25 | 4,500,000 | 4,500,000 | - | 4,500,000 | - | - |
| Description of different requirements on other terms of preference shares held other than dividend distribution and residual property distribution | N/A | | | | | | | |

Description of the related party relationship or person acting-in-concert among top 10 preference shareholders and between top 10 preference shareholders and top 10 ordinary shareholders

1. Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China, Ltd. are controlled subsidiaries and persons acting in concert of the Ping An Insurance (Group) Company of China, Ltd. "Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund", "Ping An Life Insurance Company of China, Ltd. - proprietary fund", "Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance product", "Ping An Life Insurance Company of China, Ltd. - dividend - dividends for individual insurance", "Ping An Life Insurance Company of China, Ltd. - universal - individual universal insurance" and "Ping An Property & Casualty Insurance Company of China, Ltd. - traditional - ordinary insurance product" are related.
2. The Bank is not aware of any related-party relationship or parties acting in concert among other shareholders.

8.3 Profit distribution of preference shares of the company

Applicable Not applicable

(In RMB million)

| Time of distribution | Dividend yield | Amount of distribution (tax inclusive) | Conformity with distribution requirements and procedures | Method of dividend payment | Accumulation of dividend | Participation of surplus profit |
|----------------------|----------------|--|--|----------------------------|--------------------------|---------------------------------|
| 7 March 2022 | 4.37% | 874 | Yes | Paid in cash once a year | No | No |

Preference share distribution in recent three years

(In RMB million)

| Distribution year | Amount of distribution (tax inclusive) | Net profit attributable to shareholders of the Bank in the distribution year | Proportion accounting for net profit attributable to shareholders of the Bank | Description of amount included in the next accounting year due to the insufficiency of distributable profits or participating in surplus profit distribution |
|-------------------|--|--|---|--|
| 2022 | 874 | 45,516 | 1.92% | N/A |
| 2021 | 874 | 36,336 | 2.41% | N/A |
| 2020 | 874 | 28,928 | 3.02% | N/A |

Whether profit distribution policies of preference shares are adjusted or changed

Yes No

During the reporting period, the company had profits and the parent company had positive undistributed profits, however, there was no profit distribution for preference shares

Applicable Not applicable

Other descriptions regarding preference shares distribution

Applicable Not applicable

8.4 Repurchase or conversion of preference shares

Applicable Not applicable

There was no repurchase or conversion of preference shares during the reporting period.

Preference Shares

8.5 Recovery of voting rights of preference shares during the reporting period

Recovery and exercise of voting rights of preference shares

Applicable Not applicable

There was no recovery of voting rights of preference shares during the reporting period.

Shareholders and actual controllers involved in the recovery of voting rights of preference shares

Applicable Not applicable

8.6 Accounting policies and reasons adopted for preference shares

Applicable Not applicable

See “12. Equity instrument under III. Major accounting policies and accounting estimates” in “Section X Financial Report” for “Accounting policies and reasons adopted for preference shares”.

Corporate Bonds

Applicable Not applicable

Financial Report

CONTENT

| | | |
|------|---|-----|
| I. | Auditor' s Report | 171 |
| II. | Financial Statements | 176 |
| | Consolidated Balance Sheet | 176 |
| | Bank Balance Sheet | 178 |
| | Consolidated Income Statement | 180 |
| | Bank Income Statement | 182 |
| | Consolidated And Bank Statements Of Changes In Shareholders' Equity | 184 |
| | Consolidated Cash Flow Statement | 188 |
| | Bank Cash Flow Statement | 191 |
| | Notes To The Financial Statements | 194 |
| III. | Supplementary Information To Financial Statements | 359 |
| | Return On Net Assets And Earnings Per Share | 359 |

Financial Report

AUDITOR'S REPORT

Ernst & Young Hua Ming (2023) Shen Zi No. 60438538_H01
PING AN BANK CO., LTD.

To the shareholders of Ping An Bank Co., Ltd.,

I. Opinion

We have audited the financial statements of Ping An Bank Co., Ltd., which comprise the consolidated and bank balance sheets as at 31 December 2022, the consolidated and bank income statements, statements of changes in shareholders' equity and statements of cash flows for the year then ended, and related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and bank's financial position as at 31 December 2022, and the consolidated and bank's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises ("ASBEs").

II. Basis for Opinion

We conducted our audit in accordance with *China Standards on Auditing* ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Ping An Bank Co., Ltd. in accordance with the *Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants* ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Key Audit Matters

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

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

Financial Report

Key Audit Matters (Continued)

| Key Audit Matters | How our audit addressed the matter: |
|---|---|
| <i>Expected credit losses (ECL) of loans and advances to customers, investment on debts and credit commitments</i> | |
| <p>In ECL measurement, Ping An Bank applied multiple models and assumptions, such as:</p> <ol style="list-style-type: none">1. Significant increase in credit risk: selecting criteria for significant increase in credit risk is highly dependent on judgments and could exert significant impacts on ECL of loans and investment on debts with long lifetime;2. Models and parameters: the model used in the measurement of ECL is highly complex in nature. It needs many input parameters and the parameters evaluation involves more judgments and assumptions;3. Forward-looking information: predict the macroeconomics, and considering how ECL will be impacted under the weight of different economic scenarios;4. Individual impairment assessment: many factors should be considered in determining whether loans or investment on debts have credit impairment. Individual impairment evaluation depends on the estimation of future cash flows. <p>Since the impairment assessment of loans and advances to customers, investment on debts and credit commitments in the ECL model involves judgment and assumptions, and in view of the significance of the amount (as at 31 December 2022, total loans and advances to customers (including accrued interest) amounted to RMB3,340,177 million, and impairment provision for loans and advances to customers amounted to RMB101,196 million. Investment on debts (including accrued interest) amounted to RMB748,237 million, and impairment provision for investment on debts amounted to RMB16,387 million. Credit commitment exposures amounted to RMB1,827,992 million, and related provisions amounted to RMB9,640 million), we consider the estimation a key audit matter.</p> <p>For related disclosures, please refer to Note III 8.4, Note III 34(ii), Note IV 6, Note IV 8, Note IV 29, Note VI 2 and Note VIII 1.2 to the financial statements.</p> | <p>We understood, assessed and tested the design and operating effectiveness of key internal control (including data quality and information system) related to the ECL of loans and advances to customers, investment on debts and credit commitments.</p> <p>We adopted a risk-based sampling approach, chose samples to implement review procedures to loans and advances to customers and investment on debts. Based on post-loan or post-investment investigation report, the debtor's financial information, collateral valuation reports and other available information, we analyzed the debtor's repayment ability and assessed Ping An Bank's rating results to loans and advances to customers and investment on debts.</p> <p>With the help of internal specialist, we assessed and tested the key parameters, the management's significant judgments and related assumptions used in the ECL model.</p> <p>1. ECL model:</p> <ul style="list-style-type: none">● Considering the macroeconomic fluctuations, we assessed the reasonableness of the methodology of ECL model and related parameters, including default probability, default loss rate, risk exposure, significant increase in credit risk, etc.● We evaluated the forward-looking information used by the management in determining the ECL, including the forecasts of macroeconomic variables and assumptions and weight of multiple economic scenarios.● We assessed models and related assumptions used in individual impairment assessment, and analyzed the amount, timing and likelihood of estimated future cash flows, especially the recoverable amount of collaterals. <p>2. Design and operating effectiveness of key controls:</p> <ul style="list-style-type: none">● We evaluated and tested the data and processes used to confirm the provision for ECL, including loans and advances to customers, investment on debts and credit commitment business data, internal credit rating data, macroeconomic data, etc., as well as the impairment related system calculation logic, data input, system interface, etc.● We evaluated and tested key controls for the ECL model, including model change approvals, ongoing monitoring of model performance, model validation, and parameter calibration. <p>Furthermore, we evaluated and tested the design and operating effectiveness of internal controls related to disclosures of Ping An Bank's credit risk exposures and ECL.</p> |

| Key Audit Matters | How our audit addressed the matter |
|---|---|
| <i>Consolidation assessment of structured entities</i> | |
| <p>In conducting businesses such as financial investments, asset management and credit asset transfer, Ping An Bank had interests in various structured entities, including wealth management products, funds, asset management plans, trust plans and asset-backed securities.</p> | <p>We understood, assessed and tested the effectiveness of design and implementation of internal key controls related to evaluating the consolidation of structured entities. These internal controls mainly included approval of transaction structures and contract terms, and review and approval of consolidation assessment and results.</p> |
| <p>Ping An Bank determines whether or not to consolidate these structured entities based on the assessment of whether the Bank has control taking into consideration power arising from rights, variable returns, and link between power and returns.</p> | <p>In addition, we checked supporting documents of structured entities managed or invested by Ping An Bank on a sampling basis, including related contracts, internal documents and information obtained as an investor or disclosed to investors, and assessed whether Ping An Bank had control over the structured entities by conducting the following audit procedures:</p> |
| <p>The assessment of the existence of Ping An Bank's control over structured entities involves significant judgment on factors such as the purpose of setting up structured entities, its ability to direct the relevant activities, direct and indirect beneficial interests and returns, performance fee, remuneration and exposure to loss from providing credit enhancement or liquidity support. A comprehensive analysis of these factors and the conclusion of whether any controls exist involves the management's significant judgments and estimates. Due to the significance of the control and the complexity of judgment exercised by the management, it is considered a key audit matter.</p> | <ol style="list-style-type: none"> 1. We acquired an understanding of the purpose of setting up the structured entities and the participation of Ping An Bank in the structured entities, and assessed the management's judgment regarding whether Ping An Bank had power over the structured entities; 2. We checked the structure design of risks and rewards by the structured entities, including any assets owned in the structured entities by Ping An Bank or guarantee for its income, arrangement for providing liquidity support, payment of expenses and allocation of income, etc., to assess the magnitude and variability of the variable returns from the structured entities owned by Ping An Bank as judged by the management; 3. We determined Ping An Bank's role in the aforesaid activities as an agent or a principal in charge based on whether the Bank was able to influence the amount of return by exercising its rights over the structured entities, including analyzing Ping An Bank's decision scope, rewards gained, other interests, and other participators' rights. |
| <p>For related disclosures, please refer to Note III 5, Note III 34(iv), and Note IV 52 to the financial statements.</p> | |

IV. Other Information

The management of Ping An Bank Co., Ltd. is responsible for other information. Other information comprises all of the information included in annual report of Ping An Bank other than the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read other information and, in doing so, consider whether other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of other information, we are required to report that fact. We have nothing to report in this regard.

Financial Report

V.Responsibilities of the management and those charged with governance for the financial statements

The management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with ASBEs, and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the ability of Ping An Bank Co., Ltd. to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of Ping An Bank Co., Ltd.

VI.Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting. And, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Ping An Bank Co., Ltd. to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Ping An Bank Co., Ltd. to cease to continue as a going concern.
- (5) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Ping An Bank Co., Ltd. to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Ernst & Young Hua Ming LLP
Beijing, the People's Republic of China

8 March 2023

Chinese Certified Public Accountant: **Chang Hua(Engagement Partner)**
Chinese Certified Public Accountant: **Wang Yangyan**

Consolidated Balance Sheet

31 December 2022

(All amounts in RMB million unless otherwise stated)

| | Note IV | The Group | |
|---|---------|------------------|------------------|
| | | 31 December 2022 | 31 December 2021 |
| Assets | | | |
| Cash and balances with the Central Bank | 1 | 285,277 | 312,033 |
| Deposits with banks and other financial institutions | 2 | 98,329 | 78,215 |
| Precious metals | | 16,555 | 17,820 |
| Placements with and loans to banks and other financial institutions | 3 | 133,921 | 94,473 |
| Derivative financial assets | 4 | 27,553 | 30,238 |
| Financial assets held under resale agreements | 5 | 41,561 | 6,388 |
| Loans and advances to customers | 6 | 3,242,258 | 2,984,753 |
| Financial investments: | | | |
| Financial assets held for trading | 7 | 446,133 | 389,703 |
| Investment on debts | 8 | 731,850 | 738,166 |
| Other investment on debts | 9 | 172,233 | 152,428 |
| Other equity instrument investment | 10 | 6,380 | 2,592 |
| Investment properties | 12 | 477 | 558 |
| Fixed assets | 13 | 11,083 | 11,974 |
| Right-of-use assets | 14 | 6,530 | 6,771 |
| Intangible assets | 15 | 6,879 | 5,801 |
| Goodwill | 16 | 7,568 | 7,568 |
| Deferred income tax assets | 17 | 44,079 | 39,735 |
| Other assets | 18 | 42,848 | 42,164 |
| Total assets | | 5,321,514 | 4,921,380 |

The accompanying notes to financial statements form an integral part of these financial statements.

| | Note IV | The Group | |
|--|---------|------------------|------------------|
| | | 31 December 2022 | 31 December 2021 |
| Liabilities | | | |
| Borrowings from the Central Bank | 20 | 191,916 | 148,162 |
| Deposits from banks and other financial institutions | 21 | 407,278 | 345,131 |
| Placements from banks and other financial institutions | 22 | 53,282 | 32,394 |
| Financial liabilities held for trading | 23 | 69,054 | 43,421 |
| Derivative financial liabilities | 4 | 36,525 | 31,092 |
| Financial assets sold under repurchase agreements | 24 | 13,303 | 47,703 |
| Deposits from customers | 25 | 3,352,266 | 2,990,518 |
| Employee benefits payable | 26 | 18,571 | 18,095 |
| Taxes payable | 27 | 14,674 | 11,685 |
| Debt securities issued | 28 | 692,075 | 823,934 |
| Lease liabilities | 14 | 6,922 | 6,968 |
| Provisions | 29 | 9,730 | 3,944 |
| Other liabilities | 30 | 21,238 | 22,885 |
| Total liabilities | | 4,886,834 | 4,525,932 |
| Shareholders' equity | | | |
| Share capital | 31 | 19,406 | 19,406 |
| Other equity instruments | 32 | 69,944 | 69,944 |
| Including: Preference shares | | 19,953 | 19,953 |
| Perpetual bonds | | 49,991 | 49,991 |
| Capital reserve | 33 | 80,816 | 80,816 |
| Other comprehensive income | 47 | 2,660 | 1,785 |
| Surplus reserve | 34 | 10,781 | 10,781 |
| General reserve | 35 | 64,768 | 58,339 |
| Undistributed profit | 36 | 186,305 | 154,377 |
| Total shareholders' equity | | 434,680 | 395,448 |
| Total liabilities and shareholders' equity | | 5,321,514 | 4,921,380 |

The accompanying notes to financial statements form an integral part of these financial statements.

The financial statements have been signed by:

Legal representative: Xie Yonglin President: Hu Yuefei Vice President and CFO: Xiang Youzhi Head of accounting department: Zhu Peiqing

Bank Balance Sheet

31 December 2022

(All amounts in RMB million unless otherwise stated)

| | Note IV | The Bank | |
|---|---------|------------------|------------------|
| | | 31 December 2022 | 31 December 2021 |
| Assets | | | |
| Cash and balances with the Central Bank | 1 | 285,277 | 312,033 |
| Deposits with banks and other financial institutions | 2 | 97,619 | 77,890 |
| Precious metals | | 16,555 | 17,820 |
| Placements with and loans to banks and other financial institutions | 3 | 133,921 | 94,473 |
| Derivative financial assets | 4 | 27,553 | 30,238 |
| Financial assets held under resale agreements | 5 | 41,561 | 6,388 |
| Loans and advances to customers | 6 | 3,242,258 | 2,984,753 |
| Financial investments: | | | |
| Financial assets held for trading | 7 | 442,792 | 386,946 |
| Investment on debts | 8 | 731,753 | 737,139 |
| Other investment on debts | 9 | 169,368 | 151,426 |
| Other equity instrument investment | 10 | 6,380 | 2,592 |
| Long-term equity investments | 11 | 5,000 | 5,000 |
| Investment properties | 12 | 477 | 558 |
| Fixed assets | 13 | 11,054 | 11,947 |
| Right-of-use assets | 14 | 6,526 | 6,743 |
| Intangible assets | 15 | 6,879 | 5,801 |
| Goodwill | 16 | 7,568 | 7,568 |
| Deferred income tax assets | 17 | 44,015 | 39,719 |
| Other assets | 18 | 42,582 | 42,039 |
| Total assets | | 5,319,138 | 4,921,073 |

The accompanying notes to financial statements form an integral part of these financial statements.

| | Note IV | The Bank | |
|--|---------|------------------|------------------|
| | | 31 December 2022 | 31 December 2021 |
| Liabilities | | | |
| Borrowings from the Central Bank | 20 | 191,916 | 148,162 |
| Deposits from banks and other financial institutions | 21 | 407,605 | 346,225 |
| Placements from banks and other financial institutions | 22 | 53,282 | 32,394 |
| Financial liabilities held for trading | 23 | 69,054 | 43,421 |
| Derivative financial liabilities | 4 | 36,525 | 31,092 |
| Financial assets sold under repurchase agreements | 24 | 13,303 | 47,703 |
| Deposits from customers | 25 | 3,352,270 | 2,990,522 |
| Employee benefits payable | 26 | 18,271 | 17,866 |
| Taxes payable | 27 | 14,107 | 11,418 |
| Debt securities issued | 28 | 692,075 | 823,934 |
| Lease liabilities | 14 | 6,922 | 6,943 |
| Provisions | 29 | 9,730 | 3,944 |
| Other liabilities | 30 | 23,057 | 23,782 |
| Total liabilities | | 4,888,117 | 4,527,406 |
| Shareholders' equity | | | |
| Share capital | 31 | 19,406 | 19,406 |
| Other equity instruments | 32 | 69,944 | 69,944 |
| Including: Preference shares | | 19,953 | 19,953 |
| Perpetual bonds | | 49,991 | 49,991 |
| Capital reserve | 33 | 80,816 | 80,816 |
| Other comprehensive income | 47 | 2,664 | 1,784 |
| Surplus reserve | 34 | 10,781 | 10,781 |
| General reserve | 35 | 62,384 | 57,083 |
| Undistributed profit | 36 | 185,026 | 153,853 |
| Total shareholders' equity | | 431,021 | 393,667 |
| Total liabilities and shareholders' equity | | 5,319,138 | 4,921,073 |

The accompanying notes to financial statements form an integral part of these financial statements.

Consolidated Income Statement

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

| | Note IV | The Group | |
|--|---------|-----------|----------|
| | | 2022 | 2021 |
| I. Operating income | | | |
| Interest income | 37 | 228,878 | 213,536 |
| Interest expenses | 37 | (98,748) | (93,200) |
| Net interest income | 37 | 130,130 | 120,336 |
| Fee and commission income | 38 | 37,754 | 40,190 |
| Fee and commission expenses | 38 | (7,546) | (7,128) |
| Net fee and commission income | 38 | 30,208 | 33,062 |
| Investment income | 39 | 13,243 | 12,243 |
| Including: Gains from derecognition of financial assets measured at amortized cost | | 160 | 95 |
| Gains or losses on changes in fair value | 40 | 1,240 | 2,080 |
| Exchange gains or losses | 41 | 4,548 | 1,320 |
| Other operating income | 42 | 131 | 105 |
| Gains or losses on disposal of assets | | 180 | 12 |
| Other income | | 215 | 225 |
| Total operating income | | 179,895 | 169,383 |
| II. Operating expenses | | | |
| Taxes and surcharges | 43 | (1,727) | (1,644) |
| Business and administrative expenses | 44 | (49,387) | (47,937) |
| Total operating expenses | | (51,114) | (49,581) |
| III. Operating profit before impairment losses | | 128,781 | 119,802 |
| Impairment losses on credit | 45 | (71,341) | (72,619) |
| Impairment losses on other assets | | 35 | (1,198) |
| IV. Operating profit | | 57,475 | 45,985 |
| Add: Non-operating income | | 64 | 158 |
| Less: Non-operating expenses | | (286) | (264) |

The accompanying notes to financial statements form an integral part of these financial statements.

| | Note IV | The Group | |
|--|---------|-----------|---------|
| | | 2022 | 2021 |
| V. Profit before tax | | 57,253 | 45,879 |
| Less: Income tax expenses | 46 | (11,737) | (9,543) |
| VI. Net profit | | 45,516 | 36,336 |
| (I)Net profit from continuing operations | | 45,516 | 36,336 |
| (II)Net profit from discontinued operations | | - | - |
| VII. Net value of other comprehensive income after tax | 47 | | |
| (I)Other comprehensive income that will not be reclassified to profit or loss | | | |
| Changes in fair value of other equity instrument investment | | (8) | 45 |
| (II)Other comprehensive income that may be reclassified to profit or loss | | | |
| 1. Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income | | (870) | 1,119 |
| 2. Provision for credit losses on financial assets designated at fair value and changes included into other comprehensive income | | 1,881 | 363 |
| 3. Cash flow hedging reserve | | - | (209) |
| 4. Exchange differences on translation of foreign currency financial statements | | (13) | 5 |
| Sub-total | | 998 | 1,278 |
| Total other comprehensive income | | 990 | 1,323 |
| VIII. Total comprehensive income | | 46,506 | 37,659 |
| IX. Earnings per share | | | |
| Basic earnings per share (EPS) (RMB/share) | 48 | 2.20 | 1.73 |
| Diluted earnings per share (RMB/share) | 48 | 2.20 | 1.73 |

The accompanying notes to financial statements form an integral part of these financial statements.

Bank Income Statement

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

| | | The Bank | |
|---|---------|----------|----------|
| | Note IV | 2022 | 2021 |
| I. Operating income | | | |
| Interest income | 37 | 228,793 | 213,434 |
| Interest expenses | 37 | (98,764) | (93,207) |
| Net interest income | 37 | 130,029 | 120,227 |
| Fee and commission income | 38 | 36,914 | 39,914 |
| Fee and commission expenses | 38 | (9,658) | (9,270) |
| Net fee and commission income | 38 | 27,256 | 30,644 |
| Investment income | 39 | 13,051 | 12,179 |
| Including: Gains from derecognition of financial assets measured at amortized cost | | 160 | 95 |
| Gains or losses on changes in fair value | 40 | 1,397 | 2,075 |
| Exchange gains or losses | 41 | 4,548 | 1,320 |
| Other operating income | 42 | 131 | 105 |
| Gains or losses on disposal of assets | | 180 | 12 |
| Other income | | 213 | 176 |
| Total operating income | | 176,805 | 166,738 |
| II. Operating expenses | | | |
| Taxes and surcharges | 43 | (1,708) | (1,628) |
| Business and administrative expenses | 44 | (48,711) | (47,398) |
| Total operating expenses | | (50,419) | (49,026) |
| III. Operating profit before impairment losses | | | |
| Impairment losses on credit | 45 | (71,341) | (72,617) |
| Impairment losses on other assets | | 35 | (1,198) |
| IV. Operating profit | | | |
| Add: Non-operating income | | 64 | 158 |
| Less: Non-operating expenses | | (285) | (264) |

The accompanying notes to financial statements form an integral part of these financial statements.

| | Note IV | The Bank | |
|--|---------|---------------|---------------|
| | | 2022 | 2021 |
| V. Profit before tax | | 54,859 | 43,791 |
| Less: Income tax expenses | 46 | (11,226) | (9,070) |
| VI. Net profit | | 43,633 | 34,721 |
| (I) Net profit from continuing operations | | 43,633 | 34,721 |
| (II) Net profit from discontinued operations | | - | - |
| VII. Net value of other comprehensive income after tax | 47 | | |
| (I) Other comprehensive income that will not be reclassified to profit or loss | | | |
| Changes in fair value of other equity instrument investment | | (8) | 45 |
| (II) Other comprehensive income that may be reclassified to profit or loss | | | |
| 1. Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income | | (865) | 1,124 |
| 2. Provision for credit losses on financial assets designated at fair value and changes included into other comprehensive income | | 1,881 | 363 |
| 3. Cash flow hedging reserve | | - | (209) |
| 4. Exchange differences on translation of foreign currency financial statements | | (13) | 5 |
| Sub-total | | 1,003 | 1,283 |
| Total other comprehensive income | | 995 | 1,328 |
| VIII. Total comprehensive income | | 44,628 | 36,049 |

The accompanying notes to financial statements form an integral part of these financial statements.

Consolidated And Bank Statements Of Changes In Shareholders' Equity

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

| For the year ended 31 December 2022 | The Group | | | | | | | | |
|--|-----------|---------------|--------------------------|-----------------|----------------------------|-----------------|-----------------|----------------------|----------------------------|
| | Note | Share capital | Other equity instruments | Capital reserve | Other comprehensive income | Surplus reserve | General reserve | Undistributed profit | Total shareholders' equity |
| I. Balance at 1 January 2022 | | 19,406 | 69,944 | 80,816 | 1,785 | 10,781 | 58,339 | 154,377 | 395,448 |
| II. Changes in current year | | | | | | | | | |
| (I) Net profit | | - | - | - | - | - | - | 45,516 | 45,516 |
| (II) Other comprehensive income | IV. 47 | - | - | - | 990 | - | - | - | 990 |
| Total comprehensive income | | - | - | - | 990 | - | - | 45,516 | 46,506 |
| (III) Profit distribution | | | | | | | | | |
| 1. Appropriation to surplus reserve | IV. 34 | - | - | - | - | - | - | - | - |
| 2. Appropriation to general reserve | IV. 35 | - | - | - | - | - | 6,429 | (6,429) | - |
| 3. Cash dividends on ordinary shares | IV. 36 | - | - | - | - | - | - | (4,425) | (4,425) |
| 4. Dividends on preference shares | IV. 36 | - | - | - | - | - | - | (874) | (874) |
| 5. Interest on perpetual bonds | IV. 36 | - | - | - | - | - | - | (1,975) | (1,975) |
| (IV) Transfer within shareholders' equity | | | | | | | | | |
| 1. Other comprehensive income transferred to retained earnings | IV. 47 | - | - | - | (115) | - | - | 115 | - |
| III. Balance at 31 December 2022 | | 19,406 | 69,944 | 80,816 | 2,660 | 10,781 | 64,768 | 186,305 | 434,680 |

The accompanying notes to financial statements form an integral part of these financial statements.

| For the year ended 31 December 2022 | The Bank | | | | | | | | |
|--|----------|---------------|--------------------------|-----------------|----------------------------|-----------------|-----------------|----------------------|----------------------------|
| | Note | Share capital | Other equity instruments | Capital reserve | Other comprehensive income | Surplus reserve | General reserve | Undistributed profit | Total shareholders' equity |
| I. Balance at 1 January 2022 | | 19,406 | 69,944 | 80,816 | 1,784 | 10,781 | 57,083 | 153,853 | 393,667 |
| II. Changes in current year | | | | | | | | | |
| (I) Net profit | | - | - | - | - | - | - | 43,633 | 43,633 |
| (II) Other comprehensive income | IV. 47 | - | - | - | 995 | - | - | - | 995 |
| Total comprehensive income | | - | - | - | 995 | - | - | 43,633 | 44,628 |
| (III) Profit distribution | | | | | | | | | |
| 1. Appropriation to surplus reserve | IV. 34 | - | - | - | - | - | - | - | - |
| 2. Appropriation to general reserve | IV. 35 | - | - | - | - | - | 5,301 | (5,301) | - |
| 3. Cash dividends on ordinary shares | IV. 36 | - | - | - | - | - | - | (4,425) | (4,425) |
| 4. Dividends on preference shares | IV. 36 | - | - | - | - | - | - | (874) | (874) |
| 5. Interest on perpetual bonds | IV. 36 | - | - | - | - | - | - | (1,975) | (1,975) |
| (IV) Transfer within shareholders' equity | | | | | | | | | |
| 1. Other comprehensive income transferred to retained earnings | IV. 47 | - | - | - | (115) | - | - | 115 | - |
| III. Balance at 31 December 2022 | | 19,406 | 69,944 | 80,816 | 2,664 | 10,781 | 62,384 | 185,026 | 431,021 |

The accompanying notes to financial statements form an integral part of these financial statements.

Consolidated And Bank Statements Of Changes In Shareholders' Equity(Continued)

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

| For the year ended 31 December 2021 | The Group | | | | | | | | |
|--------------------------------------|-----------|---------------|--------------------------|-----------------|----------------------------|-----------------|-----------------|----------------------|----------------------------|
| | Note | Share capital | Other equity instruments | Capital reserve | Other comprehensive income | Surplus reserve | General reserve | Undistributed profit | Total shareholders' equity |
| I. Balance at 1 January 2021 | | 19,406 | 69,944 | 80,816 | 462 | 10,781 | 51,536 | 131,186 | 364,131 |
| II. Changes in current year | | | | | | | | | |
| (I)Net profit | | - | - | - | - | - | - | 36,336 | 36,336 |
| (II)Other comprehensive income | IV. 47 | - | - | - | 1,323 | - | - | - | 1,323 |
| Total comprehensive income | | - | - | - | 1,323 | - | - | 36,336 | 37,659 |
| (III)Profit distribution | | | | | | | | | |
| 1. Appropriation to surplus reserve | IV. 34 | - | - | - | - | - | - | - | - |
| 2. Appropriation to general reserve | IV. 35 | - | - | - | - | - | 6,803 | (6,803) | - |
| 3. Cash dividends on ordinary shares | IV. 36 | - | - | - | - | - | - | (3,493) | (3,493) |
| 4. Dividends on preference shares | IV. 36 | - | - | - | - | - | - | (874) | (874) |
| 5. Interest on perpetual bonds | IV. 36 | - | - | - | - | - | - | (1,975) | (1,975) |
| III. Balance at 31 December 2021 | | 19,406 | 69,944 | 80,816 | 1,785 | 10,781 | 58,339 | 154,377 | 395,448 |

The accompanying notes to financial statements form an integral part of these financial statements.

| For the year ended 31 December 2021 | Note | Share capital | Other equity instruments | Capital reserve | The Bank | | | | Total shareholders' equity |
|---|--------|---------------|--------------------------|-----------------|----------------------------|-----------------|-----------------|----------------------|----------------------------|
| | | | | | Other comprehensive income | Surplus reserve | General reserve | Undistributed profit | |
| I. Balance at 1 January 2021 | | 19,406 | 69,944 | 80,816 | 456 | 10,781 | 51,534 | 131,023 | 363,960 |
| II. Changes in current year | | | | | | | | | |
| (I) Net profit | | - | - | - | - | - | - | 34,721 | 34,721 |
| (II) Other comprehensive income | IV. 47 | - | - | - | 1,328 | - | - | - | 1,328 |
| Total comprehensive income | | - | - | - | 1,328 | - | - | 34,721 | 36,049 |
| (III) Profit distribution | | | | | | | | | |
| 1. Appropriation to surplus reserve | IV. 34 | - | - | - | - | - | - | - | - |
| 2. Appropriation to general reserve | IV. 35 | - | - | - | - | - | 5,549 | (5,549) | - |
| 3. Cash dividends on ordinary shares | IV. 36 | - | - | - | - | - | - | (3,493) | (3,493) |
| 4. Dividends on preference shares | IV. 36 | - | - | - | - | - | - | (874) | (874) |
| 5. Interest on perpetual bonds | IV. 36 | - | - | - | - | - | - | (1,975) | (1,975) |
| III. Balance at 31 December 2021 | | 19,406 | 69,944 | 80,816 | 1,784 | 10,781 | 57,083 | 153,853 | 393,667 |

The accompanying notes to financial statements form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

| | Note IV | The Group | |
|--|---------|-----------|-----------|
| | | 2022 | 2021 |
| I. Cash flows from operating activities | | | |
| Net decrease in amounts due from the Central Bank and deposits with banks and other financial institutions | | - | 10,033 |
| Net increase in borrowings from the Central Bank | | 43,317 | 23,452 |
| Net increase in customer deposits and deposits from banks and other financial institutions | | 411,157 | 162,932 |
| Net decrease in placements with and loans to banks and other financial institutions | | - | 3,112 |
| Net increase in placements from banks and other financial institutions | | 20,737 | - |
| Net increase in financial assets sold under repurchase agreements | | - | 12,495 |
| Cash received from interest and fee and commission income | | 248,891 | 230,719 |
| Cash received relating to other operating activities | 50 | 53,676 | 43,305 |
| Sub-total of cash inflows | | 777,778 | 486,048 |
| Net increase in amounts due from the Central Bank and deposits with banks and other financial institutions | | (21,405) | - |
| Net increase in loans and advances to customers | | (332,903) | (447,389) |
| Net increase in placements with and loans to banks and other financial institutions | | (52,697) | - |
| Net decrease in placements from banks and other financial institutions | | - | (8,629) |
| Net increase in financial assets held under resale agreements | | (2,018) | (181) |
| Net increase in financial assets held for trading | | (45,987) | (68,934) |
| Net decrease in financial assets sold under repurchase agreements | | (34,333) | - |
| Cash payments for interest and fee and commission expenses | | (74,373) | (70,444) |
| Cash paid to and on behalf of employees | | (21,741) | (20,560) |
| Payments of taxes and surcharges | | (27,713) | (23,411) |
| Cash paid relating to other operating activities | 51 | (30,036) | (39,233) |
| Sub-total of cash outflows | | (643,206) | (678,781) |
| Net cash flows from/(used in) operating activities | | 134,572 | (192,733) |

The accompanying notes to financial statements form an integral part of these financial statements.

| | Note IV | The Group | |
|---|---------|-----------|-----------|
| | | 2022 | 2021 |
| II. Cash flows from investing activities | | | |
| Cash received from investments upon disposal/maturity | | 491,914 | 483,160 |
| Cash received from returns on investments | | 38,427 | 36,017 |
| Cash received from disposal of fixed assets and other long-term assets | | 291 | 559 |
| Sub-total of cash inflows | | 530,632 | 519,736 |
| Cash payments for investments | | (509,231) | (553,577) |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets | | (3,543) | (6,614) |
| Sub-total of cash outflows | | (512,774) | (560,191) |
| Net cash flows from/(used in) investing activities | | 17,858 | (40,455) |
| III. Cash flows from financing activities | | | |
| Cash received from debt securities and other equity instruments issued | | 679,189 | 1,112,799 |
| Sub-total of cash inflows | | 679,189 | 1,112,799 |
| Cash payments for principal of debt securities | | (825,906) | (917,740) |
| Cash payments for interest on debt securities | | (4,613) | (4,895) |
| Cash payments for dividend and profit distribution | | (7,274) | (6,342) |
| Cash payments for lease liabilities | | (2,801) | (2,758) |
| Sub-total of cash outflows | | (840,594) | (931,735) |
| Net cash flows (used in)/from financing activities | | (161,405) | 181,064 |
| IV. Effect of foreign exchange rate changes on cash and cash equivalents | | 6,079 | (1,604) |
| V. Net decrease in cash and cash equivalents | | (2,896) | (53,728) |
| Add: Cash and cash equivalents at the beginning of the year | | 225,222 | 278,950 |
| VI. Cash and cash equivalents at the end of the year | 49 | 222,326 | 225,222 |

The accompanying notes to financial statements form an integral part of these financial statements.

Consolidated Cash Flow Statement(Continued)

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

| Supplementary information | Note IV | The Group | |
|---|---------|-----------|-----------|
| | | 2022 | 2021 |
| 1. Reconciliation of net profit to cash flows from operating activities | | | |
| Net profit | | 45,516 | 36,336 |
| Adjustments: | | | |
| Impairment losses on credit | 45 | 71,341 | 72,619 |
| Impairment losses on other assets | | (35) | 1,198 |
| Interest income arising from financial assets that have been impaired | | (45) | (109) |
| Depreciation of investment properties | | 24 | 23 |
| Depreciation of fixed assets | 44 | 1,933 | 1,773 |
| Depreciation of right-of-use assets | 44 | 2,650 | 2,442 |
| Amortization of intangible assets | 44 | 732 | 959 |
| Amortization of long-term prepaid expenses | | 711 | 704 |
| Net gains or losses from disposal of fixed assets and other long-term assets | | (101) | 42 |
| Gains or losses on changes in fair value of financial instruments | | (4,482) | (2,734) |
| Gains or losses on changes in fair value of foreign exchange derivative financial instruments | | 8,061 | (689) |
| Interest income and profits from investment | | (34,211) | (32,989) |
| Increase in deferred income tax assets | 46 | (4,648) | (1,143) |
| Interest expenses on lease liabilities | | 219 | 196 |
| Interest expenses on debt securities issued | 37 | 19,470 | 21,905 |
| Increase in operating receivables | | (463,015) | (500,983) |
| Increase in operating payables | | 490,377 | 207,708 |
| Provision for expected litigation losses | | 75 | 9 |
| Net cash flows from/(used in) operating activities | | 134,572 | (192,733) |
| 2. Net decrease in cash and cash equivalents | | | |
| Cash at the end of the year | 49 | 4,162 | 3,685 |
| Less: Cash at the beginning of the year | | (3,685) | (3,805) |
| Add: Cash equivalents at the end of the year | 49 | 218,164 | 221,537 |
| Less: Cash equivalents at the beginning of the year | | (221,537) | (275,145) |
| Net decrease in cash and cash equivalents | | (2,896) | (53,728) |

The accompanying notes to financial statements form an integral part of these financial statements.

Bank Cash Flow Statement

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

| | Note IV | The Bank | |
|--|---------|-----------|-----------|
| | | 2022 | 2021 |
| I. Cash flows from operating activities | | | |
| Net decrease in amounts due from the Central Bank and deposits with banks and other financial institutions | | - | 10,033 |
| Net increase in borrowings from the Central Bank | | 43,317 | 23,452 |
| Net increase in customer deposits and deposits from banks and other financial institutions | | 410,390 | 163,679 |
| Net decrease in placements with and loans to banks and other financial institutions | | - | 3,112 |
| Net increase in placements from banks and other financial institutions | | 20,737 | - |
| Net increase in financial assets sold under repurchase agreements | | - | 12,495 |
| Cash received from interest and fee and commission income | | 248,110 | 230,503 |
| Cash received relating to other operating activities | 50 | 53,673 | 43,257 |
| Sub-total of cash inflows | | 776,227 | 486,531 |
| Net increase in amounts due from the Central Bank and deposits with banks and other financial institutions | | (21,405) | - |
| Net increase in loans and advances to customers | | (332,903) | (447,389) |
| Net increase in placements with and loans to banks and other financial institutions | | (52,697) | - |
| Net decrease in placements from banks and other financial institutions | | - | (8,629) |
| Net increase in financial assets held under resale agreements | | (2,018) | (181) |
| Net increase in financial assets held for trading | | (45,207) | (68,616) |
| Net decrease in financial assets sold under repurchase agreements | | (34,333) | - |
| Cash payments for interest and fee and commission expenses | | (75,702) | (72,111) |
| Cash paid to and on behalf of employees | | (21,433) | (20,358) |
| Payments of taxes and surcharges | | (27,281) | (22,973) |
| Cash paid relating to other operating activities | 51 | (29,769) | (39,069) |
| Sub-total of cash outflows | | (642,748) | (679,326) |
| Net cash flows from/(used in) operating activities | | 133,479 | (192,795) |

The accompanying notes to financial statements form an integral part of these financial statements.

Bank Cash Flow Statement(Continued)

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

| | Note IV | The Bank | |
|---|---------|-----------|-----------|
| | | 2022 | 2021 |
| II. Cash flows from investing activities | | | |
| Cash received from investments upon disposal/maturity | | 491,011 | 483,160 |
| Cash received from returns on investments | | 38,138 | 35,852 |
| Cash received from disposal of fixed assets and other long-term assets | | 291 | 559 |
| Sub-total of cash inflows | | 529,440 | 519,571 |
| Cash payments for investments | | (507,388) | (552,980) |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets | | (3,520) | (6,571) |
| Sub-total of cash outflows | | (510,908) | (559,551) |
| Net cash flows from/(used in) investing activities | | 18,532 | (39,980) |
| III. Cash flows from financing activities | | | |
| Cash received from debt securities and other equity instruments issued | | 679,189 | 1,112,799 |
| Sub-total of cash inflows | | 679,189 | 1,112,799 |
| Cash payments for principal of debt securities | | (825,906) | (917,740) |
| Cash payments for interest on debt securities | | (4,613) | (4,895) |
| Cash payments for dividend and profit distribution | | (7,274) | (6,342) |
| Cash payments for lease liabilities | | (2,765) | (2,732) |
| Sub-total of cash outflows | | (840,558) | (931,709) |
| Net cash flows (used in)/from financing activities | | (161,369) | 181,090 |
| IV. Effect of foreign exchange rate changes on cash and cash equivalents | | 6,079 | (1,604) |
| V. Net decrease in cash and cash equivalents | | (3,279) | (53,289) |
| Add: Cash and cash equivalents at the beginning of the year | | 224,895 | 278,184 |
| VI. Cash and cash equivalents at the end of the year | 49 | 221,616 | 224,895 |

The accompanying notes to financial statements form an integral part of these financial statements.

| Supplementary information | Note IV | The Bank | |
|---|---------|-----------|-----------|
| | | 2022 | 2021 |
| 1. Reconciliation of net profit to cash flows from operating activities | | | |
| Net profit | | 43,633 | 34,721 |
| Adjustments: | | | |
| Impairment losses on credit | 45 | 71,341 | 72,617 |
| Impairment losses on other assets | | (35) | 1,198 |
| Interest income arising from financial assets that have been impaired | | (45) | (109) |
| Depreciation of investment properties | | 24 | 23 |
| Depreciation of fixed assets | 44 | 1,915 | 1,764 |
| Depreciation of right-of-use assets | 44 | 2,617 | 2,418 |
| Amortization of intangible assets | 44 | 732 | 959 |
| Amortization of long-term prepaid expenses | | 709 | 703 |
| Net gains or losses from disposal of fixed assets and other long-term assets | | (101) | 42 |
| Gains or losses on changes in fair value of financial instruments | | (4,639) | (2,728) |
| Gains or losses on changes in fair value of foreign exchange derivative financial instruments | | 8,061 | (689) |
| Interest income and profits from investment | | (33,920) | (32,797) |
| Increase in deferred income tax assets | 46 | (4,601) | (1,126) |
| Interest expenses on lease liabilities | | 218 | 194 |
| Interest expenses on debt securities issued | 37 | 19,470 | 21,905 |
| Increase in operating receivables | | (460,275) | (497,504) |
| Increase in operating payables | | 488,300 | 205,605 |
| Provision for expected litigation losses | | 75 | 9 |
| Net cash flows from/(used) in operating activities | | 133,479 | (192,795) |
| 2. Net decrease in cash and cash equivalents | | | |
| Cash at the end of the year | 49 | 4,162 | 3,685 |
| Less: Cash at the beginning of the year | | (3,685) | (3,805) |
| Add: Cash equivalents at the end of the year | 49 | 217,454 | 221,210 |
| Less: Cash equivalents at the beginning of the year | | (221,210) | (274,379) |
| Net decrease in cash and cash equivalents | | (3,279) | (53,289) |

The accompanying notes to financial statements form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

I. General information of the Bank

Ping An Bank Co., Ltd. (formerly known as Shenzhen Development Bank Co., Ltd.) (hereinafter referred to as the “Bank”) was established in Shenzhen Special Economic Zone in the People’s Republic of China (the “PRC”) as a result of the restructuring of six rural credit cooperatives into a joint stock commercial bank with limited liability. The Bank was established on 22 December 1987 after the initial public offering of its RMB ordinary shares on 10 May 1987. The Bank was listed on the Shenzhen Stock Exchange on 3 April 1991 and the stock code is 000001. As at 31 December 2022, the share capital of the Bank amounted to RMB19,406 million, with a face value of RMB1 per share.

Board resolutions on Proposal of SDB on the Scheme of Merger of the Controlling Subsidiary Ping An Bank Co., Ltd. through Absorption and Proposal of SDB on Signing the Absorption Merger Agreement with Ping An Bank Co., Ltd. signed between the Bank and the former Ping An Bank Company Limited (hereinafter referred to as “Former Ping An Bank”) were approved during the first extraordinary general meeting held on 9 February 2012. The absorption and merger plan had been approved by the China Banking and Insurance Regulatory Commission (CBIRC, formerly named as “China Banking Regulatory Commission”) in accordance with China Banking Regulatory Commission’s Approval of Absorption of Ping An Bank Co., Ltd. by Shenzhen Development Bank Co., Ltd. (Yin Jian Fu [2012] No. 192).

On 12 June 2012, the Shenzhen Market Supervision and Management Bureau approved Former Ping An Bank’s deregistration application. In July 2012, as approved by CBIRC in accordance with China Banking Regulatory Commission’s Approval for the Renaming of Shenzhen Development Bank (Yin Jian Fu [2012] No. 397), the Chinese name of the Bank, “深圳发展银行股份有限公司”, was changed to “平安银行股份有限公司”. The English name of “Shenzhen Development Bank Co., Ltd.” was changed to “Ping An Bank Co., Ltd.”.

On 16 December 2019, the Bank opened a branch in Hong Kong Special Administrative Region, China (“Hong Kong”). On 31 December 2022, the Bank had branches in Mainland China and Hong Kong. The Bank’s Head Office and domestic branches are collectively referred to as “domestic institutions” and its overseas branches are collectively referred to as “overseas institutions”.

The registered office of the Bank is located at No. 5047, Shennan Road East, Luohu District, Shenzhen, Guangdong Province, the PRC. Headquartered in Shenzhen, the Bank operates its business in Mainland China. The institution number of the Bank on No. 00386413 financial license issued by CBIRC is B0014H144030001. The business license of the Bank was issued by Shenzhen Market Supervision and Management Bureau with uniform social credit code 91440300192185379H.

On 19 August 2020, the Bank received the approval from CBIRC on the Opening of Ping An Wealth Management Co., Ltd. (Yin Bao Jian Fu [2020] No. 513), which approved the opening of Ping An Wealth Management Co., Ltd., a wholly-owned subsidiary of the Bank. According to the approval of CBIRC, the registered capital of Ping An Wealth Management Co., Ltd. is RMB5,000 million. It is principally engaged in the businesses related to asset management such as the issuance of public financing products, the issuance of private financing products, financial advisory and consulting.

The Bank is principally engaged in authorized commercial banking activities. The ultimate holding company of the Bank and its subsidiaries (collectively referred to as “the Group”) is Ping An Insurance (Group) Company of China, Ltd.

The financial statements were approved and authorized for issue by the Board on 8 March 2023.

II. Basis of preparation of the financial statements

The financial statements have been prepared in accordance with the Accounting Standard for Business Enterprises - Basic Standard, various specific accounting standards, the application guidance for Accounting Standards for Business Enterprises, interpretations of Accounting Standards for Business Enterprises and other relevant regulations (hereinafter collectively referred to as "ASBEs") issued by the Ministry of Finance of the People's republic of China (hereinafter referred to as "the Ministry of Finance") on 15 February 2006 and in subsequent periods and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 - General Rules on Financial Reporting issued by the China Securities Regulatory Commission (hereinafter referred to as "the CSRC").

The financial statements have been prepared on a going concern basis.

The Group's financial statements have been prepared on an accrual basis as the basis of measurement, except for financial assets/liabilities held for trading, derivatives, placements and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income, loans and advances to customers designated at fair value and changes included into other comprehensive income, other investment on debts or other investment on equity instruments designated at fair value. If the assets are impaired, corresponding provision for impairment shall be made according to relevant requirements.

III. Significant accounting policies and estimates

1. Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements present truly and completely consolidated and bank financial positions of and the Group as at 31 December 2022, and consolidated and bank financial performance and the cash flows for the year then ended and relevant information in accordance with Accounting Standards for Business Enterprises.

2. Accounting year

The accounting year of the Group is a calendar year, i. e. , from 1 January to 31 December.

3. Functional currency

The functional currency of the Group's domestic branches is RMB and the functional currency of the Group's overseas branches is determined based on the currency of the primary economic environment in which they operate. The currency adopted for preparation of the financial statements by the Group is RMB. All amounts in financial statements are presented in RMB million unless otherwise stated.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and estimates(Continued)

4. Business combinations

Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. In a business combination involving entities under common control, the entity that, at the combination date, obtains control of another combining entity is the absorbing entity, while that other combining entity is the entity being absorbed. The combination date is the date on which the absorbing entity effectively obtains control on the entity being absorbed.

The assets and liabilities that are obtained by the absorbing entity in a business combination involving entities under common control shall be measured on the basis of their carrying amounts in the financial statements of the entity being absorbed at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued) by the absorbing entity shall be adjusted to share premium under capital reserves. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Business combinations not involving entities under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. In a business combination not involving entities under common control, the entity that, on the acquisition date, obtains control of another combining entity is the acquirer, while that other combining entity is the acquiree. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in a business combination not involving entities under common control at their fair values on the acquisition date.

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. The acquirer shall recognize the positive difference between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as goodwill and recognize the negative difference in profit or loss of the current period. Costs incurred by the acquirer directly attributable to the combination should also be included in cost of business combination.

5. Consolidated financial statements

The consolidated financial statements have been prepared on the basis of where control is achieved, including the Group and all its subsidiaries (including the structured entities).

Subsidiaries are the entities controlled by the Group. Control means having power over an investee, enjoying variable returns through involvement in relevant activities of the investee, and being able to impact the amount of such variable returns by using the power over the investee.

A structured entity refers to an entity of which, when controller of an entity is determined, the voting rights or similar rights do not compose a decisive factor affecting the design of entity structure (e.g., the voting rights are only related to administrative affairs), and relevant activities of the entity are carried out in accordance with contracts or corresponding arrangements.

For subsidiaries acquired through business combinations not involving entities under common control, the financial performance and cash flows of the acquiree shall be consolidated from the date on which the Group obtains control, and continue to be consolidated until the date such control ceases. While preparing the consolidated financial statements, the Group shall adjust the subsidiary's financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognized on the acquisition date.

For subsidiaries acquired through business combinations involving entities under common control, the financial performance and cash flows of the entity being absorbed shall be consolidated from the beginning of the period in which the combination occurs. While preparing the comparative financial statements, adjustments are made to related items in the financial statements for the prior period as if the reporting entity after the combination has been in existence since the date the ultimate controlling party first obtained the control.

All significant intra-group balances, transactions and unrealized profits are eliminated in the consolidated financial statements. A subsidiary's shareholders' equity, net gains or losses and comprehensive income for the period not attributable to the Bank are recognized as non-controlling interests, profits and losses attributable to minority interests and total comprehensive income attributable to minority interests, and are presented separately in the consolidated financial statements under shareholders' equity, net profit and total comprehensive income respectively. Where a subsidiary's loss for the current period attributed to the non-controlling shareholders exceed their share of owners' equity of the subsidiary at the beginning of the period, the excess shall be allocated to non-controlling interests. Unrealized gains or losses resulting from the sales of assets by the Bank to its subsidiaries are fully eliminated against net profit attributable to owners of the Bank. Unrealized gains or losses resulting from the sales of assets by a subsidiary to the Bank are eliminated and allocated between net profit attributable to owners of the Bank and non-controlling interests by the allocation ratio of the Bank with respect to the subsidiary. Unrealized gains or losses resulting from the sales of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the Bank and non-controlling interests by the allocation ratio of the Bank with respect to the subsidiary.

If a transaction is accounted for by the Bank or its subsidiary in a way different from the Group, it is adjusted to conform to the way of the Group.

6. Foreign currency translation

The Group translates foreign currency transactions into its functional currency.

Foreign currency transactions are on initial recognition translated to RMB at the exchange rates quoted by the People's Bank of China ("the spot exchange rates") prevailing on the day in which the transactions take place. Monetary items denominated in foreign currencies are translated at the spot exchange rates ruling at the balance sheet date. Differences arising on settlement or translation of monetary items are recognized in "Exchange gains or losses" or "Other comprehensive income" in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions; non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The resulting exchange differences are recognized in "Exchange gains or losses" or "Other comprehensive income" in the income statement.

Assets and liabilities from overseas institutions in the balance sheet are translated using the spot exchange rate at the balance sheet date, and equity items other than undistributed profit are translated at the spot exchange rates at the dates of transactions. Revenue and expense items in income statement from overseas institutions are translated using the spot exchange rates prevailing on the dates of the transactions. The resulting exchange differences are recognized in other comprehensive income. Cash flows arising from transactions in a foreign currency are translated using the spot exchange rates at the dates on which the transactions take place. The effect of exchange rate changes on cash is separately presented in the statement of cash flows.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and estimates(Continued)

7.Precious metals

The Group's precious metals mainly include gold. Precious metals that are not related to the Group's precious metal trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realizable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in profit or loss for the period.

8.Financial assets and liabilities

8.1 Initial recognition and measurement of financial instruments

Financial assets or liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument.

At initial recognition, financial assets and liabilities are measured at fair value by the Group. For financial assets or financial liabilities not designated at fair value and changes included into the profits and losses for the period, transaction costs (such as commission and fee) that are directly attributable to the acquisition or issuance of financial assets or liabilities are added or deducted. Transaction costs for financial assets and liabilities designated at fair value and changes included into the profits and losses for the period are recognized as expenses through profit or loss. After initial recognition, for financial assets measured at amortized cost and investments in debt instruments designated at fair value and changes included into other comprehensive income, their expected credit losses are immediately recognized in profit or loss.

When the fair value of the financial assets and liabilities at initial recognition is different from their transaction costs, the Group confirms the difference in the following ways:

(i)If the fair value is determined based on the quoted price in active markets (i.e., Level 1 inputs) for identical assets or liabilities or based on valuation techniques using only observable market data, the difference is recognized in profit or loss.

(ii)In other cases, the Group defers the difference and determines each time point for recognizing the profit or loss after the first deferral date. The difference may be amortized over the lifetime of the financial instruments, or deferred until the fair value of the instruments can be determined using observable market data, or recognized in profit or loss when the financial instruments are settled.

8.2 Classification and subsequent measurement of financial assets

Classification

The Group classifies its financial assets into the following categories:

(i)Financial assets at fair value through profit or loss (FVTPL)

(ii)Financial assets at fair value through other comprehensive income (FVTOCI)

(iii)Financial assets measured at amortized cost

Financial assets are classified based on the business model governing those financial assets and the characteristics of the corresponding contractual cash flows.

The business model reflects how the Group manages its financial assets to generate cash flows. In other words, it reflects whether the Group's goal is only collecting contractual cash flows of the assets, or both collecting contractual cash flows and trading the financial assets. If neither of the above is applicable (e.g., holding the financial assets for trading), the financial

asset group falls into the category of “others” for business model and is classified as financial assets designated at fair value and changes included into the profits and losses for the period.

If the business model is collecting contractual cash flows, or includes both collecting contractual cash flows and trading the financial assets, the Group will assess whether the cash flows of financial instruments are solely payments of principal and interest. In the assessment, the Group considers whether the contractual cash flows are consistent with basic lending arrangements, that is, the interest only includes the time value of currency, credit risk, other basic lending risks and considerations for profit rates in compliance with the basic lending arrangements. If contract terms lead to risks or volatility exposures inconsistent with basic lending arrangements, the relevant financial assets should be classified as financial assets designated at fair value and changes included into the profits and losses for the period.

For financial assets containing embedded derivatives, the Group should analyze them as a whole when confirming if the contractual cash flows are solely payments of principal and interest.

Subsequent measurement

Debt instruments

Debt instruments refer to those instruments complying with the definition of financial liabilities analyzed from the view of the issuers, such as loans, government bonds and corporate bonds.

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the contractual cash flow characteristics of the asset. The Group classifies debt instruments using the following three measurement methods:

- Measured at amortized cost: Assets that are held for receiving contractual cash flows and whose cash flows are solely payments of principal and interest are classified into financial assets measured at amortized cost. The interest income of such financial assets is recognized by the Group based on the effective interest method. The Group’s debt instruments measured at amortized cost mainly comprise balances with the Central Bank, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions that are measured at amortized cost, financial assets held under resale agreements, loans and advances to customers that are measured at amortized cost, investment on debts and other receivables.

The amortized cost of a financial asset shall be measured at the initial recognition amount after making the following adjustments: (i) minus the principal repayments; (ii) plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount; (iii) minus the cumulative loss provision (only applicable to financial assets). The Group calculates the interest income of the asset using the effective interest method and presents it as “interest income”.

The effective interest rate is the interest rate at which the estimated future cash flows of a financial asset or financial liability in the expected lifetime is discounted to the book balance of the financial asset (i.e., the amortized cost before deduction of loss provision) or the amortized cost of the financial liability. When calculating the effective interest rate, the expected credit losses are not taken into account, while the transaction costs, premiums or discounts, and fees paid or received that are an integral part of the effective interest rate are included.

- Designated at fair value and changes included into other comprehensive income: Assets that are held for receiving contractual cash flows and for sale and whose cash flows are solely payments of principal and interest are classified into financial assets designated at fair value and changes included into other comprehensive income. Such assets are subsequently designated at fair value with impairment losses or gains relating to the amortized cost of the financial asset, interest calculated using the effective interest method, exchange gains or losses recognized in profit or loss for the current period. Besides, other changes in the carrying amount are included in other comprehensive income. Where a financial asset is derecognized, the accumulated gains or losses that are previously recognized in other comprehensive income are transferred from equity to profit or loss. Interest income from these financial assets is calculated at effective interest rate and recognized in profit or loss. The Group’s debt instruments designated at fair value and changes included into other comprehensive income mainly comprise placements with and loans to banks and other financial institutions designated

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and estimates(Continued)

8. Financial assets and liabilities(Continued)

8.2 Classification and subsequent measurement of financial assets(Continued)

Subsequent measurement(Continued)

Debt instruments(Continued)

at fair value and changes included into other comprehensive income, loans and advances to customers designated at fair value and changes included into other comprehensive income and other investment on debts.

The fair value of a financial asset is the price obtained from selling an asset or paid for transferring a liability in an orderly transaction among market participants on measurement date. An orderly transaction refers to a transaction in which related assets or liabilities are traded in customary market activities in a period before the measurement date. Compulsory transactions such as liquidation are not orderly transactions.

- Designated at fair value and changes included into the profits and losses for the period: Financial assets not measured at amortized cost or not designated at fair value and changes included into other comprehensive income are classified as financial assets designated at fair value and changes included into the profits and losses for the period. Such assets are subsequently designated at fair value and changes included into the profits and losses for the period.

Financial assets designated at fair value and changes included into the profits and losses for the period held by the Group include financial assets held for trading and financial assets recognized as financial assets designated at fair value and changes included into the profits and losses for the period for they are not qualified as financial assets measured at amortized cost or financial assets designated at fair value and changes included into other comprehensive income. These financial assets are included in “Financial assets held for trading” in the balance sheet. Interest on financial investments included in financial assets held for trading calculated based on coupon rate is recognized in “investment income”.

Equity instruments

Equity instruments refer to the instruments that meet the definition of equity from the perspective of the issuer, that is, an instrument that does not contain contractual obligation to make a payment but is entitled to the net assets and residual income of the issuer, such as a common stock.

All equity instrument investments held by the Group are subsequently measured at fair value. The Group can elect to classify irrevocably its equity instrument investments which are not held for trading as equity investments designated at fair value through other comprehensive income. Only the relevant dividend income (except the dividend income that is clearly recovered as part of the investment cost) is included in the current profit and loss, and the subsequent changes in the fair value are included in other comprehensive income, without the need for provision of impairment. Upon derecognition of the financial assets, cumulative gains or losses previously recognized in other comprehensive income are transferred and reclassified into retained earnings for the period.

8.3 Classification and measurement of financial liabilities:

Financial liabilities held for trading

Financial liabilities held for trading refer to financial liabilities designated at fair value and changes included into the profits and losses for the period.

Such financial liabilities are measured at fair value and their gains or losses are recognized in profit or loss for the period. For financial liabilities designated at fair value and changes included into the profits and losses for the period, gains or losses should be recognized as follows:

(i) For changes in fair value of the financial liabilities that arise from changes in the Group's own credit risk, the relevant amount should be recognized in other comprehensive income.

(ii) Other changes in the fair value of the financial liabilities are recognized in profit or loss.

Where a financial liability designated at fair value and changes included into the profits and losses is derecognized, the accumulated gains or losses that are previously recognized in other comprehensive income are transferred from other comprehensive income to retained earnings.

A financial liability may be designated, on initial recognition, as at fair value included into profit or loss only when one of the following conditions is satisfied:

(i) The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing the gains or losses on them on a different basis.

(ii) As stated in formal written document with respect to risk management or investment strategy, the portfolio of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, and the information is reported on that basis to the Group's key management personnel.

(iii) A hybrid instrument embedded with one or more derivatives, unless the embedded derivative does not significantly modify the cash flows of the hybrid instrument, or it is clear that a separation of the hybrid instrument from the embedded derivative is obviously inappropriate.

If a financial liability was designated as financial liability held for trading at initial recognition, it cannot be reclassified as other types of financial liabilities in subsequent periods; and other types of financial liabilities cannot be reclassified as financial liabilities held for trading, either.

Convertible corporate bonds

Convertible corporate bonds include the liability component and the equity component. Liability component represents the obligation to pay the fixed principal and interest and is classified as a liability with fair value calculated using the market interest rate of a similar liability that does not have an equity conversion option, and subsequently measured at amortized cost using the effective interest method. Equity component represents the embedded option to convert liability into ordinary share, which is recognized in the owners' equity based on the difference between the total income arising from issuance of the convertible corporate bond and its liability component. Direct transaction costs are allocated in proportion of the liability component and equity component to the proceeds of issuance.

On conversion of the corporate bonds into shares, the amount transferred to "Share capital" is calculated as the par value of the shares multiplied by the number of shares converted. The difference between the book balance of the related components of the converted corporate bonds and the amount transferred to "Share capital" is recognized in "Capital reserve - Share premium".

Other financial liabilities

After initial recognition, such financial liabilities are measured at amortized cost using the effective interest method.

8.4 Impairment of financial instruments

For debt instruments measured at amortized cost and those designated at fair value and changes included into other comprehensive income, as well as credit commitments (including bank acceptance bills, letters of guarantee issued, letters of credit issued and loan commitments), the Group assesses the expected credit losses by taking into account the forward-looking information. The Group recognizes relevant impairment provision at each reporting date. The measurement of expected credit losses reflects the following factors:

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and estimates(Continued)

8. Financial assets and liabilities(Continued)

8.4 Impairment of financial instruments(Continued)

(i) Unbiased probability weighted amount determined based on the assessment of a series of possible results;

(ii) Time value of money; and

(iii) Reasonable and supportable information that is related to past events, current situation and forecasting on future economic conditions and is available without undue cost or effort at the reporting date.

Provision for credit losses on credit commitments is presented in provisions. However, for an instrument that includes both loans and unused commitments, and the expected credit losses of loans cannot be distinguished from that of unused commitments by the Group, the loss provision for both loans and unused commitments should be presented in the loss provision for loans. However, if the total loss provision surpasses the book balance of the loans, the loss provision should be presented in the provisions.

For measurement method of expected credit losses, refer to Note VIII 1.2.

8.5 Modification of loan contracts

The Group will renegotiate or modify customer loan contracts due to certain special circumstances at times, which will in turn lead to changes in contract cash flows. In such cases, the Group will assess if there is a substantial change in the revised contractual terms. In making the assessment, factors need to be considered include:

(i) Where a modification of contract occurs when the borrower is suffering from financial difficulties, whether the modification only reduces the contract cash flows to the amount that is expected to be repaid by the borrower;

(ii) If there's any newly added substantial term, for example, a term in regard to right to profits/equity returns is newly added, resulting in a substantial change in the risk characteristics of the contract;

(iii) The loan term is significantly extended in the absence of financial difficulties for the borrower;

(iv) Material change happens to the loan interest rate;

(v) Change happens to the loan currency; and

(vi) New collaterals and other credit enhancements dramatically change the level of loan credit risk.

If there is a substantial change in the revised contractual terms, the Group will derecognize the original financial asset and recognize a new financial asset at fair value. Meanwhile, a new effective interest rate is recalculated for the new asset. In this case, when applying impairment requirements to the modified financial asset, including when determining whether there is a significant increase in credit risk, the aforesaid modification date of contract will be regarded as the initial recognition date. For the above newly recognized financial asset, the Group is required to assess whether the asset is credit impaired at initial recognition, especially when the modification of contract occurs when the borrower fails to fulfill the initially agreed payment arrangement. Any change in carrying amount is recognized as gains or losses arising from derecognition, and is included into profit or loss for the period.

If there is no substantial change in the revised contractual terms, the modification of contract will not lead to de-recognition of the financial asset. The Group will recalculate the book balance of the financial asset in accordance with the revised contractual cash flows, and include gains or losses arising from the modification into profit or loss for the period. When recalculating the book balance, the original effective interest rate (or the credit-adjusted effective interest rate for purchased or originated credit-impaired financial asset) is adopted to discount the revised cash flows.

8.6 Derecognition other than modification of loan contracts

A financial asset or a part of a financial asset is derecognized when the contractual rights to receive the cash flows from the financial asset have expired or been transferred, and (i) all the substantial risks and rewards of ownership of the financial asset have been transferred, or (ii) the Group has neither transferred nor retained substantially all risks and rewards of the ownership of the financial asset and retained no control over the financial asset.

In certain transactions, the Group retains the contractual rights to receive the cash flows, but bears the contractual obligation to transfer the received cash flows to the final payee, and has transferred all the substantial risks and rewards of ownership of the financial asset. In such case, the Group can derecognize the financial asset if the following conditions for transfer arrangement are met:

- (i) The obligation to pay the received cash flows to the final payee only exists when equivalent cash flows are received from the financial asset;
- (ii) Sale or mortgage of the financial asset is prohibited; and
- (iii) The Group has obligation to transfer all cash flows received from the financial asset to the final payee as early as possible.

When the contractual rights to receive the cash flows from the financial asset have been transferred, and the Group has neither transferred nor retained substantially all risks and rewards of the ownership of the financial asset and retained control over the financial asset, the transferred asset shall be accounted for using the continuing involvement method, and is recognized based on the extent to which the asset is involved. Relevant liabilities are recognized accordingly to reflect the rights or obligations the Group has retained.

Based on the standard repurchase agreement and collaterals (shares or bonds) provided under securities margin trading, the Group will exercise the repurchase right at a predetermined price, and retain all the substantial risks and rewards of ownership of the collaterals, the requirements for derecognition therefore are not met.

9. Financial guarantee contracts and loan commitments

Financial guarantee contracts are those contracts that require a payment to be made by the issuer to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially recognized at fair value and subsequently measured at the higher of the following amounts:

- (i) Impairment provision calculated using the method in Note III 8.4;
- (ii) Initially recognized amount net of revenue recognized under Accounting Standard for Business Enterprises No.14 - Revenue.

Credit commitments provided by the Group are measured at impairment provision calculated using the method in Note III 8.4.

The Group does not commit to granting loans at a price lower than the market interest rate nor settling loan commitments on a net basis by making cash payment or issuing other financial instruments.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and estimates(Continued)

10. Derivative financial instruments and hedging accounting

A derivative financial instrument is a financial instrument, the value of which is derived from an index associated with another “underlying” financial instrument or the value of other variables. Typically, an “underlying” financial instrument is a share, commodity, bond price, an index value or an exchange and interest rate. The Group uses derivative financial instruments such as foreign exchange category, interest rate category, precious metal and other derivative financial instruments.

Derivative financial instruments are initially recognized at fair value on the date on which the Group becomes a contractual party of a derivative contract and are subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Certain derivative financial instruments, such as debt for equity swap in convertible corporate bonds and interest rate based interest payments embedded in structured deposits, are embedded into hybrid contracts. In the case of a hybrid contract whose host contract is a financial asset, it is classified and measured as a whole. In the case of a hybrid contract whose host contract is not a financial asset, the embedded derivatives are separated as independent derivatives if the following criteria are met:

- (i) The economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract;
- (ii) The instruments that have the same terms but exist independently meet the definition of derivatives; and
- (iii) The hybrid instruments are not measured at fair value and changes included into the profits and losses for the period.

The Group can either measure the separated embedded derivatives as at fair value and changes included into the profits and losses for the period or measure the hybrid contract whose host contract is not related to financial assets as at fair value and changes included into the profits and losses for the period.

For the purpose of hedge accounting, the Group’s hedges are classified as:

- (i) fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for currency risk);
- (ii) cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, or a currency risk in an unrecognized firm commitment;

At the beginning of a hedge relationship, the Group formally designates and documents the hedge relationship, the risk management objective and its strategy for undertaking the hedge. The documentation includes the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess the hedge effectiveness. Hedge effectiveness is the degree to which changes in the fair value or cash flows of hedging instruments can offset the fair value or cash flow of hedged items caused by hedged risk. Such hedges are assessed on an ongoing basis to determine that they actually have been highly effective throughout the accounting periods for which they were designated.

If the hedging instrument expires or is sold, terminated or exercised without rollover or replacement (as part of the hedging strategy) or when the hedging relationship is not consistent with the risk management objective as the risk management objective has changed or when the hedge no longer meets other criteria of the hedge accounting, the Group will discontinue the hedge accounting.

If a hedging relationship ceases to meet the hedge effectiveness requirements due to the hedge ratio but the risk management objective of designating the hedging relationship remains unchanged, the hedging relationship is rebalanced by the Group.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The gains or losses arising from the hedging instrument are recognized in profit or loss for the current period. The gain or loss on the hedged item resulting from hedged exposures is recognized in profit or loss and the carrying amount of the hedged item not measured at fair value is adjusted at the same time.

For fair value hedges relating to debt instruments measured at amortized cost, the adjustment to the carrying amount of the hedged items is amortized through profit or loss over the remaining term of the hedge using the effective interest method. Amortization using the effective interest method may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is a debt instrument measured at fair value through other comprehensive income, the accumulation of recognized hedged gains or losses shall be amortized in the same manner and recognized in profit or loss, while no adjustment is made to the book value of financial assets. If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

Cash flow hedges

For a derivative financial instrument designated as and meets the criteria as a cash flow hedging instrument, the portion of the fair value changes on the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income. The gain or loss on the ineffective portion of the hedging instrument is recognized as profit or loss.

The cumulative gain or loss recognized in equity is transferred to profit or loss in the period when the hedged item affects profit or loss, and recognized as income or expense of the hedged item.

When a hedging instrument expires or is sold, or the hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss recognized in equity continues to remain in equity until the hedged item affects profit or loss when it is recognized in profit or loss. When the forecast transaction is no longer expected to occur (for example, the hedged assets previously recognized have been sold), the cumulative gain or loss recognized in other comprehensive income shall be immediately reclassified into profit or loss.

11. Offsetting of financial instruments

Financial assets and liabilities are presented separately in the balance sheet and cannot be offset. However, the net amount after offset shall be presented in balance sheet if the following conditions are met:

- (i) The enterprise has the statutory right to offset the recognized amount, and the statutory right is executable;
- (ii) The enterprise plans a netting settlement, or meanwhile to sell the financial asset and pay off the financial liability.

When transferring the financial assets that not satisfying derecognition conditions, the transferor shall not offset the transferred financial assets and related liabilities.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and estimates(Continued)

12. Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

A financial instrument shall be classified as equity instrument if the following conditions are met: (1) the financial instrument does not include delivery of cash or other financial assets to other parties or contractual obligations of exchanging financial assets or financial liabilities with other parties in potential adverse conditions; and (2) if the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative financial instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Other equity instruments issued by the Group are recognized according to the actual consideration received less transaction expenses directly attributable to equity transactions.

Dividend distribution for other equity instruments in the duration is accounted for as profit distribution.

13. Long-term equity investments

Long-term equity investments comprise the Bank's long-term equity investments in its subsidiaries.

Subsidiaries are the investees over which the Bank is able to exercise control. Investments in subsidiaries are measured using the cost method in the company's financial statements, and adjusted by using the equity method when preparing the consolidated financial statements.

Determination of investment cost

For long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the share of the carrying amount of owners' equity of the absorbed party in the consolidated financial statements of the ultimate controlling party at the combination date; for long-term equity investments acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investments acquired by payment in cash, the initial investment cost is the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost is the fair value of the equity securities issued.

Subsequent measurement and recognition of profit or loss

Under the cost method, the long-term equity investment is measured at its initial investment cost. When additional investment is made or the investment is recouped, the cost of long-term equity investment is adjusted accordingly. Cash dividends or profit distributions declared by the investee are recognized as investment income in profit or loss for the current period.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair values of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognizes its share of the net gains or losses of the investee for the period as investment income or loss for the period. The Group's share of net losses of the investee is recognized to the extent that the

carrying amount of the investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. However, if the Group has obligations for additional losses and the criteria for recognition of provisions are satisfied, the Group continues to recognize the loss amount it expects to undertake. The Group's share of changes in the investee's owners' equity other than those arising from its net gains or losses, other comprehensive income and profit distribution is recognized in capital reserve with a corresponding adjustment to the carrying amount of the long-term equity investment. The carrying amount of the long-term equity investment is reduced by the Group's share of the profit distributions from or cash dividends declared by the investee. The Group's portion in the unrealized profits or losses arising from transactions between the Group and the investee is calculated by the proportion of the Group's equity interests in the investee and eliminated, before the Group recognizes its investment gains or losses. With respect to the portion of losses from internal transactions between the Group and its investee that is attributable to asset impairment losses, its corresponding unrealized losses are not eliminated.

Basis for determining existence of control, joint control or significant influence over investees

Control is the power over an investee to obtain variable returns from its involvement with the investee, and the ability to use this power to influence the amount of the returns.

Joint control is the contractually agreed sharing of control over an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the Group and those sharing control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts. Once an impairment loss of long-term equity investments is recognized, it shall not be reversed in a subsequent period.

14. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation or both. The investment properties of the Group are buildings that are leased out and the corresponding land use rights. Investment properties are recognized only when the related economic benefits are likely to flow into the Group and the costs can be reliably measured.

The investment properties are initially measured at cost and subsequently measured using the cost model. Depreciation of investment property is calculated using the straight-line method.

| | Useful life | Estimated net residual value ratio | Annual depreciation rate |
|-----------|----------------|------------------------------------|--------------------------|
| Buildings | 15 to 35 years | 1%-5% | 2.7%-6.6% |

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and estimates(Continued)

15. Fixed assets and accumulated depreciation

A fixed asset is recognized only when the economic benefits associated with the asset will probably flow into the Group and the cost of the asset can be measured reliably. Subsequent expenditures incurred for fixed assets that meet the conditions are included in the cost of the fixed assets and the carrying amount of the parts that are replaced is derecognized.

Otherwise, subsequent expenditures are recognized in the income statement in the period in which they are incurred.

The Group's fixed assets are initially measured at actual cost at the time of acquisition. All fixed assets are stated at cost less any accumulated depreciation and any impairment provision. The cost of an asset comprises the purchase price, related taxes, and any directly attributable expenditure of bringing the asset to working condition for its intended use, such as delivery and handling costs, installation costs and professional fees.

Depreciation is calculated using the straight-line method. The Group reasonably determines the useful lives and estimated net residual values of the fixed assets according to the natures and use patterns of the fixed assets as follows:

| | Useful life | Estimated net residual value ratio | Annual depreciation rate |
|---|----------------|------------------------------------|--------------------------|
| Buildings | | | |
| Including: Properties | 15 to 35 years | 1% to 5% | 2.7% to 6.6% |
| Including: Owner-occupied property improvements | 5 or 10 years | - | 20.0% or 10.0% |
| Transportation vehicles | 5 to 8 years | 3% to 5% | 11.9% to 19.4% |
| Office and electronic equipment | 3 to 10 years | 1% to 5% | 9.5% to 33.0% |

The useful life and estimated net residual value of fixed assets and the depreciation method applied are reviewed at each balance sheet date, and adjusted prospectively, if appropriate.

16. Construction in progress

The costs of construction in progress are determined based on the actual costs incurred, including various necessary construction costs and other related expenses during the construction period. Construction in progress is not depreciated.

Construction in progress is reclassified to the appropriate category of fixed assets, or long-term prepaid expenses when completed and ready for use. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below the carrying amount.

17. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance owned or controlled by the Group.

An intangible asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. As for any intangible asset acquired in a combination, if its fair value can be measured reliably, it shall be separately recognized as an intangible asset and shall be measured at its fair value. The useful life of an intangible asset is determined according to the period over which it is expected to generate economic benefits for the Group. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

An intangible asset with definite useful life is amortized over its useful life on the straight-line basis.

| | Useful life | Annual depreciation rate |
|---------------------|---------------|--------------------------|
| Software and others | 3 to 40 years | 2.5% to 33% |
| Core deposits | 20 years | 5% |

The useful life and amortization method of intangible assets with finite useful lives are reviewed at each balance sheet date. If the expected useful life of the asset or the amortization method differs significantly from previous assessments, the amortization period or amortization method is changed accordingly as a change in accounting estimate.

The useful life of intangible assets with indefinite useful lives is reassessed at each balance sheet date. If there is evidence that the useful life of the asset becomes definite, the accounting policies for intangible assets with definite useful life described above are then applied.

Expenditure incurred for an internal research and development project is recorded as expenditure on the research phase and development phase by the Group, respectively. Expenditure on the research phase is recognized in profit or loss for the period in which it occurs. Expenditure on the development phase is capitalized only when the following conditions are satisfied:

- (i) It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (ii) The Group intends to complete the intangible asset and use or sell it;
- (iii) The Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- (iv) There are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;
- (v) The expenditure attributable to the intangible asset during its development phase can be reliably measured.

Expenditure on the development phase which does not meet all of the above conditions is recognized in profit or loss in the period in which it is incurred.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and estimates(Continued)

18. Long-term prepaid expenses

Long term prepaid expenses are those prepaid expenses with an amortization period of more than one year (excluding one year), mainly including leasehold improvements.

Long term prepaid expenses are amortized evenly according to the shorter one of their beneficial periods and legal periods of validity.

When long term prepaid expenses no longer provide future economic benefits, the unamortized amount is recognized in profit or loss for the period.

19. Foreclosed assets

Foreclosed assets are initially recognized at fair value. At the balance sheet date, the foreclosed assets are measured at the lower of their carrying amount and the recoverable amount. When the recoverable amount is lower than the carrying amount, a provision for impairment of foreclosed assets is made and recognized in "Impairment losses on other assets" in the income statement.

20. Impairment of assets

For assets excluding financial assets and debt-expiated assets, the Group assesses impairment of assets as follows:

At each balance sheet date, the Group assesses whether there is any indication that assets may be impaired. If there is any indication that an asset may be impaired, the Group will estimate the recoverable amount and conduct impairment test for the asset. Goodwill arising from a business combination and an intangible asset with an indefinite useful life are tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired. Intangible assets not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication of impairment.

The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset.

Where the measurement result of the recoverable amount indicates that an asset's recoverable amount is lower than its carrying amount, the carrying amount of the asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognized in profit or loss for the current period. Simultaneously, a provision for asset impairment shall be made accordingly.

For impairment test of goodwill, the carrying amount of goodwill acquired in a business combination shall be reasonably allocated since the acquisition date to related asset unit or to related combination if it cannot be allocated to the asset unit. Related asset portfolio or combination of asset portfolios is expected to benefit from the synergies of the combination, and shall not be larger than a reportable segment as defined by the Group.

When making an impairment test on the goodwill related asset portfolio or combination of asset portfolios, if there is an indication that the portfolio or combination may be impaired, the impairment test is firstly conducted for the asset portfolio or combination of asset portfolios unrelated to goodwill, with its recoverable amount calculated and the impairment loss recognized. Then the Group shall make an impairment test for the goodwill related asset portfolio or combination of asset portfolios by comparing the carrying amount with the recoverable amount. If the recoverable amount is lower than its

carrying amount, the impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset portfolio or combination of asset portfolios, and then deducted from the carrying amount of other assets within the asset portfolio or combinations of asset portfolios in proportion to the carrying amount of assets other than goodwill.

Once an impairment loss is recognized, it shall not be reversed in a subsequent period.

21. Recognition of income and expense

Income is the total inflow of economic benefits arising from the ordinary activities of an enterprise that would result in an increase in owners' equity and that are unrelated to the capital invested by owners. Expense is the total outflow of economic benefits arising from the ordinary activities of the enterprise that would result in a decrease in owners' equity and that are unrelated to the distribution of profits to owners.

Interest income and interest expense

Interest income is calculated at the book balance of a financial asset multiplied by the effective interest rate, except for the following cases:

(i) For an originated or purchased credit-impaired financial asset, the interest income is calculated at the amortized cost of the asset multiplied by the credit-adjusted original effective interest rate.

(ii) For a financial asset that is not an originated or purchased credit-impaired financial asset, but subsequently suffers from credit impairment (or "Stage 3"), the interest income is calculated at the amortized cost (i.e., net of the provision for impairment losses) multiplied by the effective interest rate.

The effective interest rate is the interest rate at which the estimated future cash inflow or outflow of a financial asset or financial liability in the expected lifetime is discounted to the book balance of the financial asset (i.e., the amortized cost before deducting the provision for impairment losses) or the amortized cost of the financial liability. The calculation of effective interest rate takes into account all contractual terms of the financial instrument and includes all fees and transaction costs that are an integral part of the effective interest rate.

Fee and commission income

The Group earns fee and commission income from a diverse range of services provided to its customers. Fee income can be divided into the following two categories:

(i) Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services are measured on accrual basis over that period of time. These fees include commission income and asset management, custody and other management and advisory fees.

(ii) Fee income from providing specific transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

The award credits granted by the Group to the bank card holders under customer loyalty programs are recognized at fair value as contract liabilities. When the award credits are redeemed or expired, the amount originally recognized as contract liabilities that is related to redeemed or expired credits is recognized in profit or loss for the period.

Dividend income

Dividends are recognized when the right to receive the dividends is established.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and estimates(Continued)

22. Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return, financial subsidy, etc.

Government grants are recognized when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets are either deducted against the carrying amount of the assets, or recorded as deferred income and recognized in profit or loss on a systemic basis over the useful lives of the assets. Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognized in profit or loss for the period, or deducted against related costs, expenses or losses in reporting the related expenses; government grants related to income that compensate the incurred costs, expenses or losses are recognized in profit or loss for the period, or deducted against related costs, expenses or losses directly in current period. The Group applies the presentation method consistently to the similar government grants in the financial statements.

Government grants that are related to ordinary activities are included in operating profit, otherwise, they are recorded in non-operating income or expenses.

23. Income tax

Income tax includes current income tax and deferred income tax. Except for goodwill arising from a business combination and to the extent that the tax arises from a transaction or event which is recognized directly in other comprehensive income, all the income tax should be expensed or credited to profit or loss for the period as appropriate.

Current income tax

Current income tax is the amount of income taxes payable in respect of the taxable profit for a period. Taxable profit is the profit for a period, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

The current income tax liabilities or assets for the current period or previous periods are measured at the amount expected to be paid or recoverable according to the requirements of tax law.

Deferred income tax

Deferred income tax is provided using the balance sheet liability method on temporary differences between the carrying amount of an asset or liability on balance sheet date and the tax base, and the difference between the tax base and the carrying amount of those items that are not recognized as assets or liabilities but have a tax base that can be determined according to tax laws.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

(i) Where the taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or deductible loss;

(ii) In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

For deductible temporary differences and unused deductible losses and tax credits that can be carried forward to subsequent years, the Group recognizes the corresponding deferred income tax asset to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, the deductible losses and tax credits can be utilized. However, no deferred income tax asset arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible loss, is recognized.

In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, the corresponding deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the deductible temporary differences can be utilized.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, in accordance with the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover the assets or settle the liabilities.

At the balance sheet date, the Group reviews the carrying amount of a deferred income tax asset. The carrying amount of a deferred income tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available in future periods to allow the benefit of the deferred income tax asset to be utilized. At the balance sheet date, unrecognized deferred income tax assets are reassessed and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow part or full of the deferred income tax assets to be recovered.

Deferred income tax assets and liabilities are offset and presented as net amount if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income tax relates to the same taxable entity and the same taxation authority.

24. Employee benefits

Employee benefits include short-term employee benefits, post-employment benefits and early retirement benefits provided in various forms of consideration in exchange for service rendered by employees or compensations for the termination of employment relationship.

Short-term employee benefits

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, short-term paid absences. The short-term employee benefit liabilities are recognized in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Employee benefits which are non-monetary benefits are measured at fair value.

Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. In the reporting period, defined contribution plans include basic pensions insurance, enterprise pension fund, unemployment insurance, etc.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and estimates(Continued)

24.Employee benefits(Continued)

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to the bases and percentages prescribed by the relevant local authorities. When employees retire, the local labor and social security institutions are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognized as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period.

Early retirement benefits

For certain local employees, the Group accounts for the early retirement benefits in accordance with the treatment of termination benefits, in which the salaries and social security contributions to be paid to and for the early retired employees from the off-duty date to the normal retirement date are recognized as liabilities with a corresponding charge to the profit or loss for the current period. The differences arising from the changes in the respective actuarial assumptions of the early retirement benefits and the adjustments of benefit standards are recognized in profit or loss for the period in which they occur. There are no capital injections into the early retirement benefits. The cost of benefits is determined by using the projected unit credit actuarial valuation method.

25.Cash equivalents

Cash equivalents are short term, highly liquid monetary assets held by the Group that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the cash flow statement, cash equivalents comprise investments that have a short maturity of generally within three months since acquired, the unrestricted balance with the Central Bank, and deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements that have a short original maturity of generally within three months.

26.Related parties

If a party has the power to control, jointly control or exercise significant influence over another party in making financial and operating decisions, they are regarded as related parties. Two or more parties are also regarded as related parties if they are subject to control or joint control from the same party.

27.Fiduciary activities

Where the Group acts in a fiduciary capacity such as nominee, trustee or agent, assets arising there on together with the related undertakings to return such assets to customers are excluded from the financial statements.

Entrusted loans granted by the Group on behalf of third-party lenders are recorded as off-balance sheet items. The Group acts as an agent and grants such entrusted loans to borrowers under the direction of the third-party lenders who fund these loans. The Group has been contracted by the third-party lenders to manage the administration and collection of these loans

on their behalf. The third-party lenders determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The Group charges a commission related to the management of the entrusted loans. The commission income is recognized averagely over the period in which the service is provided. The risk of loan loss is borne by the third-party lenders.

28. Leases

Lease refers to the contract that the lessor obtains consideration through transferring asset use right to the lessee for a certain period of time.

As lessee

Right-of-use assets are recognized at the commencement date of the lease term and lease liabilities are recognized based on the present value of the outstanding lease payments. Lease payments include fixed payments and amounts payable under reasonable determination of the exercise of the option to purchase or termination of the option to lease. The variable rental determined based on a certain percentage of sales is not included in lease payments but recognized into the profits and losses for the period when incurred.

Right-of-use assets of the Group comprise buildings under leases. Right-of-use assets are initially measured at cost. The cost includes the initially measured amount of lease liabilities, lease payments made at or before the commencement date and initial direct costs, net of the received lease incentives. When a leased asset can be reasonably determined that its ownership will be transferred at the end of the lease term, it is depreciated over its remaining useful life; otherwise, the leased asset is depreciated over the shorter of the lease term and its remaining useful life. The carrying amounts of right-of-use assets are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts.

For short-term lease with a lease term within 12 months and low-value asset lease with a lower value when a single leased asset is new, the right-of-use assets and lease liabilities are not recognized by the Group, and the relevant rental expenses are included into the profits and losses for the current period or the cost of relevant assets on a straight-line basis over each period during the lease term.

The Group shall account for a lease modification as a separate lease if both: (1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the contract.

For a lease modification that is not accounted for as a separate lease, the Group shall redetermine the lease term at the effective date of the lease modification, and remeasure the lease liability by discounting the revised lease payments using a revised discount rate. For a lease modification which decreases the scope of the lease or shortens the lease term, the Group decreases the carrying amount of the right-of-use asset, and recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease. For other lease modifications which lead to the remeasurement of lease liabilities, the Group correspondingly adjusts the carrying amounts of the right-of-use assets.

As lessor

Rental income from an operating lease is recognized in profit or loss for the current period on a straight-line basis over the lease term.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and estimates(Continued)

29.Segment information

The Group identifies operating segments based on the internal organization structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (i) the component is able to earn revenues and incur expenses from its ordinary activities; (ii) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (iii) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

30.Contingent liability

A contingent liability is a possible obligation that arises from past transactions or events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events. It can also be a present obligation arising from past transactions or events but is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

31.Provisions

An obligation related to a contingency is recognized as provisions when all of the following conditions are satisfied, except for contingent consideration and contingent liabilities assumed in the business combination:

- (i)The obligation is a present obligation of the Group;
- (ii)It is probable that an outflow of economic benefits from the Group will be required to fulfil the obligation;
- (iii)The amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money as a whole. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The Group reviews the carrying amount of a provision at each balance sheet date. Where there is clear evidence that the carrying amount of a provision does not reflect the current best estimate, the carrying amount is adjusted to the current best estimate.

With regard to loss provision for the Group's loan commitments and financial guarantee contracts, the expected credit losses are assessed taking into account the forward-looking information. For the measurement of loss provision for this regarding, please refer to Note III 8.4 and Note VIII 1.2.

32. Trade date accounting

All regular way purchases and sale of financial assets are recognized on the trade date, that is, the date on which the Group commits to purchasing or selling the asset. A regular way purchase or sale of financial assets is the purchase or sale of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the marketplace.

33. Dividends

Dividends that are declared or approved for distribution after the balance sheet date are not recognized as liability of the balance sheet date, but disclosed as an event after the balance sheet date. Dividend payable is recognized as liability for the period when the dividend is approved.

34. Significant accounting judgments and estimates

The preparation of the Group's financial statements requires the management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the balance sheet date. However, the result of the uncertainties of these estimates may cause a significant adjustment to the carrying amount of the assets or liabilities affected in the future.

(i) Classification of financial assets

Significant judgments involved in the Group's classification of financial assets include business model and analysis on contractual cash flow characteristics.

The Group determines the business model for financial asset management on the grouping basis, and factors to be considered include the methods of evaluation on financial asset performance and reporting of financial asset performance to key management personnel, risks affecting financial asset performance and management methods for such risks, the ways in which related business management personnel are remunerated, etc.

When assessing whether contractual cash flow characteristics of financial assets are consistent with basic lending arrangement, key judgments made by the Group include: the possibility of changes in timing or amount of the principal during the duration due to reasons such as repayment in advance; whether interest only include time value of money, credit risks, other basic lending risks and considerations for costs and profits; whether the repayment in advance reflects the principal outstanding and corresponding interest and reasonable compensation paid for early termination of the contract.

(ii) Measurement of expected credit losses

For financial assets measured at amortized cost and designated at fair value and changes included into other comprehensive income, as well as credit commitments, the Group measures the impairment provision using the expected credit loss model that involves the establishment and regular review of key definitions, parameters and assumptions, such as estimates on future macroeconomic conditions and borrowers' credit behavior (e.g., possibility and corresponding losses of customer default). The measurement of expected credit losses requires a lot of the management's significant judgments and assumptions. Specific information is set out in Note VIII 1.2.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and estimates(Continued)

34. Significant accounting judgments and estimates(Continued)

(iii)Income tax

Determining income tax provision requires the Group to estimate the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provision accordingly. In addition, deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. This requires significant estimates on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred income tax assets to be recovered.

(iv)Judgment of control over structured entities

Where the Group acts as asset manager of structure entities, the Group makes judgment on whether it is the principal or an agent for the structure entities. In the case that the asset manager serves as the agent, it exercises decision-making power mainly on behalf of other parties (other investors in the structured entity) and thus has no control over the structured entity. In the case that the asset manager is considered to exercise decision-making power mainly on behalf of itself, it serves as the trustee and has control over the structured entity. During the evaluation, the Group considers many factors and re-evaluate regularly to assess whether it takes the role as the principal or agent, such as: the scope of asset manager's decision-making power, rights held by other parties, salary levels as management service provider, and any other arrangements (such as direct investment) which could affect the exposure to variable returns from its involvement.

For the unconsolidated structured entities that the Group has rights in or provides liquidity support to, disclosures are shown in Note IV 52.

(v)Fair value of financial instruments

For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where practicable, the valuation techniques should make maximum use of market inputs. However, where market inputs are not available, the management needs to make estimates on areas such as credit risk (both the Group's and the counterparty's), volatility and correlation. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

(vi)Impairment of goodwill

The Group performs impairment tests on goodwill annually and also when there is an indication of potential impairment. For the purpose of an impairment test, the goodwill is allocated to its corresponding cash-generating unit or a group of cash-generating units, whose recoverable amount is the higher of fair value less costs to sell and the present value of the expected future cash flows, and an appropriate discount rate is selected to calculate the present value of future cash flows.

(vii)Core deposits

The Group reviews the reasonableness of core deposits' remaining useful life on each balance sheet date. The review involves making necessary adjustments on relevant parameters and assumptions based on the actual development of relevant fact patterns, so as to amortize the core deposits over an appropriate remaining useful life.

35. Taxation

The main categories and rates of taxes applicable to the Group are set out as follows:

| Category of tax | Basis of tax computation | Tax rate |
|---------------------------------------|--------------------------|---------------------|
| Corporate income tax (Note) | Taxable income | 25% |
| Value-added tax (VAT) | VAT payable | 3%, 5%, 6%, 9%, 13% |
| City maintenance and construction tax | Amount of VAT paid | 5%, 7% |

Note: Pursuant to the Circular on Corporate Income Tax Policy Concerning Deductions for Equipment and Appliances (Cai Shui [2018] No. 54), during the period from 1 January 2018 to 31 December 2020, newly purchased fixed assets except buildings with a unit price of no more than RMB5 million can be fully deducted against taxable income in a one-off manner as costs and expenses in the current period, instead of being depreciated over the years.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements

1. Cash and balances with the Central Bank

| | The Group and the Bank | |
|---|------------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Cash on hand | 4,162 | 3,685 |
| Statutory reserves with the Central Bank - RMB | 234,752 | 211,417 |
| Statutory reserves with the Central Bank - foreign currencies | 5,527 | 10,127 |
| Unrestricted balance with the Central Bank | 40,450 | 84,028 |
| Other deposits with the Central Bank - fiscal deposits | 268 | 2,671 |
| Sub-total | 285,159 | 311,928 |
| Add: Accrued interest | 118 | 105 |
| Total | 285,277 | 312,033 |

Based on the related RMB and foreign currency deposits, the Group placed respective statutory reserves with the People's Bank of China in accordance with the requirements from the People's Bank of China. These reserve deposits were not available for use in the Group's daily operations. As at 31 December 2022, the RMB deposit reserve ratio was 7.5% (31 December 2021: 8.0%), and the foreign currency deposit reserve ratio was 6.0% (31 December 2021: 9.0%).

Fiscal deposits represent the amounts received from government-related bodies that are required to be deposited with the People's Bank of China according to the relevant regulations.

2. Deposits with banks and other financial institutions

Summarized by locations and types of banks and other financial institutions

| | The Group | |
|---|------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Domestic banks and other financial institutions | 55,014 | 60,327 |
| Other domestic financial institutions | 2,972 | 3,151 |
| Overseas banks and other financial institutions | 42,185 | 15,036 |
| Sub-total | 100,171 | 78,514 |
| Add: Accrued interest | 251 | 274 |
| Less: Impairment provision (Note IV 19) | (2,093) | (573) |
| Total | 98,329 | 78,215 |

| | The Bank | |
|---|------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Domestic banks and other financial institutions | 54,304 | 60,000 |
| Other domestic financial institutions | 2,972 | 3,151 |
| Overseas banks and other financial institutions | 42,185 | 15,036 |
| Sub-total | 99,461 | 78,187 |
| Add: Accrued interest | 251 | 274 |
| Less: Impairment provision (Note IV 19) | (2,093) | (571) |
| Total | 97,619 | 77,890 |

3.Placements with and loans to banks and other financial institutions

Summarized by locations and types of banks and other financial institutions

| | The Group and the Bank | |
|--|------------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| <u>Placements with and loans to banks and other financial institutions measured at amortized cost</u> | | |
| Domestic banks and other financial institutions | 11,201 | 16,502 |
| Other domestic financial institutions | 68,334 | 24,121 |
| Overseas banks and other financial institutions | 53,140 | 42,614 |
| Sub-total | 132,675 | 83,237 |
| Add: Accrued interest | 797 | 80 |
| Less: Impairment provision (Note IV 19) | (2,328) | (72) |
| Sub-total | 131,144 | 83,245 |
| <u>Placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income</u> | | |
| Other domestic financial institutions | 2,685 | 11,109 |
| Add: Accrued interest | 92 | 119 |
| Sub-total | 2,777 | 11,228 |
| Total | 133,921 | 94,473 |

As at 31 December 2022, the Group's and the Bank's the impairment provision for placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income amounted to RMB91 million (31 December 2021: RMB170 million). Refer to Note IV 19.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements(Continued)

4. Derivative financial instruments

At the balance sheet date, the derivative financial instruments held by the Group and the Bank are as follows:

| | The Group and the Bank | | | | | | |
|---|---|--------------------|-------------------|--------------|------------------|---------------|-----------------|
| | Notional amounts summarized by maturity | | | | | Fair value | |
| | Within 3 months | 3 months to 1 year | 1 year to 5 years | Over 5 years | Total | Assets | Liabilities |
| <u>31 December 2022</u> | | | | | | | |
| Non-hedging instruments | | | | | | | |
| Foreign exchange derivatives: | | | | | | | |
| Foreign exchange forward and swap contracts and options | 1,250,327 | 738,860 | 118,944 | - | 2,108,131 | 15,209 | (23,292) |
| Interest rate derivatives: | | | | | | | |
| Interest rate swap and other interest rate derivatives | 1,142,530 | 1,731,825 | 1,665,795 | 8,685 | 4,548,835 | 11,292 | (10,061) |
| Precious metals derivatives | 57,583 | 22,385 | - | - | 79,968 | 1,049 | (3,172) |
| Hedging instruments | | | | | | | |
| Interest rate derivatives | - | - | 391 | - | 391 | 3 | - |
| Total | 2,450,440 | 2,493,070 | 1,785,130 | 8,685 | 6,737,325 | 27,553 | (36,525) |

| | The Group and the Bank | | | | | | |
|---|---|--------------------|-------------------|---------------|------------------|---------------|-----------------|
| | Notional amounts summarized by maturity | | | | | Fair value | |
| | Within 3 months | 3 months to 1 year | 1 year to 5 years | Over 5 years | Total | Assets | Liabilities |
| <u>31 December 2021</u> | | | | | | | |
| Non-hedging instruments | | | | | | | |
| Foreign exchange derivatives: | | | | | | | |
| Foreign exchange forward and swap contracts and options | 1,185,380 | 822,468 | 38,395 | - | 2,046,243 | 15,604 | (15,085) |
| Interest rate derivatives: | | | | | | | |
| Interest rate swap and other interest rate derivatives | 1,180,465 | 1,793,605 | 2,168,471 | 17,338 | 5,159,879 | 14,067 | (13,228) |
| Precious metals derivatives | 50,740 | 9,549 | - | - | 60,289 | 567 | (2,779) |
| Total | 2,416,585 | 2,625,622 | 2,206,866 | 17,338 | 7,266,411 | 30,238 | (31,092) |

The nominal amount of a derivative only provides a basis for comparing the fair values of the on-balance sheet assets or liabilities, and does not represent the future cash flows involved or the current fair values. Therefore, it cannot reflect the credit risk or market risk that the Group is exposed to.

(a) Fair value hedges

The Group and the Bank use interest rate swaps to hedge changes in fair value arising from changes in interest rates, and interest rate risk is generally the most significant component affecting changes in fair value. The hedged items are fixed-rate bonds invested by the Group, which are included in Note IV 9 "Other investment on debts".

For the year ended 31 December 2022, the net gains and losses on changes in the fair value of the hedging instruments, the net gains and losses on the hedged items resulting from hedged exposures, as well as the gains and losses arising from the ineffective portion of the hedging instruments recognized in gains or losses on changes in fair value are insignificant (2021: Nil).

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements(Continued)

5.Financial assets held under resale agreements

(a)Summarized by type of banks and other financial institutions

| | The Group and the Bank | |
|---|------------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Banks and other financial institutions | 41,175 | 5,000 |
| Other financial institutions | 387 | 1,388 |
| Sub-total | 41,562 | 6,388 |
| Add: Accrued interest | 4 | 1 |
| Less: Impairment provision (Note IV 19) | (5) | (1) |
| Total | 41,561 | 6,388 |

(b)Summarized by collateral type

| | The Group and the Bank | |
|---|------------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Bonds | 38,886 | 6,388 |
| Bills | 2,676 | - |
| Sub-total | 41,562 | 6,388 |
| Add: Accrued interest | 4 | 1 |
| Less: Impairment provision (Note IV 19) | (5) | (1) |
| Total | 41,561 | 6,388 |

6. Loans and advances to customers

6.1 Summarized by corporate and individual

| | The Group and the Bank | |
|--|------------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| <u>Loans and advances to customers measured at amortized cost</u> | | |
| Loans and advances to corporates: | | |
| Loans | 949,891 | 905,073 |
| Loans and advances to individuals: | | |
| Mortgage loans and title deed-secured loans | 783,393 | 654,870 |
| Xinyidai | 160,056 | 158,981 |
| Auto financial loans | 321,034 | 301,229 |
| Credit card receivables | 578,691 | 621,448 |
| Others | 204,216 | 173,793 |
| Sub-total | 2,047,390 | 1,910,321 |
| Total loans and advances to customers measured at amortized cost | 2,997,281 | 2,815,394 |
| Add: Accrued interest | 11,016 | 10,561 |
| Less: Loans impairment provision (Note IV 6.6) | (97,919) | (89,256) |
| Total loans and advances to customers measured at amortized cost | 2,910,378 | 2,736,699 |
| <u>Loans and advances to customers designated at fair value and changes included into other comprehensive income</u> | | |
| Loans and advances to corporates: | | |
| Loans | 134,333 | 93,401 |
| Discounted bills | 197,547 | 154,653 |
| Total loans and advances to customers designated at fair value and changes included into other comprehensive income | 331,880 | 248,054 |
| Carrying amount of loans and advances to customers | 3,242,258 | 2,984,753 |

As at 31 December 2022, there were RMB211 million discounted bills that had been pledged for agreements of borrowings from the Central Bank (31 December 2021: RMB2,841 million).

As at 31 December 2022, there were RMB2,671 million discounted bills that had been pledged for repurchase agreements (31 December 2021: Nil).

For the year ended 31 December 2022, the Group and the Bank disposed of and derecognized loans of RMB6,339 million by transferring to third parties or credit asset securitization and other ways (2021: RMB54,576 million).

As at 31 December 2022, the impairment provision of the Group and the Bank for loans and advances to customers designated at fair value and changes included into other comprehensive income amounted to RMB3,277 million (31 December 2021: RMB946 million). Refer to Note IV 6.6.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements(Continued)

6.Loans and advances to customers(Continued)

6.2 Summarised by industry

| | The Group and the Bank | |
|---|------------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Agriculture, husbandry and fisheries | 3,124 | 4,416 |
| Mining | 18,899 | 22,099 |
| Manufacturing | 183,192 | 157,027 |
| Energy | 33,091 | 26,037 |
| Transportation, post and telecommunications | 51,441 | 49,031 |
| Wholesale and retail | 124,729 | 103,784 |
| Real estate | 283,484 | 288,923 |
| Social service, technology, culture and sanitary industries | 219,219 | 212,943 |
| Construction | 45,868 | 48,073 |
| Personal loans | 2,047,390 | 1,910,321 |
| Others | 318,724 | 240,794 |
| Total loans and advances to customers | 3,329,161 | 3,063,448 |
| Add: Accrued interest | 11,016 | 10,561 |
| Less: Loans impairment provision (Note IV 6.6) | (97,919) | (89,256) |
| Carrying amount of loans and advances to customers | 3,242,258 | 2,984,753 |

6.3 Summarized by type of collateral held or other credit enhancements

| | The Group and the Bank | |
|--|------------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Unsecured loans | 1,283,847 | 1,258,615 |
| Guaranteed loans | 221,241 | 203,818 |
| Loans secured by collateral | 1,626,526 | 1,446,362 |
| Including: Loans secured by collateral | 1,316,244 | 1,154,938 |
| Pledged loans | 310,282 | 291,424 |
| Sub-total | 3,131,614 | 2,908,795 |
| Discounted bills | 197,547 | 154,653 |
| Total loans and advances to customers | 3,329,161 | 3,063,448 |
| Add: Accrued interest | 11,016 | 10,561 |
| Less: Loans impairment provision (Note IV 6.6) | (97,919) | (89,256) |
| Carrying amount of loans and advances to customers | 3,242,258 | 2,984,753 |

6.4 Summarized by overdue loans (excluding accrued interest)

| | The Group and the Bank | | | | |
|--|--|--|---|-------------------------------|--------|
| | 31 December 2022 | | | | |
| | Overdue for 1 day to 90 days (inclusive 90 days) | Overdue for 90 days to 1 year (inclusive 1 year) | Overdue for more than 1 year to 3 years (inclusive 3 years) | Overdue for more than 3 years | Total |
| Unsecured loans | 25,934 | 14,983 | 343 | 78 | 41,338 |
| Guaranteed loans | 91 | 87 | 595 | 262 | 1,035 |
| Loans secured by collateral | 12,941 | 6,347 | 1,434 | 3 | 20,725 |
| Including: Loans secured by collateral | 12,318 | 5,639 | 827 | - | 18,784 |
| Pledged loans | 623 | 708 | 607 | 3 | 1,941 |
| Total | 38,966 | 21,417 | 2,372 | 343 | 63,098 |

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

6. Loans and advances to customers (Continued)

6.4 Summarized by overdue loans (excluding accrued interest) (Continued)

| | The Group and the Bank | | | | |
|--|--|--|---|-------------------------------|--------|
| | 31 December 2021 | | | | |
| | Overdue for 1 day to 90 days (inclusive 90 days) | Overdue for 90 days to 1 year (inclusive 1 year) | Overdue for more than 1 year to 3 years (inclusive 3 years) | Overdue for more than 3 years | Total |
| Unsecured loans | 22,410 | 11,123 | 1,224 | 438 | 35,195 |
| Guaranteed loans | 1,920 | 853 | 196 | 266 | 3,235 |
| Loans secured by collateral | 10,485 | 8,317 | 261 | 10 | 19,073 |
| Including: Loans secured by collateral | 9,657 | 8,282 | 251 | 10 | 18,200 |
| Pledged loans | 828 | 35 | 10 | - | 873 |
| Total | 34,815 | 20,293 | 1,681 | 714 | 57,503 |

Overdue loans refer to the loans with either principal or interest being overdue for one day or more. For the overdue loans presented above, loans and advances to customers repayable by installments, the total amount of loans is deemed overdue if part of the installments is overdue.

For loans repaid on an installment basis, only the amount which is not repaid upon maturity (not the total amount of loans) is deemed overdue. As at 31 December 2022, there were RMB52,042 million loans that had been deemed overdue according to this criterion (31 December 2021: RMB49,349 million).

6.5 Summarized by geographical region

| | The Group and the Bank | |
|--|------------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Eastern Region | 711,833 | 600,697 |
| Southern Region | 649,810 | 599,433 |
| Western Region | 310,687 | 280,433 |
| Northern Region | 490,360 | 451,643 |
| Headquarters | 1,136,487 | 1,116,114 |
| Overseas | 29,984 | 15,128 |
| Total loans and advances to customers | 3,329,161 | 3,063,448 |
| Add: Accrued interest | 11,016 | 10,561 |
| Less: Loans impairment provision (Note IV 6.6) | (97,919) | (89,256) |
| Carrying amount of loans and advances to customers | 3,242,258 | 2,984,753 |

Details of the above geographical regions:

“Eastern Region”: Shanghai Branch, Hangzhou Branch, Yangzhou Branch, Yiwu Branch, Taizhou Branch, Shaoxing Branch, Huzhou Branch, Ningbo Branch, Wenzhou Branch, Nanjing Branch, Wuxi Branch, Changzhou Branch, Suzhou Branch, Nantong Branch, Taizhou Branch, Fuzhou Branch, Zhangzhou Branch, Fujian Pilot Free Trade Zone Fuzhou Branch, Xiamen Branch, Fujian Pilot Free Trade Zone Xiamen Branch, Quanzhou Branch, Shanghai Pilot Free Trade Zone Branch, Hefei Branch, Wuhu Branch, Xuzhou Branch, Nanchang Branch, Yancheng Branch, Putian Branch, Zhenjiang Branch, Fuyang Branch, Ganzhou Branch, Jiujiang Branch;

“Southern Region”: Shenzhen Branch, Shenzhen Qianhai Branch, Guangzhou Branch, Guangdong Pilot Free Trade Zone Nansha Branch, Zhuhai Branch, Hengqin Guangdong-Macao In-depth Cooperation Zone Branch, Foshan Branch, Dongguan Branch, Huizhou Branch, Zhongshan Branch, Haikou Branch, Changsha Branch, Hengyang Branch, Yueyang Branch, Nanning Branch, Sanya Branch, Changde Branch, Liuzhou Branch, Shantou Branch, Zhanjiang Branch, Jiangmen Branch;

“Western Region”: Chongqing Branch, Chengdu Branch, Deyang Branch, Leshan Branch, Mianyang Branch, Kunming Branch, Honghe Branch, Wuhan Branch, Jingzhou Branch, Xiangyang Branch, Yichang Branch, Xi’an Branch, Xianyang Branch, Guiyang Branch, Chongqing Pilot Free Trade Zone Branch, Zunyi Branch, Huanggang Branch;

“Northern Region”: Beijing Branch, Dalian Branch, Tianjin Branch, Tianjin Pilot Free Trade Zone Branch, Jinan Branch, Linyi Branch, Weifang Branch, Dongying Branch, Qingdao Branch, Yantai Branch, Rizhao Branch, Zhengzhou Branch, Luoyang Branch, Shenyang Branch, Shijiazhuang Branch, Taiyuan Branch, Tangshan Branch, Zibo Branch, Jining Branch, Jinzhong Branch, Langfang Branch, Nanyang Branch, Weihai Branch, Hohhot Branch, Kaifeng Branch, Taian Branch, Baoding Branch, Urumchi Branch, Anshan Branch, Lanzhou Branch, Cangzhou Branch, Harbin Branch, Qingdao Free Trade Zone Branch, Yinchuan Branch, Xinxiang Branch, Handan Branch, Baotou Branch, Changchun Branch;

“Headquarters”: The departments of Head Office including credit card center and auto consumer finance center, etc.;

“Overseas”: Hong Kong Branch.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

6. Loans and advances to customers (Continued)

6.6 Movements in impairment provision for loans

| | The Group and the Bank | |
|--|------------------------|----------|
| | 2022 | 2021 |
| <u>Loans and advances to customers measured at amortized cost</u> | | |
| Balance at the beginning of the year | 89,256 | 62,821 |
| Provision in the current year | 61,837 | 58,859 |
| Write-off and disposal in the current year (Note) | (65,136) | (48,084) |
| Recovery of loans and advances to customers in the current year written off previously | 11,942 | 15,888 |
| Decrease of loans and advances to customers due to rise in discount value | (45) | (109) |
| Other changes in the current year | 65 | (119) |
| Sub-total (Note IV 19) | 97,919 | 89,256 |
| <u>Loans and advances to customers designated at fair value and changes included into other comprehensive income</u> | | |
| Balance at the beginning of the year | 946 | 398 |
| Provision in the current year | 2,331 | 548 |
| Sub-total (Note IV 19) | 3,277 | 946 |
| Total | 101,196 | 90,202 |

Note: For the year ended 31 December 2022, the outstanding contract amount corresponding to the assets written off during the year was RMB59,802 million (2021: RMB40,418 million). The Group and the Bank still seek to fully recover the legally-owned creditor's rights.

7. Financial assets held for trading

| | The Group | |
|--|------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Bonds | | |
| Governments | 77,973 | 100,925 |
| Policy banks | 79,843 | 48,960 |
| Banks and other financial institutions | 75,052 | 80,283 |
| Corporates | 22,591 | 35,264 |
| Funds | 184,228 | 117,923 |
| Asset management plans | 16 | 2,013 |
| Trust plans | 2,930 | 1,448 |
| Asset-backed securities | 2,686 | 2,527 |
| Equity investments | 193 | 169 |
| Others | 621 | 191 |
| Total | 446,133 | 389,703 |

| | The Bank | |
|--|------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Bonds | | |
| Governments | 77,009 | 99,797 |
| Policy banks | 79,792 | 48,443 |
| Banks and other financial institutions | 74,748 | 80,283 |
| Corporates | 22,591 | 35,264 |
| Funds | 182,221 | 116,862 |
| Asset management plans | 16 | 2,013 |
| Trust plans | 2,930 | 1,448 |
| Asset-backed securities | 2,686 | 2,476 |
| Equity investments | 193 | 169 |
| Others | 606 | 191 |
| Total | 442,792 | 386,946 |

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

8. Investment on debts

| | The Group | |
|---|------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Bonds | | |
| Governments | 566,281 | 501,415 |
| Policy banks | 10,269 | 13,954 |
| Banks and other financial institutions | 4,175 | 9,120 |
| Corporates | 44,442 | 33,123 |
| Debt financing plans | 18,582 | 700 |
| Asset management plans | 38,186 | 60,277 |
| Trust plans | 49,348 | 88,616 |
| Asset-backed securities and others | 9,371 | 33,870 |
| Sub-total | 740,654 | 741,075 |
| Add: Accrued interest | 7,583 | 8,201 |
| Less: Impairment provision (Note IV 19) | (16,387) | (11,110) |
| Total | 731,850 | 738,166 |

| | The Bank | |
|---|------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Bonds | | |
| Governments | 566,281 | 501,415 |
| Policy banks | 10,269 | 13,954 |
| Banks and other financial institutions | 4,175 | 8,120 |
| Corporates | 44,345 | 33,123 |
| Debt financing plans | 18,582 | 700 |
| Asset management plans | 38,186 | 60,277 |
| Trust plans | 49,348 | 88,616 |
| Asset-backed securities and others | 9,371 | 33,870 |
| Sub-total | 740,557 | 740,075 |
| Add: Accrued interest | 7,581 | 8,174 |
| Less: Impairment provision (Note IV 19) | (16,385) | (11,110) |
| Total | 731,753 | 737,139 |

As at 31 December 2022, there were RMB9,091 million bond investments that had been pledged for repurchase agreements (31 December 2021: RMB49,993 million); there were RMB22,945 million bond investments that had been pledged for agreements of time deposits from the PBOC (31 December 2021: RMB20,245 million); and there were RMB130,510 million bond investments that had been pledged for agreements of borrowings from the Central Bank (31 December 2021: RMB117,729 million).

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

9. Other investment on debts

| | The Group | |
|--|------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Bonds | | |
| Governments | 33,750 | 33,490 |
| Central Bank | 455 | 654 |
| Policy banks | 12,005 | 15,443 |
| Banks and other financial institutions | 63,648 | 44,589 |
| Corporates | 11,462 | 18,799 |
| Asset-backed securities | 35,113 | 12,407 |
| Asset management plans | 2,407 | 6,011 |
| Trust plans | 11,782 | 19,448 |
| Sub-total | 170,622 | 150,841 |
| Add: Accrued interest | 1,611 | 1,587 |
| Total | 172,233 | 152,428 |

| | The Bank | |
|--|------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Bonds | | |
| Governments | 30,922 | 32,498 |
| Central Bank | 455 | 654 |
| Policy banks | 12,005 | 15,443 |
| Banks and other financial institutions | 63,648 | 44,589 |
| Corporates | 11,462 | 18,799 |
| Asset-backed securities | 35,113 | 12,407 |
| Asset management plans | 2,407 | 6,011 |
| Trust plans | 11,782 | 19,448 |
| Sub-total | 167,794 | 149,849 |
| Add: Accrued interest | 1,574 | 1,577 |
| Total | 169,368 | 151,426 |

As at 31 December 2022, there were RMB2,037 million bond investments that had been pledged for repurchase agreements (31 December 2021: Nil); there were RMB1,021 million bond investments that had been pledged for agreements of time deposits from the PBOC (31 December 2021: RMB318 million); and there were RMB69,709 million bond investments that had been pledged for agreements of borrowings from the Central Bank (31 December 2021: RMB41,491 million).

| The Group | | | | |
|------------------|----------------|------------|---|---|
| 31 December 2022 | | | | |
| | Amortized cost | Fair value | Changes in fair value charged to other comprehensive income | Total impairment provision (Note IV 19) |
| Debt instruments | 172,590 | 172,233 | (357) | (1,339) |

| The Bank | | | | |
|------------------|----------------|------------|---|---|
| 31 December 2022 | | | | |
| | Amortised cost | Fair value | Changes in fair value charged to other comprehensive income | Total impairment provision (Note IV 19) |
| Debt instruments | 169,720 | 169,368 | (352) | (1,339) |

| The Group | | | | |
|------------------|----------------|------------|---|---|
| 31 December 2021 | | | | |
| | Amortised cost | Fair value | Changes in fair value charged to other comprehensive income | Total impairment provision (Note IV 19) |
| Debt instruments | 151,640 | 152,428 | 788 | (1,083) |

| The Bank | | | | |
|------------------|----------------|------------|---|---|
| 31 December 2021 | | | | |
| | Amortised cost | Fair value | Changes in fair value charged to other comprehensive income | Total impairment provision (Note IV 19) |
| Debt instruments | 150,640 | 151,426 | 786 | (1,083) |

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

10. Other equity instrument investment

| | The Group and the Bank | | |
|--------------------|------------------------|------------|---|
| | 31 December 2022 | | |
| | Cost | Fair value | Changes in fair value charged to other comprehensive income |
| Equity instruments | 7,184 | 6,380 | (804) |

| | The Group and the Bank | | |
|--------------------|------------------------|------------|---|
| | 31 December 2021 | | |
| | Cost | Fair value | Changes in fair value charged to other comprehensive income |
| Equity instruments | 3,232 | 2,592 | (640) |

For the year ended 31 December 2022, the Group and the Bank disposed of certain equity instruments designated at fair value and changes included into other comprehensive income with fair value of RMB1,088 million at the disposal date (2021: Nil). The disposed accumulated gains and resulting transfer from other comprehensive income to retained earnings amounted to RMB115 million (2021: Nil).

11. Long-term equity investments

| | The Bank | |
|--|------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Subsidiaries | 5,000 | 5,000 |
| Less: Provision for impairment of long-term equity investments | - | - |
| Total | 5,000 | 5,000 |

(a) Main subsidiaries of the Group

| Name of subsidiaries | Place of major business | Place of registration | Nature of business | Shareholding | | Method of acquisition |
|-------------------------------------|-------------------------|-----------------------|--------------------|--------------|----------|-----------------------|
| | | | | Direct | Indirect | |
| Ping An Wealth Management Co., Ltd. | Shenzhen, PRC | Shenzhen, PRC | Asset management | 100% | - | Established |

On 19 August 2020, the Bank received the Approval from CBIRC on the Opening of Ping An Wealth Management Co., Ltd. (Yin Bao Jian Fu [2020] No. 513), under which CBIRC approved the opening of Ping An Wealth Management Co., Ltd., a wholly-owned subsidiary of the Bank, with a registered capital of RMB5,000 million.

12. Investment properties

| | The Group and the Bank | |
|---|------------------------|-------|
| | 2022 | 2021 |
| Original cost: | | |
| Balance at the beginning of the year | 781 | 770 |
| Transfer to fixed assets (Note IV 13) | (82) | (144) |
| Transfer from fixed assets (Note IV 13) | 13 | 155 |
| Balance at the end of the year | 712 | 781 |
| Accumulated depreciation: | | |
| Balance at the beginning of the year | 223 | 197 |
| Provision in the current year | 24 | 23 |
| Transfer to fixed assets (Note IV 13) | (13) | (28) |
| Transfer from fixed assets (Note IV 13) | 1 | 31 |
| Balance at the end of the year | 235 | 223 |
| Carrying amount | | |
| Balance at the end of the year | 477 | 558 |
| Balance at the beginning of the year | 558 | 573 |

As at 31 December 2022, the Group and the Bank had investment properties with carrying amount of RMB1 million (31 December 2021: RMB1 million) for which the corresponding registration certificates had not been obtained.

For the year ended 31 December 2022, the gross rental income earned from the investment properties amounted to RMB46 million (2021: RMB57 million). The accrued direct operating expense amounted to RMB1 million (2021: RMB1 million).

Notes to the Financial Statements

For the year ended 31 December 2022
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

13. Fixed assets

| | The Group | | | |
|--|-----------|-------------------------|---------------------------------|--------|
| | Buildings | Transportation vehicles | Office and electronic equipment | Total |
| Original cost: | | | | |
| 1 January 2022 | 10,882 | 87 | 9,299 | 20,268 |
| Increase in the current year | 1 | - | 1,097 | 1,098 |
| Transfer from investment properties (Note IV 12) | 82 | - | - | 82 |
| Transfer to investment properties (Note IV 12) | (13) | - | - | (13) |
| Transfer from construction in progress (Note IV 18d) | 35 | 1 | 1 | 37 |
| Decrease in the current year | (165) | (1) | (599) | (765) |
| 31 December 2022 | 10,822 | 87 | 9,798 | 20,707 |
| Accumulated depreciation: | | | | |
| 1 January 2022 | 3,126 | 71 | 5,096 | 8,293 |
| Increase in the current year (Note IV 44) | 448 | 6 | 1,479 | 1,933 |
| Transfer from investment properties (Note IV 12) | 13 | - | - | 13 |
| Transfer to investment properties (Note IV 12) | (1) | - | - | (1) |
| Decrease in the current year | (66) | (1) | (548) | (615) |
| 31 December 2022 | 3,520 | 76 | 6,027 | 9,623 |
| Impairment provision: | | | | |
| 1 January 2022 | 1 | - | - | 1 |
| Decrease in the current year | - | - | - | - |
| 31 December 2022 (Note IV 19) | 1 | - | - | 1 |
| Carrying amount | | | | |
| 31 December 2022 | 7,301 | 11 | 3,771 | 11,083 |
| 1 January 2022 | 7,755 | 16 | 4,203 | 11,974 |

| | The Bank | | | |
|--|-----------|----------------------------|------------------------------------|--------|
| | Buildings | Transportation vehicles | Office and electronic equipment | Total |
| Original cost: | | | | |
| 1 January 2022 | 10,882 | 87 | 9,263 | 20,232 |
| Increase in the current year | 1 | - | 1,077 | 1,078 |
| Transfer from investment properties (Note IV 12) | 82 | - | - | 82 |
| Transfer to investment properties (Note IV 12) | (13) | - | - | (13) |
| Transfer from construction in progress (Note IV 18d) | 35 | 1 | 1 | 37 |
| Decrease in the current year | (165) | (1) | (599) | (765) |
| 31 December 2022 | 10,822 | 87 | 9,742 | 20,651 |
| Accumulated depreciation: | | | | |
| 1 January 2022 | 3,126 | 71 | 5,087 | 8,284 |
| Increase in the current year (Note IV 44) | 448 | 6 | 1,461 | 1,915 |
| Transfer from investment properties (Note IV 12) | 13 | - | - | 13 |
| Transfer to investment properties (Note IV 12) | (1) | - | - | (1) |
| Decrease in the current year | (66) | (1) | (548) | (615) |
| 31 December 2022 | 3,520 | 76 | 6,000 | 9,596 |
| Impairment provision: | | | | |
| 1 January 2022 | 1 | - | - | 1 |
| Decrease in the current year | - | - | - | - |
| 31 December 2022 (Note IV 19) | 1 | - | - | 1 |
| Carrying amount | | | | |
| 31 December 2022 | 7,301 | 11 | 3,742 | 11,054 |
| 1 January 2022 | 7,755 | 16 | 4,176 | 11,947 |

Notes to the Financial Statements

For the year ended 31 December 2022
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

13.Fixed assets (Continued)

| | The Group | | | |
|--|-----------|-------------------------|---------------------------------|---------|
| | Buildings | Transportation vehicles | Office and electronic equipment | Total |
| Original cost: | | | | |
| 1 January 2021 | 10,381 | 91 | 8,587 | 19,059 |
| Increase in the current year | 171 | 2 | 1,747 | 1,920 |
| Transfer from investment properties (Note IV 12) | 144 | - | - | 144 |
| Transfer to investment properties (Note IV 12) | (155) | - | - | (155) |
| Transfer from construction in progress (Note IV 18d) | 1,246 | - | 4 | 1,250 |
| Decrease in the current year | (905) | (6) | (1,039) | (1,950) |
| 31 December 2021 | 10,882 | 87 | 9,299 | 20,268 |
| Accumulated depreciation: | | | | |
| 1 January 2021 | 3,451 | 69 | 4,644 | 8,164 |
| Increase in the current year (Note IV 44) | 469 | 7 | 1,297 | 1,773 |
| Transfer from investment properties (Note IV 12) | 28 | - | - | 28 |
| Transfer to investment properties (Note IV 12) | (31) | - | - | (31) |
| Decrease in the current year | (791) | (5) | (845) | (1,641) |
| 31 December 2021 | 3,126 | 71 | 5,096 | 8,293 |
| Impairment provision: | | | | |
| 1 January 2021 | 2 | - | - | 2 |
| Decrease in the current year | (1) | - | - | (1) |
| 31 December 2021 (Note IV 19) | 1 | - | - | 1 |
| Carrying amount | | | | |
| 31 December 2021 | 7,755 | 16 | 4,203 | 11,974 |
| 1 January 2021 | 6,928 | 22 | 3,943 | 10,893 |

| | The Bank | | | |
|--|-----------|-------------------------|---------------------------------|---------|
| | Buildings | Transportation vehicles | Office and electronic equipment | Total |
| Original cost: | | | | |
| 1 January 2021 | 10,381 | 91 | 8,587 | 19,059 |
| Increase in the current year | 171 | 2 | 1,711 | 1,884 |
| Transfer from investment properties (Note IV 12) | 144 | - | - | 144 |
| Transfer to investment properties (Note IV 12) | (155) | - | - | (155) |
| Transfer from construction in progress (Note IV 18d) | 1,246 | - | 4 | 1,250 |
| Decrease in the current year | (905) | (6) | (1,039) | (1,950) |
| 31 December 2021 | 10,882 | 87 | 9,263 | 20,232 |
| Accumulated depreciation: | | | | |
| 1 January 2021 | 3,451 | 69 | 4,644 | 8,164 |
| Increase in the current year (Note IV 44) | 469 | 7 | 1,288 | 1,764 |
| Transfer from investment properties (Note IV 12) | 28 | - | - | 28 |
| Transfer to investment properties (Note IV 12) | (31) | - | - | (31) |
| Decrease in the current year | (791) | (5) | (845) | (1,641) |
| 31 December 2021 | 3,126 | 71 | 5,087 | 8,284 |
| Impairment provision: | | | | |
| 1 January 2021 | 2 | - | - | 2 |
| Decrease in the current year | (1) | - | - | (1) |
| 31 December 2021 (Note IV 19) | 1 | - | - | 1 |
| Carrying amount | | | | |
| 31 December 2021 | 7,755 | 16 | 4,176 | 11,947 |
| 1 January 2021 | 6,928 | 22 | 3,943 | 10,893 |

As at 31 December 2022, the buildings with original cost of RMB63 million (31 December 2021: RMB63 million) and net book value of RMB15 million (31 December 2021: RMB16 million) were in use by the Group and the Bank without having the registration certificates of property.

Notes to the Financial Statements

For the year ended 31 December 2022
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

14. Lease contracts

(a) Recognized in the balance sheet

| | The Group | |
|--|-----------|---------|
| | 2022 | 2021 |
| Original cost of right-of-use assets: | | |
| Balance at the beginning of the year | 12,181 | 11,381 |
| Increase in the current year | 2,613 | 2,343 |
| Decrease in the current year | (1,704) | (1,543) |
| Balance at the end of the year | 13,090 | 12,181 |
| Accumulated depreciation of right-of-use assets: | | |
| Balance at the beginning of the year | 5,410 | 4,232 |
| Increase in the current year (Note IV 44) | 2,650 | 2,442 |
| Decrease in the current year | (1,500) | (1,264) |
| Balance at the end of the year | 6,560 | 5,410 |
| Impairment provision: | | |
| Balance at the beginning of the year | - | - |
| Balance at the end of the year | - | - |
| Carrying amount of right-of-use assets | | |
| Balance at the end of the year | 6,530 | 6,771 |
| Balance at the beginning of the year | 6,771 | 7,149 |

| | The Group | |
|-------------------|------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Lease liabilities | 6,922 | 6,968 |

| | The Bank | |
|--|----------|---------|
| | 2022 | 2021 |
| Original cost of right-of-use assets: | | |
| Balance at the beginning of the year | 12,126 | 11,326 |
| Increase in the current year | 2,604 | 2,343 |
| Decrease in the current year | (1,704) | (1,543) |
| Balance at the end of the year | 13,026 | 12,126 |
| Accumulated depreciation of right-of-use assets: | | |
| Balance at the beginning of the year | 5,383 | 4,229 |
| Increase in the current year (Note IV 44) | 2,617 | 2,418 |
| Decrease in the current year | (1,500) | (1,264) |
| Balance at the end of the year | 6,500 | 5,383 |
| Impairment provision: | | |
| Balance at the beginning of the year | - | - |
| Balance at the end of the year | - | - |
| Carrying amount of right-of-use assets | | |
| Balance at the end of the year | 6,526 | 6,743 |
| Balance at the beginning of the year | 6,743 | 7,097 |

| | The Bank | |
|-------------------|------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Lease liabilities | 6,922 | 6,943 |

(b)As at 31 December 2022, lease payments related to lease contracts signed but unexecuted by the Group amounted to RMB152 million (31 December 2021: RMB182 million); as at 31 December 2022, lease payments related to lease contracts signed but unexecuted by the Bank amounted to RMB152 million (31 December 2021: RMB173 million).

Notes to the Financial Statements

For the year ended 31 December 2022
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

15. Intangible assets

| | The Group and the Bank | | | |
|---|------------------------|-----------------|---------------------|--------|
| | Core deposit (Note) | Land use rights | Software and others | Total |
| Cost/valuation | | | | |
| 1 January 2022 | 5,757 | 2,727 | 5,697 | 14,181 |
| Additions in the current year | - | 1,284 | 40 | 1,324 |
| Transfer from development expenditure | - | - | 502 | 502 |
| Decrease in the current year | - | - | (19) | (19) |
| 31 December 2022 | 5,757 | 4,011 | 6,220 | 15,988 |
| Amortization | | | | |
| 1 January 2022 | 3,021 | 68 | 5,291 | 8,380 |
| Amortization in the current year (Note IV 44) | 287 | 86 | 359 | 732 |
| Decrease in the current year | - | - | (3) | (3) |
| 31 December 2022 | 3,308 | 154 | 5,647 | 9,109 |
| Carrying amount | | | | |
| 31 December 2022 | 2,449 | 3,857 | 573 | 6,879 |
| 1 January 2022 | 2,736 | 2,659 | 406 | 5,801 |

| | The Group and the Bank | | | |
|---|------------------------|-----------------|---------------------|--------|
| | Core deposit (Note) | Land use rights | Software and others | Total |
| Cost/valuation | | | | |
| 1 January 2021 | 5,757 | - | 5,520 | 11,277 |
| Additions in the current year | - | 2,727 | 146 | 2,873 |
| Transfer from development expenditure | - | - | 62 | 62 |
| Decrease in the current year | - | - | (31) | (31) |
| 31 December 2021 | 5,757 | 2,727 | 5,697 | 14,181 |
| Amortization | | | | |
| 1 January 2021 | 2,734 | - | 4,691 | 7,425 |
| Amortization in the current year (Note IV 44) | 287 | 68 | 604 | 959 |
| Decrease in the current year | - | - | (4) | (4) |
| 31 December 2021 | 3,021 | 68 | 5,291 | 8,380 |
| Carrying amount | | | | |
| 31 December 2021 | 2,736 | 2,659 | 406 | 5,801 |
| 1 January 2021 | 3,023 | - | 829 | 3,852 |

Note: Core deposits were accounts that a financial institution expected to maintain for an extended period of time due to ongoing business relationships. The intangible asset value associated with core deposits reflected the use of the deposits as an alternative source of funding at a lower cost.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

16. Goodwill

| The Group and the Bank | | | | | |
|------------------------|----------------|------------------------------|------------------------------|------------------|----------------------|
| 2022 | | | | | |
| | 1 January 2022 | Increase in the current year | Decrease in the current year | 31 December 2022 | Impairment provision |
| Former Ping An Bank | 7,568 | - | - | 7,568 | - |

| The Group and the Bank | | | | | |
|------------------------|----------------|------------------------------|------------------------------|------------------|----------------------|
| 2021 | | | | | |
| | 1 January 2021 | Increase in the current year | Decrease in the current year | 31 December 2021 | Impairment provision |
| Former Ping An Bank | 7,568 | - | - | 7,568 | - |

Former Ping An Bank was acquired by the Group in July 2011 and the goodwill acquired from this business combination amounted to RMB7,568 million. The goodwill acquired from the business combination was allocated to the eastern district, southern district, western district, northern district and credit card center cash-generating units for impairment test so as to compare the recoverable amount with the carrying amount of the cash-generating units. Those cash-generating units were consistent with the cash-generating units recognized at the acquisition date and during the impairment test of goodwill in prior years.

The recoverable amounts of the cash-generating units were determined based on the present value of the expected future cash flows of the cash-generating units. The expected future cash flows were determined based on the expected cash flows from the 5 years' budget plan as approved by the management. The cash flows beyond the 5 years' period were extrapolated based on the long-term average growth rates within the operating geographic locations and industries of the cash-generating units. The discount rate for future cash flow is 11.51% (31 December 2021: 12.97%), which is pre-tax and reflects specific risks relating to the relevant asset groups.

According to the results of impairment tests, as at 31 December 2022, there was no indication that goodwill may be impaired (31 December 2021: not impaired).

17. Deferred income tax assets

The temporary differences of deferred income tax assets and liabilities before offsetting are shown below:

| | The Group | | | |
|---|--|--|--|--|
| | 31 December 2022 | | 31 December 2021 | |
| | Deductible/ (taxable) temporary differences | Deferred income tax assets/ (liabilities) | Deductible/ (taxable) temporary differences | Deferred income tax assets/ (liabilities) |
| <u>Deferred income tax assets</u> | | | | |
| Provision for impairment of assets | 174,984 | 43,746 | 156,244 | 39,061 |
| Salaries and bonuses | 7,864 | 1,966 | 6,764 | 1,691 |
| Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals | 148 | 37 | 40 | 10 |
| Changes in fair value of financial instruments designated at fair value and changes included into other comprehensive income and derivative financial instruments | 1,172 | 293 | - | - |
| Others | 1,884 | 471 | 1,976 | 494 |
| Sub-total | 186,052 | 46,513 | 165,024 | 41,256 |
| <u>Deferred income tax liabilities</u> | | | | |
| Identifiable assets acquired in business combination of Former Ping An Bank at fair value | (2,608) | (652) | (2,916) | (729) |
| Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals | (4,252) | (1,063) | (8) | (2) |
| Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income | - | - | (124) | (31) |
| Others | (2,876) | (719) | (3,036) | (759) |
| Sub-total | (9,736) | (2,434) | (6,084) | (1,521) |
| Net book value | 176,316 | 44,079 | 158,940 | 39,735 |

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

17. Deferred income tax assets (Continued)

The temporary differences of deferred income tax assets and liabilities before offsetting are shown below:

| | The Bank | | | |
|---|--|--|--|--|
| | 31 December 2022 | | 31 December 2021 | |
| | Deductible/ (taxable) temporary differences | Deferred income tax assets/ (liabilities) | Deductible/ (taxable) temporary differences | Deferred income tax assets/ (liabilities) |
| <u>Deferred income tax assets</u> | | | | |
| Provision for impairment of assets | 174,984 | 43,746 | 156,240 | 39,060 |
| Salaries and bonuses | 7,736 | 1,934 | 6,672 | 1,668 |
| Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals | - | - | 40 | 10 |
| Changes in fair value of financial instruments designated at fair value and changes included into other comprehensive income and derivative financial instruments | 1,164 | 291 | - | - |
| Others | 1,884 | 471 | 1,972 | 493 |
| Sub-total | 185,768 | 46,442 | 164,924 | 41,231 |
| <u>Deferred income tax liabilities</u> | | | | |
| Identifiable assets acquired in business combination of Former Ping An Bank at fair value | (2,608) | (652) | (2,916) | (729) |
| Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals | (4,252) | (1,063) | - | - |
| Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income | - | - | (120) | (30) |
| Others | (2,848) | (712) | (3,012) | (753) |
| Sub-total | (9,708) | (2,427) | (6,048) | (1,512) |
| Net book value | 176,060 | 44,015 | 158,876 | 39,719 |

| | The Group | | | |
|---|-------------------|---|--|---------------------|
| | 2022 | | | |
| | 1 January 2022 | Recognized in profit or loss (Note IV 46) | Recognized in other comprehensive income (Note IV 47) | 31 December 2022 |
| <u>Deferred income tax assets</u> | | | | |
| Provision for impairment of assets | 39,061 | 5,313 | (628) | 43,746 |
| Salaries and bonuses | 1,691 | 275 | - | 1,966 |
| Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals | 10 | 27 | - | 37 |
| Changes in fair value of financial instruments designated at fair value and changes included into other comprehensive income and derivative financial instruments | - | - | 293 | 293 |
| Others | 494 | (23) | - | 471 |
| Sub-total | 41,256 | 5,592 | (335) | 46,513 |
| <u>Deferred income tax liabilities</u> | | | | |
| Identifiable assets acquired in business combination of Former Ping An Bank at fair value | (729) | 77 | - | (652) |
| Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals | (2) | (1,061) | - | (1,063) |
| Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income | (31) | - | 31 | - |
| Others | (759) | 40 | - | (719) |
| Sub-total | (1,521) | (944) | 31 | (2,434) |
| Net book value | 39,735 | 4,648 | (304) | 44,079 |

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

17. Deferred income tax assets (Continued)

| | The Bank | | | |
|---|-------------------|---|--|---------------------|
| | 2022 | | | |
| | 1 January 2022 | Recognized in profit or loss (Note IV 46) | Recognized in other comprehensive income (Note IV 47) | 31 December 2022 |
| <u>Deferred income tax assets</u> | | | | |
| Provision for impairment of assets | 39,060 | 5,312 | (626) | 43,746 |
| Salaries and bonuses | 1,668 | 266 | - | 1,934 |
| Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals | 10 | (10) | - | - |
| Changes in fair value of financial instruments designated at fair value and changes included into other comprehensive income and derivative financial instruments | - | - | 291 | 291 |
| Others | 493 | (22) | - | 471 |
| Sub-total | 41,231 | 5,546 | (335) | 46,442 |
| <u>Deferred income tax liabilities</u> | | | | |
| Identifiable assets acquired in business combination of Former Ping An Bank at fair value | (729) | 77 | - | (652) |
| Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals | - | (1,063) | - | (1,063) |
| Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income | (30) | - | 30 | - |
| Others | (753) | 41 | - | (712) |
| Sub-total | (1,512) | (945) | 30 | (2,427) |
| Net book value | 39,719 | 4,601 | (305) | 44,015 |

| | The Group | | | |
|---|-------------------|---|--|---------------------|
| | 2021 | | | |
| | 1 January 2021 | Recognized in profit or loss (Note IV 46) | Recognized in other comprehensive income (Note IV 47) | 31 December 2021 |
| <u>Deferred income tax assets</u> | | | | |
| Provision for impairment of assets | 37,551 | 1,631 | (121) | 39,061 |
| Salaries and bonuses | 1,573 | 118 | - | 1,691 |
| Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals | 305 | (295) | - | 10 |
| Changes in fair value of financial instruments designated at fair value and changes included into other comprehensive income and derivative financial instruments | 290 | - | (290) | - |
| Others | 762 | (268) | - | 494 |
| Sub-total | 40,481 | 1,186 | (411) | 41,256 |
| <u>Deferred income tax liabilities</u> | | | | |
| Identifiable assets acquired in business combination of Former Ping An Bank at fair value | (805) | 76 | - | (729) |
| Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals | - | (2) | - | (2) |
| Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income | (2) | - | (29) | (31) |
| Others | (642) | (117) | - | (759) |
| Sub-total | (1,449) | (43) | (29) | (1,521) |
| Net book value | 39,032 | 1,143 | (440) | 39,735 |

Notes to the Financial Statements

For the year ended 31 December 2022
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

17. Deferred income tax assets (Continued)

| | The Bank | | | |
|---|-------------------|---|--|---------------------|
| | 2021 | | | |
| | 1 January 2021 | Recognized in profit or loss (Note IV 46) | Recognized in other comprehensive income (Note IV 47) | 31 December 2021 |
| <u>Deferred income tax assets</u> | | | | |
| Provision for impairment of assets | 37,551 | 1,630 | (121) | 39,060 |
| Salaries and bonuses | 1,573 | 95 | - | 1,668 |
| Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals | 305 | (295) | - | 10 |
| Changes in fair value of financial instruments designated at fair value and changes included into other comprehensive income and derivative financial instruments | 290 | - | (290) | - |
| Others | 762 | (269) | - | 493 |
| Sub-total | 40,481 | 1,161 | (411) | 41,231 |
| <u>Deferred income tax liabilities</u> | | | | |
| Identifiable assets acquired in business combination of Former Ping An Bank at fair value | (805) | 76 | - | (729) |
| Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income | - | - | (30) | (30) |
| Others | (642) | (111) | - | (753) |
| Sub-total | (1,447) | (35) | (30) | (1,512) |
| Net book value | 39,034 | 1,126 | (441) | 39,719 |

18. Other assets

(a) Analysis by nature

| | The Group | |
|--|------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Prepayments and guarantee deposits (Note IV 18b) | 1,486 | 1,779 |
| Deposit of litigation fees | 913 | 1,034 |
| Fees receivable | 4,875 | 3,351 |
| Foreclosed assets (Note IV 18c) | 2,059 | 2,334 |
| Construction in progress (Note IV18d) | 789 | 728 |
| Long-term prepaid expenses (Note IV 18e) | 1,429 | 1,514 |
| Settlement receivables | 29,680 | 30,107 |
| Development expenditure | 138 | 269 |
| Interest receivable | 1,029 | 682 |
| Others | 3,402 | 3,340 |
| Total other assets | 45,800 | 45,138 |
| Less: Impairment provision | | |
| Foreclosed assets (Note IV 18c) | (1,699) | (1,895) |
| Others | (1,253) | (1,079) |
| Total impairment provision | (2,952) | (2,974) |
| Net value of other assets | 42,848 | 42,164 |

Notes to the Financial Statements

For the year ended 31 December 2022
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

18. Other assets (Continued)

(a) Analysis by nature (Continued)

| | The Bank | |
|--|------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Prepayments and guarantee deposits (Note IV 18b) | 1,475 | 1,771 |
| Deposit of litigation fees | 913 | 1,034 |
| Fees receivable | 4,623 | 3,237 |
| Foreclosed assets (Note IV 18c) | 2,059 | 2,334 |
| Construction in progress (Note IV18d) | 789 | 728 |
| Long-term prepaid expenses (Note IV 18e) | 1,429 | 1,512 |
| Settlement receivables | 29,680 | 30,107 |
| Development expenditure | 138 | 269 |
| Interest receivable | 1,029 | 682 |
| Others | 3,399 | 3,339 |
| Total other assets | 45,534 | 45,013 |
| Less: Impairment provision | | |
| Foreclosed assets (Note IV 18c) | (1,699) | (1,895) |
| Others | (1,253) | (1,079) |
| Total impairment provision | (2,952) | (2,974) |
| Net value of other assets | 42,582 | 42,039 |

(b) Prepayments and guarantee deposits

Summarised by ageing

| | The Group | | | |
|------------------|------------------|----------------|------------------|----------------|
| | 31 December 2022 | | 31 December 2021 | |
| | Amount | Percentage | Amount | Percentage |
| Less than 1 year | 847 | 56.99% | 1,231 | 69.19% |
| 1 to 2 years | 196 | 13.19% | 183 | 10.29% |
| 2 to 3 years | 83 | 5.59% | 62 | 3.49% |
| Over 3 years | 360 | 24.23% | 303 | 17.03% |
| Total | 1,486 | 100.00% | 1,779 | 100.00% |

| | The Bank | | | |
|------------------|------------------|------------|------------------|------------|
| | 31 December 2022 | | 31 December 2021 | |
| | Amount | Percentage | Amount | Percentage |
| Less than 1 year | 844 | 57.22% | 1,231 | 69.51% |
| 1 to 2 years | 196 | 13.29% | 175 | 9.88% |
| 2 to 3 years | 75 | 5.08% | 62 | 3.50% |
| Over 3 years | 360 | 24.41% | 303 | 17.11% |
| Total | 1,475 | 100.00% | 1,771 | 100.00% |

(c) Foreclosed assets

| | The Group and the Bank | |
|---|------------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Land and buildings | 2,058 | 2,333 |
| Others | 1 | 1 |
| Sub-total | 2,059 | 2,334 |
| Less: Impairment provision (Note IV 19) | (1,699) | (1,895) |
| Net value of foreclosed assets | 360 | 439 |

For the year ended 31 December 2022, the Group and the Bank took possession of collateral held as a security with a carrying amount of RMB1 million (2021: RMB19 million). For the year ended 31 December 2022, the Group and the Bank disposed debt assets of RMB276 million (2021: RMB1,374 million). The Group and the Bank planned to dispose of the foreclosed assets through auctions, bidding or transfers in the subsequent years.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

18. Other assets (Continued)

(d) Construction in progress

| | The Group | |
|--|-----------|---------|
| | 2022 | 2021 |
| Balance at the beginning of the year | 728 | 1,345 |
| Increase in the current year | 588 | 1,104 |
| Transfer to fixed assets (Note IV 13) | (37) | (1,250) |
| Transfer to long-term prepaid expenses (Note IV 18e) | (490) | (471) |
| Balance at the end of the year | 789 | 728 |

| | The Bank | |
|--|----------|---------|
| | 2022 | 2021 |
| Balance at the beginning of the year | 728 | 1,345 |
| Increase in the current year | 588 | 1,101 |
| Transfer to fixed assets (Note IV 13) | (37) | (1,250) |
| Transfer to long-term prepaid expenses (Note IV 18e) | (490) | (468) |
| Balance at the end of the year | 789 | 728 |

(e) Long-term prepaid expenses

| | The Group | |
|--|-----------|-------|
| | 2022 | 2021 |
| Balance at the beginning of the year | 1,514 | 1,526 |
| Increase in the current year | 160 | 488 |
| Transfer from construction in progress (Note IV 18d) | 490 | 471 |
| Amortization in the current year | (711) | (704) |
| Other decreases in the current year | (24) | (267) |
| Balance at the end of the year | 1,429 | 1,514 |

| | The Bank | |
|--|----------|-------|
| | 2022 | 2021 |
| Balance at the beginning of the year | 1,512 | 1,526 |
| Increase in the current year | 160 | 488 |
| Transfer from construction in progress (Note IV 18d) | 490 | 468 |
| Amortization in the current year | (709) | (703) |
| Other decreases in the current year | (24) | (267) |
| Balance at the end of the year | 1,429 | 1,512 |

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

19. Provision for impairment of assets

| | The Group | | | | | | | | |
|--|-----------|----------------|--|-------------------------------|--|----------------|---|---------------|------------------|
| | Note IV | 1 January 2022 | Provision/reversal in the current year | Write-off in the current year | 2022 | | Changes in value of loans due to discount | Other changes | 31 December 2022 |
| Recovery of assets written off previously in the current year | | | | | Transfer upon asset disposal in the current year | | | | |
| Impairment provision for deposits with banks and other financial institutions | 2 | 573 | 1,502 | - | - | - | - | 18 | 2,093 |
| Impairment provision for placements with and loans to banks and other financial institutions measured at amortized cost | 3 | 72 | 2,254 | - | - | - | - | 2 | 2,328 |
| Impairment provision for placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income | 3 | 170 | (79) | - | - | - | - | - | 91 |
| Impairment provision for financial assets held under resale agreements | 5 | 1 | 4 | - | - | - | - | - | 5 |
| Impairment provision of loans and advances to customers measured at amortized cost | 6 | 89,256 | 61,837 | (59,802) | 11,942 | (5,334) | (45) | 65 | 97,919 |
| Impairment provision for loans and advances to customers designated at fair value and changes included into other comprehensive income | 6 | 946 | 2,331 | - | - | - | - | - | 3,277 |
| Impairment provision for investment on debts | 8 | 11,110 | (2,763) | - | 8,283 | (333) | - | 90 | 16,387 |
| Impairment provision for other investment on debts | 9 | 1,083 | 127 | - | 129 | - | - | - | 1,339 |
| Provision for impairment of fixed assets | 13 | 1 | - | - | - | - | - | - | 1 |
| Impairment provision for foreclosed assets | 18c | 1,895 | (35) | - | - | (161) | - | - | 1,699 |
| Impairment provision for others | | 1,330 | 251 | (61) | 10 | - | - | 2 | 1,532 |
| Total | | 106,437 | 65,429 | (59,863) | 20,364 | (5,828) | (45) | 177 | 126,671 |

| The Bank | | | | | | | | | |
|--|----------------|--|-------------------------------|---|--|---|---------------|------------------|----------------|
| 2022 | | | | | | | | | |
| Note IV | 1 January 2022 | Provision/reversal in the current year | Write-off in the current year | Recovery of assets written off previously in the current year | Transfer upon asset disposal in the current year | Changes in value of loans due to discount | Other changes | 31 December 2022 | |
| Impairment provision for deposits with banks and other financial institutions | 2 | 571 | 1,504 | - | - | - | - | 18 | 2,093 |
| Impairment provision for placements with and loans to banks and other financial institutions measured at amortized cost | 3 | 72 | 2,254 | - | - | - | - | 2 | 2,328 |
| Impairment provision for placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income | 3 | 170 | (79) | - | - | - | - | - | 91 |
| Impairment provision for financial assets held under resale agreements | 5 | 1 | 4 | - | - | - | - | - | 5 |
| Impairment provision of loans and advances to customers measured at amortized cost | 6 | 89,256 | 61,837 | (59,802) | 11,942 | (5,334) | (45) | 65 | 97,919 |
| Impairment provision for loans and advances to customers designated at fair value and changes included into other comprehensive income | 6 | 946 | 2,331 | - | - | - | - | - | 3,277 |
| Impairment provision for investment on debts | 8 | 11,110 | (2,765) | - | 8,283 | (333) | - | 90 | 16,385 |
| Impairment provision for other investment on debts | 9 | 1,083 | 127 | - | 129 | - | - | - | 1,339 |
| Provision for impairment of fixed assets | 13 | 1 | - | - | - | - | - | - | 1 |
| Impairment provision for foreclosed assets | 18c | 1,895 | (35) | - | - | (161) | - | - | 1,699 |
| Impairment provision for others | | 1,330 | 251 | (61) | 10 | - | - | 2 | 1,532 |
| Total | | 106,435 | 65,429 | (59,863) | 20,364 | (5,828) | (45) | 177 | 126,669 |

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

19. Provision for impairment of assets (Continued)

| | The Group | | | | | | | | |
|--|-----------|----------------|--|-------------------------------|--|---|---------------|--------------|------------------|
| | Note IV | 1 January 2021 | Provision/reversal in the current year | Write-off in the current year | 2021 | | | | 31 December 2021 |
| Recovery of assets written off previously in the current year | | | | | Transfer upon asset disposal in the current year | Changes in value of loans due to discount | Other changes | | |
| Impairment provision for deposits with banks and other financial institutions | 2 | 643 | (63) | - | - | - | - | (7) | 573 |
| Impairment provision for placements with and loans to banks and other financial institutions measured at amortized cost | 3 | 70 | 4 | - | - | - | - | (2) | 72 |
| Impairment provision for placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income | 3 | 228 | (58) | - | - | - | - | - | 170 |
| Impairment provision for financial assets held under resale agreements | 5 | 19 | (18) | - | - | - | - | - | 1 |
| Impairment provision for loans and advances to customers measured at amortized cost | 6 | 62,821 | 58,859 | (40,418) | 15,888 | (7,666) | (109) | (119) | 89,256 |
| Impairment provision for loans and advances to customers designated at fair value and changes included into other comprehensive income | 6 | 398 | 548 | - | - | - | - | - | 946 |
| Impairment provision for investment on debts | 8 | 5,100 | 10,435 | (7,219) | 2,808 | (2) | - | (12) | 11,110 |
| Impairment provision for other investment on debts | 9 | 1,089 | (38) | - | 32 | - | - | - | 1,083 |
| Provision for impairment of fixed assets | 13 | 2 | - | - | - | (1) | - | - | 1 |
| Impairment provision for foreclosed assets | 18c | 1,271 | 1,198 | - | - | (574) | - | - | 1,895 |
| Impairment provision for others | | 1,488 | (37) | (132) | 11 | - | - | - | 1,330 |
| Total | | 73,129 | 70,830 | (47,769) | 18,739 | (8,243) | (109) | (140) | 106,437 |

| | The Bank | | | | | | | | |
|--|----------|----------------|--|-------------------------------|---|--|---|---------------|------------------|
| | 2021 | | | | | | | | |
| | Note IV | 1 January 2021 | Provision/reversal in the current year | Write-off in the current year | Recovery of assets written off previously in the current year | Transfer upon asset disposal in the current year | Changes in value of loans due to discount | Other changes | 31 December 2021 |
| Impairment provision for deposits with banks and other financial institutions | 2 | 643 | (65) | - | - | - | - | (7) | 571 |
| Impairment provision for placements with and loans to banks and other financial institutions measured at amortized cost | 3 | 70 | 4 | - | - | - | - | (2) | 72 |
| Impairment provision for placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income | 3 | 228 | (58) | - | - | - | - | - | 170 |
| Impairment provision for financial assets held under resale agreements | 5 | 19 | (18) | - | - | - | - | - | 1 |
| Impairment provision for loans and advances to customers measured at amortized cost | 6 | 62,821 | 58,859 | (40,418) | 15,888 | (7,666) | (109) | (119) | 89,256 |
| Impairment provision for loans and advances to customers designated at fair value and changes included into other comprehensive income | 6 | 398 | 548 | - | - | - | - | - | 946 |
| Impairment provision for investment on debts | 8 | 5,100 | 10,435 | (7,219) | 2,808 | (2) | - | (12) | 11,110 |
| Impairment provision for other investment on debts | 9 | 1,089 | (38) | - | 32 | - | - | - | 1,083 |
| Provision for impairment of fixed assets | 13 | 2 | - | - | - | (1) | - | - | 1 |
| Impairment provision for foreclosed assets | 18c | 1,271 | 1,198 | - | - | (574) | - | - | 1,895 |
| Impairment provision for others | | 1,488 | (37) | (132) | 11 | - | - | - | 1,330 |
| Total | | 73,129 | 70,828 | (47,769) | 18,739 | (8,243) | (109) | (140) | 106,435 |

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

20. Borrowings from the Central bank

| | The Group and the Bank | |
|--|------------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Medium-term borrowing facility | 115,600 | 114,400 |
| Selling repurchase bills to the Central Bank | 211 | 2,876 |
| Selling repurchase bonds to the Central Bank | 69,760 | 29,170 |
| Others | 4,548 | 128 |
| Sub-total | 190,119 | 146,574 |
| Add: Accrued interest | 1,797 | 1,588 |
| Total | 191,916 | 148,162 |

21. Deposits from banks and other financial institutions

| | The Group | |
|---|------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Domestic banks and other financial institutions | 98,717 | 84,842 |
| Other domestic financial institutions | 307,523 | 255,277 |
| Overseas banks and other financial institutions | 104 | 3,015 |
| Other overseas financial institutions | 36 | - |
| Sub-total | 406,380 | 343,134 |
| Add: Accrued interest | 898 | 1,997 |
| Total | 407,278 | 345,131 |

| | The Bank | |
|---|------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Domestic banks and other financial institutions | 98,717 | 84,842 |
| Other domestic financial institutions | 307,850 | 256,371 |
| Overseas banks and other financial institutions | 104 | 3,015 |
| Other overseas financial institutions | 36 | - |
| Sub-total | 406,707 | 344,228 |
| Add: Accrued interest | 898 | 1,997 |
| Total | 407,605 | 346,225 |

22.Placements from banks and other financial institutions

| | The Group and the Bank | |
|---|------------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Domestic banks and other financial institutions | 29,454 | 9,505 |
| Overseas banks and other financial institutions | 23,665 | 22,876 |
| Sub-total | 53,119 | 32,381 |
| Add: Accrued interest | 163 | 13 |
| Total | 53,282 | 32,394 |

23.Financial liabilities held for trading

| | The Group and the Bank | |
|--------------------------|------------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Payables of bond lending | 63,288 | 31,498 |
| Payables of gold leases | 5,766 | 11,923 |
| Total | 69,054 | 43,421 |

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

24. Financial assets sold under repurchase agreements

| | The Group and the Bank | |
|-----------------------------------|------------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| (a) Summarized by collateral type | | |
| Bonds | 10,597 | 47,700 |
| Bills | 2,705 | - |
| Sub-total | 13,302 | 47,700 |
| Add: Accrued interest | 1 | 3 |
| Total | 13,303 | 47,703 |

| | The Group and the Bank | |
|--|------------------------|------------------|
| | 31 December 2021 | 31 December 2020 |
| (b) Summarized by type of banks and other financial institutions | | |
| Banks and other financial institutions | 13,302 | 47,700 |
| Add: Accrued interest | 1 | 3 |
| Total | 13,303 | 47,703 |

Financial assets transferred as collateral under repurchase agreements are not derecognized.

25. Deposits from customers

| | The Group | |
|-----------------------|------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Demand deposits | | |
| Corporate customers | 879,189 | 877,398 |
| Individual customers | 297,120 | 242,533 |
| Sub-total | 1,176,309 | 1,119,931 |
| Time deposits | | |
| Corporate customers | 1,398,525 | 1,314,056 |
| Individual customers | 737,850 | 527,832 |
| Sub-total | 2,136,375 | 1,841,888 |
| Add: Accrued interest | 39,582 | 28,699 |
| Total | 3,352,266 | 2,990,518 |

| | The Bank | |
|-----------------------|------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Demand deposits | | |
| Corporate customers | 879,193 | 877,402 |
| Individual customers | 297,120 | 242,533 |
| Sub-total | 1,176,313 | 1,119,935 |
| Time deposits | | |
| Corporate customers | 1,398,525 | 1,314,056 |
| Individual customers | 737,850 | 527,832 |
| Sub-total | 2,136,375 | 1,841,888 |
| Add: Accrued interest | 39,582 | 28,699 |
| Total | 3,352,270 | 2,990,522 |

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

26. Employee benefits payable

| | The Group | |
|--|------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Short-term employee benefits payable (a) | 18,484 | 18,003 |
| Defined contribution plans and defined benefit plans payable (b) | 86 | 91 |
| Termination benefits payable | 1 | 1 |
| | 18,571 | 18,095 |

| | The Bank | |
|--|------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Short-term employee benefits payable (a) | 18,184 | 17,775 |
| Defined contribution plans and defined benefit plans payable (b) | 86 | 90 |
| Termination benefits payable | 1 | 1 |
| | 18,271 | 17,866 |

(a) Short-term employee benefits payable

| | The Group | | | |
|---|----------------|------------------------------|-----------------------------|------------------|
| | 2022 | | | |
| | 1 January 2022 | Increase in the current year | Payment in the current year | 31 December 2022 |
| Salaries, bonuses, allowances and subsidies | 17,475 | 17,450 | (16,999) | 17,926 |
| Staff welfare and other social insurance | 452 | 1,568 | (1,544) | 476 |
| Housing funds | - | 1,103 | (1,103) | - |
| Labor union and training expenses | 76 | 454 | (448) | 82 |
| Total | 18,003 | 20,575 | (20,094) | 18,484 |

| The Bank | | | | |
|---|----------------|------------------------------|-----------------------------|------------------|
| 2022 | | | | |
| | 1 January 2022 | Increase in the current year | Payment in the current year | 31 December 2022 |
| Salaries, bonuses, allowances and subsidies | 17,248 | 17,123 | (16,743) | 17,628 |
| Staff welfare and other social insurance | 451 | 1,549 | (1,526) | 474 |
| Housing funds | - | 1,092 | (1,092) | - |
| Labor union and training expenses | 76 | 447 | (441) | 82 |
| Total | 17,775 | 20,211 | (19,802) | 18,184 |

| The Group | | | | |
|---|----------------|------------------------------|-----------------------------|------------------|
| 2021 | | | | |
| | 1 January 2021 | Increase in the current year | Payment in the current year | 31 December 2021 |
| Salaries, bonuses, allowances and subsidies | 16,187 | 17,392 | (16,104) | 17,475 |
| Staff welfare and other social insurance | 585 | 1,468 | (1,601) | 452 |
| Housing funds | - | 981 | (981) | - |
| Labor union and training expenses | 113 | 478 | (515) | 76 |
| Others | - | 8 | (8) | - |
| Total | 16,885 | 20,327 | (19,209) | 18,003 |

| The Bank | | | | |
|---|----------------|------------------------------|-----------------------------|------------------|
| 2021 | | | | |
| | 1 January 2021 | Increase in the current year | Payment in the current year | 31 December 2021 |
| Salaries, bonuses, allowances and subsidies | 16,075 | 17,112 | (15,939) | 17,248 |
| Staff welfare and other social insurance | 584 | 1,455 | (1,588) | 451 |
| Housing funds | - | 972 | (972) | - |
| Labor union and training expenses | 113 | 474 | (511) | 76 |
| Others | - | 8 | (8) | - |
| Total | 16,772 | 20,021 | (19,018) | 17,775 |

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

26. Employee benefits payable

(b) Defined contribution plans and defined benefit plans payable

| | The Group | | | |
|----------------------------|----------------|------------------------------|-----------------------------|------------------|
| | 2022 | | | |
| | 1 January 2022 | Increase in the current year | Payment in the current year | 31 December 2022 |
| Defined contribution plans | 50 | 1,607 | (1,610) | 47 |
| Defined benefit plans | 41 | 2 | (4) | 39 |
| Total | 91 | 1,609 | (1,614) | 86 |

| | The Bank | | | |
|----------------------------|----------------|------------------------------|-----------------------------|------------------|
| | 2022 | | | |
| | 1 January 2022 | Increase in the current year | Payment in the current year | 31 December 2022 |
| Defined contribution plans | 49 | 1,592 | (1,594) | 47 |
| Defined benefit plans | 41 | 2 | (4) | 39 |
| Total | 90 | 1,594 | (1,598) | 86 |

| | The Group | | | |
|----------------------------|----------------|------------------------------|-----------------------------|------------------|
| | 2021 | | | |
| | 1 January 2021 | Increase in the current year | Payment in the current year | 31 December 2021 |
| Defined contribution plans | 31 | 1,366 | (1,347) | 50 |
| Defined benefit plans | 42 | 3 | (4) | 41 |
| Total | 73 | 1,369 | (1,351) | 91 |

| | The Bank | | | |
|----------------------------|----------------|------------------------------|-----------------------------|------------------|
| | 2021 | | | |
| | 1 January 2021 | Increase in the current year | Payment in the current year | 31 December 2021 |
| Defined contribution plans | 31 | 1,354 | (1,336) | 49 |
| Defined benefit plans | 42 | 3 | (4) | 41 |
| Total | 73 | 1,357 | (1,340) | 90 |

27. Taxes payable

| | The Group | |
|---|------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Corporate income tax payable | 10,911 | 8,054 |
| VAT payable | 3,094 | 3,019 |
| Additional taxes and surcharges payable | 394 | 379 |
| Others | 275 | 233 |
| Total | 14,674 | 11,685 |

| | The Bank | |
|---|------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Corporate income tax payable | 10,478 | 7,854 |
| VAT payable | 2,977 | 2,964 |
| Additional taxes and surcharges payable | 380 | 372 |
| Others | 272 | 228 |
| Total | 14,107 | 11,418 |

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

28. Debt securities issued

| | The Group and the Bank | |
|---|------------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Debt securities issued | | |
| Financial bonds (Note 1) | 99,994 | 49,998 |
| Tier 2 capital bonds (Note 2) | 59,981 | 59,982 |
| Sub-total | 159,975 | 109,980 |
| Certificates of deposit issued by banks and other financial institutions (Note 3) | 529,724 | 711,635 |
| Add: Accrued interest | 2,376 | 2,319 |
| Total | 692,075 | 823,934 |

As at 31 December 2022 and 31 December 2021, the Group and the Bank did not have any defaults of principal, interest or other breaches with respect to debt securities issued.

Note 1: As approved by the PBOC and CBIRC, the Bank issued financial bonds amounting to RMB30 billion, RMB20 billion, RMB20 billion, RMB5 billion, RMB5 billion and RMB20 billion respectively in the inter-bank market on 22 May 2020, 28 January 2021, 17 October 2022, 28 October 2022, 28 October 2022 and 8 November 2022. The debt instruments have 3 years to maturity, with fixed coupon rates of 2.30%, 3.45%, 2.45%, 2.45%, 2.45% and 2.45% respectively. As at 31 December 2022, the book balance of the Bank's financial bonds were RMB29,999 million, RMB19,999 million, RMB19,999 million, RMB4,999 million, RMB4,999 million and RMB19,999 million, respectively.

Note 2: As approved by the PBOC and CBIRC, the Bank issued Tier 2 capital bonds amounting to RMB30 billion and RMB30 billion respectively in the inter-bank market on 25 April 2019 and 9 November 2021. These subordinated bonds have 10 years to maturity with fixed coupon rates. The Bank has the option to redeem these bonds at the end of the fifth year on certain conditions and the coupon rates are 4.55% and 3.69% respectively. As at 31 December 2022, the book balance of the Bank's Tier 2 capital bonds in 2019 and 2021 was RMB29,985 million and RMB29,996 million respectively.

When the triggering event occurs, the Bank has the right to irrevocably fully write down the principals of bonds and other Tier 1 capital instruments issued in the current period, without the consent from bondholders, from the day following the triggering event. Any unpaid accumulated interest payable will no longer be paid. Once the principals of bonds are written down, the bonds are permanently canceled, no longer be restored in any condition. The triggering event is the earlier of following: (1) if the principals are not written down, the issuer will be prohibited from operating by CBIRC; (2) with no capital injection or equivalent support from the public sector, the issuer will be prohibited from operating by CBIRC.

Note 3: As at 31 December 2022, the original term of certificates of deposit issued by banks and other financial institutions but unmatured was from 1 month to 1 year, and the annual interest rate was from 1.65% to 3.01% (31 December 2021: the original term was from 3 months to 1 year, and the annual interest rate was from 0.27% to 3.18%).

29.Provisions

| | The Group and the Bank | |
|---|------------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Provision for expected credit losses of off-balance-sheet items | 9,640 | 3,908 |
| Expected litigation losses | 90 | 36 |
| Total | 9,730 | 3,944 |

30.Other liabilities

| | The Group | |
|--|------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Settlement & clearing and pending payables | 5,418 | 6,024 |
| Accrued and payable expenses | 8,142 | 7,468 |
| Inactive deposit account balances | 57 | 96 |
| Dividends payable (Note) | 12 | 12 |
| Amounts payable for custody | 1,049 | 2,454 |
| Contract liabilities | 1,980 | 2,161 |
| Quality warranties and deposits | 224 | 373 |
| Others | 4,356 | 4,297 |
| Total | 21,238 | 22,885 |

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

30. Other liabilities (Continued)

| | The Bank | |
|--|------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Settlement & clearing and pending payables | 5,418 | 6,024 |
| Accrued and payable expenses | 9,961 | 8,366 |
| Inactive deposit account balances | 57 | 96 |
| Dividends payable (Note) | 12 | 12 |
| Amounts payable for custody | 1,049 | 2,454 |
| Contract liabilities | 1,980 | 2,161 |
| Quality warranties and deposits | 224 | 373 |
| Others | 4,356 | 4,296 |
| Total | 23,057 | 23,782 |

As at 31 December 2022 and 31 December 2021, the dividends payable of RMB12 million above had been overdue for more than 1 year as the related shareholders had not collected the dividends.

31. Share capital

As at 31 December 2022, the number of the Group and the Bank's ordinary shares registered and fully paid was RMB19,406 million, with a par value of RMB1 per share. The nature and the structure of the share capital are as follows:

| | The Group and the Bank | | | | |
|----------------------------------|------------------------|------------|-----------------------|------------------|------------|
| | 1 January 2022 | Percentage | Movements in the year | 31 December 2022 | Percentage |
| Share capital of ordinary shares | 19,406 | 100% | - | 19,406 | 100% |

32. Other equity instruments

| | The Group and the Bank | |
|----------------------------|------------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Preference shares (Note 1) | 19,953 | 19,953 |
| Perpetual bonds (Note 2) | 49,991 | 49,991 |
| Total | 69,944 | 69,944 |

Note 1:

| Outstanding financial instruments | Dividend rate | Issue price (In RMB) | Number of shares issued (Million) | Amount of shares issued (In RMB million) | Maturity date or renewal | Conversion |
|-----------------------------------|---------------|----------------------|-----------------------------------|--|--------------------------|---------------|
| Preference shares | 4.37% | 100 | 200 | 20,000 | No maturity date | No conversion |

On 7 March 2016, the Bank issued 200 million preference shares at par. The amount of RMB19,953 million was included in other equity instruments after deducting issuance expenses. In the duration, in the case that relevant requirements are satisfied, the Bank has the option to redeem the whole or part of the preference shares on annual dividend payment date after expiry of 5 years after the approval of CBIRC. The redemption right for the preference shares is owned by the Bank after the approval of CBIRC. The nominal dividend rate of the preference shares is 4.37%, and the dividend is paid by cash at fixed rate annually.

As authorized by the shareholders' annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. No profit will be distributed to ordinary shareholders unless the Bank decides to completely distribute the current dividends on preference shares. The preference shares are non-cumulative preference shares and the Bank has the option to cancel a portion or all of the dividend distribution. Preference shareholders shall not participate in the distribution of residual profits with ordinary shareholders. As approved by CBIRC, the existing preference shares issued by the Bank will be completely or partially converted to ordinary shares of the Bank when the following triggering events of mandatory conversion happen:

(1) Where the triggering events of other Tier 1 capital instruments happen, namely when the core Tier 1 capital adequacy ratio falls to 5.125% (or lower), the preference shares will be completely or partially converted to A shares at once as agreed in the contract to restore the core Tier 1 capital adequacy ratio above the triggering point.

(2) Where the triggering events of Tier 2 capital instruments happen, the preference shares will be mandatorily converted to ordinary shares of the Bank. If the triggering conditions for mandatory conversion are all met, the existing preference shares will be completely or partially converted to A shares at agreed conversion price after approval of the regulator. Since the issuing scheme for preference shares is approved by the Board of Directors, where such conditions as bonus shares (excluding the option of cash dividend distribution), transfer to paid-in capital, issuance of new shares (excluding transfer to paid-in capital from issuance of financial instruments (e.g., preference shares, convertible bonds, etc.) with the terms of being convertible to ordinary shares) and allotment of shares happen, the Bank will make accumulative adjustments for mandatory conversion price successively following the sequential order of the above conditions without consideration of cash dividends on ordinary shares.

The preference shares issued by the Bank are classified as equity instruments and presented in shareholders' equity in balance sheet. Based on relevant provisions of CBIRC, the preference shares meet all the criteria of qualified other Tier 1 capital instruments.

Note 2: As approved by the PBOC and CBIRC, the Bank proposed to issue non-fixed term capital bonds totaling RMB50 billion with write-down features by installment in the national inter-bank market. On 19 December 2019, the Bank issued non-fixed term capital bonds with write-down features amounting to RMB20 billion in the national inter-bank market, and the issuance was completed on 26 December 2019. The par value per unit of the bonds was RMB100 and the coupon rate is 4.10% for the first 5 years, which shall be adjusted every 5 years. On 21 February 2020, the Bank issued non-fixed term capital bonds with write-down features amounting to RMB30 billion in the national inter-bank market, and the issuance was completed on 25 February 2020. The par value per unit of the bonds was RMB100 and the coupon rate is 3.85% for the first 5 years, which shall be adjusted every 5 years.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

32. Other equity instruments (Continued)

Lifetime of the bonds is consistent with that of the Bank to continue as a going concern. The Bank has the option to redeem the whole or part of such bonds on annual interest payment date 5 years after the issuance date, provided that prerequisite for redemption is met and such redemption is approved by CBIRC. When the operation prohibited triggering event occurs, the Bank has the right to partially or fully write down the principals of the above existing bonds issued, which is not subject to the consent from bondholders. The above bonds are written down by the proportion of remaining par value to total remaining par value of other Tier 1 capital instruments subject to the same triggering event. The operation prohibited triggering event is the earlier of following: (i) if the principals are not written down, the issuer will be prohibited from operating by CBIRC; (ii) with no capital injection or equivalent support from the public sector, the issuer will be prohibited from operating by relevant department. The written down part is irreversible. The principals of the bonds rank after depositors, general creditors and subordinated debts of higher ranks than bonds issued in the current period, but before shares held by shareholders when liquidated. Bonds and other Tier 1 capital instruments with the same liquidation ranks are liquidated in sequence.

Payment of interest on the above bonds is non-cumulative and the Bank has the right to cancel a portion or all of the interest distribution, which will not constitute a breach of contract. The Bank can dominate the bond interest canceled for timely repayment of other debts. No interests shall be distributed to ordinary shareholders before the Bank decides to distribute interests in full amount to bondholders again.

After deduction of issuance expenses, the net amount of funds raised by above bonds will all be used to replenish other Tier 1 capital and to improve capital adequacy ratio.

Changes in outstanding perpetual bonds:

| | 1 January 2022 | | Movements in the year | | 31 December 2022 | |
|----------------------------------|-----------------|-----------------|-----------------------|-----------------|------------------|-----------------|
| | Number of bonds | Carrying amount | Number of bonds | Carrying amount | Number of bonds | Carrying amount |
| | Million | In RMB million | Million | In RMB million | Million | In RMB million |
| Issued amount of perpetual bonds | 500 | 50,000 | - | - | 500 | 50,000 |
| Issuance expenses | - | (9) | - | - | - | (9) |
| Total perpetual bonds | 500 | 49,991 | - | - | 500 | 49,991 |

Equity attributable to holders of equity instruments is summarized as follows:

| | The Group | |
|---|------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Equity attributable to holders of ordinary shares | 364,736 | 325,504 |
| Equity attributable to holders of other equity | 69,944 | 69,944 |
| Total | 434,680 | 395,448 |

| | The Bank | |
|---|------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Equity attributable to holders of ordinary shares | 361,077 | 323,723 |
| Equity attributable to holders of other equity | 69,944 | 69,944 |
| Total | 431,021 | 393,667 |

33. Capital reserve

| | The Group and the Bank | |
|---------------|------------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Share premium | 80,816 | 80,816 |

34. Surplus reserve

In accordance with the Company Law, the Bank is required to appropriate 10% of its profit after tax to its statutory surplus reserve until the reserve balance exceeds 50% of its registered capital. Subject to the approval of the shareholders in general meetings, the statutory surplus reserve may be used to offset accumulated losses or be converted to the Bank's paid-in capital. When converting the statutory surplus reserve to paid-in capital, new shares can be distributed to shareholders according to the original share proportion, provided that the balance of the statutory surplus reserve after such capitalization is not less than 25% of the registered capital. The Bank may also appropriate its profit after tax to the discretionary surplus reserve upon approval of the shareholders in general meetings. As at 31 December 2022 and 31 December 2021, the amount of the surplus reserve represented the statutory surplus reserve.

35. General reserve

According to the relevant regulations of the Ministry of Finance, the Bank's general reserve balance shall be 1.5% of the ending balance of gross risk assets. The general reserve also includes the general reserve drawn by the Bank's subsidiaries in accordance with the applicable regulations within their industry or region.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

36. Undistributed profit

According to a resolution at the meeting of the Board of Directors dated 8 March 2023, the Bank will appropriate RMB5,301 million to the general reserve based on net profit of 2022 audited by domestic certified public accountant. No appropriation was made to the statutory surplus reserve temporarily as the balance of statutory surplus reserve exceeds 50% of the registered capital. The above distribution is pending for the approval by the general meeting of shareholders.

The Bank passed its profit appropriation resolution for the year of 2021 at the 2021 annual general meeting held on 28 June 2022. According to the profit appropriation plan, the Bank appropriated cash dividend of RMB4,425 million for 2021.

According to a resolution at the Board of Directors dated 13 January 2022, the Bank distributed RMB4.37 (inclusive of tax) per preference share as dividends based on the amount of issued preference shares of 200 million (with a face value of RMB100 per share), and calculated with a nominal dividend rate of 4.37%. The calculation period for the dividends on preference shares was from 7 March 2021 to 6 March 2022. The dividends date was 7 March 2022. The total amount of the dividends distributed was RMB874 million (inclusive of tax). The Bank distributed dividends directly to preference shareholders.

As at 25 February 2022, the Bank issued the interest on perpetual bonds amounting to RMB1,155 million at 3.85%, the bond interest rate for the calculation period as determined by the terms of the first tranche of non-fixed term capital bonds in 2020. As at 26 December 2022, the Bank issued the interest on perpetual bonds amounting to RMB820 million at 4.10%, the bond interest rate for the calculation period as determined by the terms of the first tranche of non-fixed term capital bonds in 2019.

37. Net interest income

| | The Group | |
|--|-----------|---------|
| | 2022 | 2021 |
| Interest income: | | |
| Balances with the Central Bank | 3,715 | 3,595 |
| Deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets held under resale agreements | 4,795 | 4,814 |
| Loans and advances to customers (including discounted bills) | 188,344 | 173,736 |
| Financial investments | 32,024 | 31,391 |
| Sub-total | 228,878 | 213,536 |
| Interest expenses: | | |
| Borrowings from the Central Bank | 3,860 | 3,664 |
| Deposits from banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements | 8,444 | 10,604 |
| Deposits from customers | 66,974 | 57,027 |
| Debt securities issued | 19,470 | 21,905 |
| Sub-total | 98,748 | 93,200 |
| Net interest income | 130,130 | 120,336 |

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

37. Net interest income (Continued)

| | The Bank | |
|--|----------|---------|
| | 2022 | 2021 |
| Interest income: | | |
| Balances with the Central Bank | 3,715 | 3,595 |
| Deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets held under resale agreements | 4,770 | 4,788 |
| Loans and advances to customers (including discounted bills) | 188,344 | 173,736 |
| Financial investments | 31,964 | 31,315 |
| Sub-total | 228,793 | 213,434 |
| Interest expenses: | | |
| Borrowings from the Central Bank | 3,860 | 3,664 |
| Deposits from banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements | 8,460 | 10,611 |
| Deposits from customers | 66,974 | 57,027 |
| Debt securities issued | 19,470 | 21,905 |
| Sub-total | 98,764 | 93,207 |
| Net interest income | 130,029 | 120,227 |

38. Net fee and commission income

| | The Group | |
|--|-----------|--------|
| | 2022 | 2021 |
| Fee and commission income: | | |
| Settlement fee income | 3,042 | 2,973 |
| Agency and trusteeship business fee income | 7,296 | 8,575 |
| Bank card fee income | 18,553 | 19,540 |
| Asset custody fee income | 1,981 | 1,971 |
| Others | 6,882 | 7,131 |
| Sub-total | 37,754 | 40,190 |
| Fee and commission expenses | 7,546 | 7,128 |
| Net fee and commission income | 30,208 | 33,062 |

| | The Bank | |
|--|----------|--------|
| | 2022 | 2021 |
| Fee and commission income: | | |
| Settlement fee income | 3,042 | 2,973 |
| Agency and trusteeship business fee income | 7,309 | 8,575 |
| Bank card fee income | 18,553 | 19,540 |
| Asset custody fee income | 1,981 | 1,971 |
| Others | 6,029 | 6,855 |
| Sub-total | 36,914 | 39,914 |
| Fee and commission expenses | 9,658 | 9,270 |
| Net fee and commission income | 27,256 | 30,644 |

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

39. Investment income

| | The Group | |
|---|---------------|---------------|
| | 2022 | 2021 |
| Gains on investments in precious metals business | 15 | 121 |
| Net gains on derivative financial instruments (excluding foreign exchange derivative financial instruments) | 1,972 | 866 |
| Spread gains on loans and advances to customers designated at fair value and changes included into other comprehensive income | 3,255 | 1,884 |
| Spread gains on loans and advances to customers measured at amortized cost | 160 | 96 |
| Interest income, spread gains and dividend income from financial instruments held for trading | 9,613 | 9,710 |
| Spread losses on other investment on debts | (1,372) | (202) |
| Other losses | (400) | (232) |
| Total | 13,243 | 12,243 |

| | The Bank | |
|---|---------------|---------------|
| | 2022 | 2021 |
| Gains on investments in precious metals business | 15 | 121 |
| Net gains on derivative financial instruments (excluding foreign exchange derivative financial instruments) | 1,972 | 866 |
| Spread gains on loans and advances to customers designated at fair value and changes included into other comprehensive income | 3,255 | 1,884 |
| Spread gains on loans and advances to customers measured at amortized cost | 160 | 96 |
| Interest income, spread gains and dividend income from financial instruments held for trading | 9,426 | 9,659 |
| Spread losses on other investment on debts | (1,377) | (215) |
| Other losses | (400) | (232) |
| Total | 13,051 | 12,179 |

40. Gains or losses on changes in fair value

| | The Group | |
|--|--------------|--------------|
| | 2022 | 2021 |
| Financial instruments held for trading | 991 | 1,747 |
| Derivative financial instruments (excluding foreign exchange derivative financial instruments) | 249 | 333 |
| Total | 1,240 | 2,080 |

| | The Bank | |
|--|--------------|--------------|
| | 2022 | 2021 |
| Financial instruments held for trading | 1,148 | 1,742 |
| Derivative financial instruments (excluding foreign exchange derivative financial instruments) | 249 | 333 |
| Total | 1,397 | 2,075 |

41. Exchange gains or losses

| | The Group and the Bank | |
|--|------------------------|--------------|
| | 2022 | 2021 |
| Loss from changes in fair value of foreign exchange derivative financial instruments | (8,061) | 689 |
| Other foreign exchange gains | 12,609 | 631 |
| Total | 4,548 | 1,320 |

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

42. Other operating income

| | The Group and the Bank | |
|---------------|------------------------|------|
| | 2022 | 2021 |
| Rental income | 74 | 95 |
| Others | 57 | 10 |
| Total | 131 | 105 |

43. Taxes and surcharges

| | The Group | |
|---------------------------------------|-----------|-------|
| | 2022 | 2021 |
| City maintenance and construction tax | 896 | 835 |
| Educational surcharge | 640 | 598 |
| Others | 191 | 211 |
| Total | 1,727 | 1,644 |

| | The Bank | |
|---------------------------------------|----------|-------|
| | 2022 | 2021 |
| City maintenance and construction tax | 885 | 826 |
| Educational surcharge | 632 | 592 |
| Others | 191 | 210 |
| Total | 1,708 | 1,628 |

44. Business and administrative expenses

| | The Group | |
|--|-----------|--------|
| | 2022 | 2021 |
| Staff expenses | | |
| Salaries, bonuses, allowances and subsidies | 17,450 | 17,392 |
| Social insurance and staff welfare | 3,210 | 2,837 |
| Housing funds | 1,103 | 981 |
| Labor union and training expenses | 454 | 478 |
| Others | - | 8 |
| Sub-total | 22,217 | 21,696 |
| Depreciation of fixed assets (Note IV 13) | 1,933 | 1,773 |
| Amortization of expenses of improvements to fixed assets held under operating leases | 639 | 625 |
| Amortization of intangible assets (Note IV 15) | 732 | 959 |
| Depreciation expenses of right-of-use assets (Note IV 14) | 2,650 | 2,442 |
| Rental expenses | 614 | 615 |
| Sub-total | 6,568 | 6,414 |
| Business and administrative expenses | 20,602 | 19,827 |
| Total | 49,387 | 47,937 |

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

44. Business and administrative expenses (Continued)

| | The Bank | |
|--|----------|--------|
| | 2022 | 2021 |
| Staff expenses | | |
| Salaries, bonuses, allowances and subsidies | 17,123 | 17,112 |
| Social insurance and staff welfare | 3,176 | 2,812 |
| Housing funds | 1,091 | 972 |
| Labor union and training expenses | 448 | 474 |
| Others | - | 8 |
| Sub-total | 21,838 | 21,378 |
| Depreciation of fixed assets (Note IV 13) | 1,915 | 1,764 |
| Amortization of expenses of improvements to fixed assets held under operating leases | 637 | 624 |
| Amortization of intangible assets (Note IV 15) | 732 | 959 |
| Depreciation expenses of right-of-use assets (Note IV 14) | 2,617 | 2,418 |
| Rental expenses | 602 | 611 |
| Sub-total | 6,503 | 6,376 |
| Business and administrative expenses | 20,370 | 19,644 |
| Total | 48,711 | 47,398 |

45. Impairment losses on credit

| | The Group | |
|---|---------------|---------------|
| | 2022 | 2021 |
| Impairment losses accrued/(reversed) in the current year: | | |
| Deposits with banks and other financial institutions | 1,502 | (63) |
| Placements with and loans to banks and other financial institutions | 2,175 | (54) |
| Financial assets held under resale agreements | 4 | (18) |
| Loans and advances to customers | 64,168 | 59,407 |
| Investment on debts | (2,763) | 10,435 |
| Other investment on debts | 127 | (38) |
| Other assets | 407 | (37) |
| Expected credit losses of off-balance-sheet items | 5,721 | 2,987 |
| Total | 71,341 | 72,619 |

| | The Bank | |
|---|---------------|---------------|
| | 2022 | 2021 |
| Impairment losses accrued/(reversed) in the current year: | | |
| Deposits with banks and other financial institutions | 1,504 | (65) |
| Placements with and loans to banks and other financial institutions | 2,175 | (54) |
| Financial assets held under resale agreements | 4 | (18) |
| Loans and advances to customers | 64,168 | 59,407 |
| Investment on debts | (2,765) | 10,435 |
| Other investment on debts | 127 | (38) |
| Other assets | 407 | (37) |
| Expected credit losses of off-balance-sheet items | 5,721 | 2,987 |
| Total | 71,341 | 72,617 |

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

46. Income tax expenses

| | The Group | |
|---------------------------|-----------|---------|
| | 2022 | 2021 |
| Current tax | 16,385 | 10,686 |
| Deferred tax (Note IV 17) | (4,648) | (1,143) |
| Total | 11,737 | 9,543 |

| | The Bank | |
|---------------------------|----------|---------|
| | 2022 | 2021 |
| Current tax | 15,827 | 10,196 |
| Deferred tax (Note IV 17) | (4,601) | (1,126) |
| Total | 11,226 | 9,070 |

The reconciliation of income tax expenses applicable to profit before tax at the statutory tax rate to income tax expenses at the Group and the Bank's effective income tax rate is as follows:

| | The Group | |
|---|-----------|---------|
| | 2022 | 2021 |
| Profit before tax | 57,253 | 45,879 |
| Income tax at the statutory tax rate of 25% | 14,313 | 11,470 |
| Tax-exempt income | (6,345) | (5,516) |
| Non-deductible expenses and other adjustments | 3,769 | 3,589 |
| Income tax expenses | 11,737 | 9,543 |

| | The Bank | |
|---|----------|---------|
| | 2022 | 2021 |
| Profit before tax | 54,859 | 43,791 |
| Income tax at the statutory tax rate of 25% | 13,715 | 10,948 |
| Tax-exempt income | (6,267) | (5,469) |
| Non-deductible expenses and other adjustments | 3,778 | 3,591 |
| Income tax expenses | 11,226 | 9,070 |

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

47. Other comprehensive income

| | The Group | | | | | | | |
|---|---|--------------------------------------|--|------------------|--|---|---------------------------|--------------------------------------|
| | Other comprehensive income in balance sheet | | | | Other comprehensive income in the income statement for the year ended 31 December 2022 | | | |
| | 31 December 2021 | Other comprehensive income after tax | Reclassification of previous other comprehensive income to retained earnings in the current year | 31 December 2022 | Amount incurred before tax in the current year | Less: Reclassification of previous other comprehensive income to profit or loss in the current year | Less: Income tax expenses | Other comprehensive income after tax |
| I. Items that may not be reclassified into profit or loss in subsequent periods | | | | | | | | |
| Changes in fair value of other equity instrument investment | (479) | (8) | (115) | (602) | (49) | - | 41 | (8) |
| II. Items that will be reclassified into profit or loss in subsequent periods when specific condition is met | | | | | | | | |
| Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income | 606 | (870) | - | (264) | (451) | (701) | 282 | (870) |
| Provision for credit losses on financial assets designated at fair value and changes included into other comprehensive income | 1,647 | 1,881 | - | 3,528 | 4,267 | (1,759) | (627) | 1,881 |
| Cash flow hedging reserve | - | - | - | - | - | - | - | - |
| Exchange differences on translation of foreign currency financial statements | 11 | (13) | - | (2) | (13) | - | - | (13) |
| Total | 1,785 | 990 | (115) | 2,660 | 3,754 | (2,460) | (304) | 990 |

| | The Bank | | | | | | | |
|---|---|--------------------------------------|--|------------------|--|---|---------------------------|--------------------------------------|
| | Other comprehensive income in balance sheet | | | | Other comprehensive income in the income statement for the year ended 31 December 2022 | | | |
| | 31 December 2021 | Other comprehensive income after tax | Reclassification of previous other comprehensive income to retained earnings in the current year | 31 December 2022 | Amount incurred before tax in the current year | Less: Reclassification of previous other comprehensive income to profit or loss in the current year | Less: Income tax expenses | Other comprehensive income after tax |
| I. Items that may not be reclassified into profit or loss in subsequent periods | (479) | (8) | (115) | (602) | (49) | - | 41 | (8) |
| Changes in fair value of other equity instrument investment | | | | | | | | |
| II. Items that will be reclassified into profit or loss in subsequent periods when specific condition is met | | | | | | | | |
| Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income | 605 | (865) | - | (260) | (445) | (701) | 281 | (865) |
| Provision for credit losses on financial assets designated at fair value and changes included into other comprehensive income | 1,647 | 1,881 | - | 3,528 | 4,267 | (1,759) | (627) | 1,881 |
| Cash flow hedging reserve | - | - | - | - | - | - | - | - |
| Exchange differences on translation of foreign currency financial statements | 11 | (13) | - | (2) | (13) | - | - | (13) |
| Total | 1,784 | 995 | (115) | 2,664 | 3,760 | (2,460) | (305) | 995 |

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

47. Other comprehensive income (Continued)

| | The Group | | | | | | |
|---|---|--------------------------------------|------------------|--|---|---------------------------|--------------------------------------|
| | Other comprehensive income in balance sheet | | | Other comprehensive income in the income statement for the year ended 31 December 2021 | | | |
| | 31 December 2020 | Other comprehensive income after tax | 31 December 2021 | Amount incurred before tax in the current year | Less: Reclassification of previous other comprehensive income to profit or loss in the current year | Less: Income tax expenses | Other comprehensive income after tax |
| I. Items that may not be reclassified into profit or loss in subsequent periods | | | | | | | |
| Changes in fair value of other equity instrument investment | (524) | 45 | (479) | 60 | - | (15) | 45 |
| II. Items that will be reclassified into profit or loss in subsequent periods when specific condition is met | | | | | | | |
| Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income | (513) | 1,119 | 606 | 629 | 864 | (374) | 1,119 |
| Provision for credit losses on financial assets designated at fair value and changes included into other comprehensive income | 1,284 | 363 | 1,647 | 1,669 | (1,185) | (121) | 363 |
| Cash flow hedging reserve | 209 | (209) | - | (279) | - | 70 | (209) |
| Exchange differences on translation of foreign currency financial statements | 6 | 5 | 11 | 5 | - | - | 5 |
| Total | 462 | 1,323 | 1,785 | 2,084 | (321) | (440) | 1,323 |

| | The Bank | | | | | | |
|---|---|--------------------------------------|------------------|--|---|---------------------------|--------------------------------------|
| | Other comprehensive income in balance sheet | | | | Other comprehensive income in the income statement for the year ended 31 December 2021 | | |
| | 31 December 2020 | Other comprehensive income after tax | 31 December 2021 | Amount incurred before tax in the current year | Less: Reclassification of previous other comprehensive income to profit or loss in the current year | Less: Income tax expenses | Other comprehensive income after tax |
| I. Items that may not be reclassified into profit or loss in subsequent periods | | | | | | | |
| Changes in fair value of other equity instrument investment | (524) | 45 | (479) | 60 | - | (15) | 45 |
| II. Items that will be reclassified into profit or loss in subsequent periods when specific condition is met | | | | | | | |
| Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income | (519) | 1,124 | 605 | 628 | 871 | (375) | 1,124 |
| Provision for credit losses on financial assets designated at fair value and changes included into other comprehensive income | 1,284 | 363 | 1,647 | 1,669 | (1,185) | (121) | 363 |
| Cash flow hedging reserve | 209 | (209) | - | (279) | - | 70 | (209) |
| Exchange differences on translation of foreign currency financial statements | 6 | 5 | 11 | 5 | - | - | 5 |
| Total | 456 | 1,328 | 1,784 | 2,083 | (314) | (441) | 1,328 |

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

48. Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the ordinary shareholders of the Bank by the weighted average number of ordinary shares issued by the Bank during the year. Diluted earnings per share are calculated by dividing the net profit attributable to the ordinary shareholders of the Bank after adjustment based on potential dilutive ordinary shares by the adjusted weighted average number of ordinary shares issued by the Bank during the year. The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. As at 31 December 2022, the triggering events of conversion did not occur and therefore the conversion feature of preference shares has no effect on calculation of the basic and diluted earnings per share for the year ended 31 December 2022.

(a) Basic earnings per share are calculated as follows:

| | 2022 | 2021 |
|---|---------|---------|
| Net profit for the current year attributable to shareholders of the Bank | 45,516 | 36,336 |
| Less: Dividends on preference shares declared by the Bank | (874) | (874) |
| Interest on perpetual bonds of the Bank | (1,975) | (1,975) |
| Net profit for the current year attributable to ordinary shareholders of the Bank | 42,667 | 33,487 |
| Weighted average number of outstanding ordinary shares (million) | 19,406 | 19,406 |
| Basic earnings per share (RMB/share) | 2.20 | 1.73 |

(b) Diluted earnings per share are calculated as follows:

| | 2022 | 2021 |
|---|---------|---------|
| Net profit for the current year attributable to shareholders of the Bank | 45,516 | 36,336 |
| Less: Dividends on preference shares declared by the Bank | (874) | (874) |
| Interest on perpetual bonds of the Bank | (1,975) | (1,975) |
| Net profit for the current year attributable to ordinary shareholders of the Bank | 42,667 | 33,487 |
| Weighted average number of outstanding ordinary shares (million) | 19,406 | 19,406 |
| Weighted average number of outstanding ordinary shares of the period for calculating diluted earnings per share (million) | 19,406 | 19,406 |
| Diluted earnings per share (RMB/share) | 2.20 | 1.73 |

49. Cash and cash equivalents

| | The Group | |
|---|------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Cash | 4,162 | 3,685 |
| Cash equivalents: | | |
| Within three months before the original maturity date | | |
| Deposits with banks and other financial institutions | 77,877 | 61,293 |
| Placements with and loans to banks and other financial institutions | 58,175 | 69,851 |
| Financial assets held under resale agreements | 38,984 | 6,000 |
| Unrestricted balance with the Central Bank | 40,450 | 84,028 |
| Bond investments (with maturity of less than three months since acquired) | 2,678 | 365 |
| Sub-total | 218,164 | 221,537 |
| Total | 222,326 | 225,222 |

| | The Bank | |
|---|------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Cash | 4,162 | 3,685 |
| Cash equivalents: | | |
| Within three months before the original maturity date | | |
| Deposits with banks and other financial institutions | 77,167 | 60,966 |
| Placements with and loans to banks and other financial institutions | 58,175 | 69,851 |
| Financial assets held under resale agreements | 38,984 | 6,000 |
| Unrestricted balance with the Central Bank | 40,450 | 84,028 |
| Bond investments (with maturity of less than three months since acquired) | 2,678 | 365 |
| Sub-total | 217,454 | 221,210 |
| Total | 221,616 | 224,895 |

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

50. Cash received relating to other operating activities

| | The Group | |
|--|-----------|--------|
| | 2022 | 2021 |
| Precious metals business | 4,603 | 10,552 |
| Collection of amounts already written off | 11,952 | 15,899 |
| Cash receipts from disposal of foreclosed assets | 193 | 856 |
| Derivative financial instruments | 2,375 | 1,179 |
| Gains on trading of bills | 2,567 | 1,800 |
| Bond lending | 31,646 | 6,966 |
| Others | 340 | 6,053 |
| Total | 53,676 | 43,305 |

| | The Bank | |
|--|----------|--------|
| | 2022 | 2021 |
| Precious metals business | 4,603 | 10,552 |
| Collection of amounts already written off | 11,952 | 15,899 |
| Cash receipts from disposal of foreclosed assets | 193 | 856 |
| Derivative financial instruments | 2,375 | 1,179 |
| Gains on trading of bills | 2,567 | 1,800 |
| Bond lending | 31,646 | 6,966 |
| Others | 337 | 6,005 |
| Total | 53,673 | 43,257 |

51. Cash paid relating to other operating activities

| | The Group | |
|--|-----------|--------|
| | 2022 | 2021 |
| Administrative expenses such as marketing and public relation expenses, rental expenses and others | 30,036 | 39,233 |
| Total | 30,036 | 39,233 |

| | The Bank | |
|--|----------|--------|
| | 2022 | 2021 |
| Administrative expenses such as marketing and public relation expenses, rental expenses and others | 29,769 | 39,069 |
| Total | 29,769 | 39,069 |

52. Structured entities

(a) Unconsolidated structured entities managed by the Group

(1) Wealth management products

The unconsolidated structured entities managed by the Group are primarily non-principal-guaranteed wealth management products (hereafter referred to as the “WMPs”) issued and managed by the Group as an agency. On the basis of analyzing the potential target group of customers, the Group designs and sells the investment plan to the specific target customer group. The Group distributes the funds to related financial markets or products and distributes the investment income to the investors in accordance with contracts. As the manager of non-principal-guaranteed WMPs, the Group charges fees and commissions such as selling charges, fixed management fee, fluctuant management fee, etc. The Group considers that the variable return from the structured entities is not significant.

As at 31 December 2022, the total size of unconsolidated WMPs issued and managed by the Group amounted to RMB886,840 million (31 December 2021: RMB872,066 million).

As the manager of WMPs, the Group proactively manages the due date of assets and liabilities, and also the position and the proportion of the current assets in order to maximize the interest of investors. Temporary placements to WMPs are a commonly used way to manage liquidity risk. The placements are not specified in the contracts. The transaction price is set by referencing the market interest rate. As at 31 December 2022, the balance of placements mentioned above was nil (31 December 2021: Nil).

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

52. Structured entities (Continued)

(a) Unconsolidated structured entities managed by the Group (Continued)

(2) Asset-backed securitizations business

The other type of unconsolidated structured entity initiated and managed by the Group is the Special Purpose Trust (hereafter referred to as the "SPT") established by the third party in order to facilitate the asset-backed securitizations business. The credit assets are transferred from the Group to the SPTs to issue asset-backed securities for financing. As at 31 December 2022, the unconsolidated SPTs managed by the Group amounted to RMB43,748 million (31 December 2021: RMB57,756 million). Performing as the loan service provider, the Group manages the loans in associate with the SPTs and charges fee and commissions.

The Group also holds part of all levels of the asset-backed securities in SPTs. The Group's variable return from the structured entities is not significant. As at 31 December 2022, the book balance of the unconsolidated SPTs held by the Group amounts to RMB1,883 million (31 December 2021: RMB1,922 million). The carrying amount of these asset-backed securities approximates their fair value.

As at 31 December 2022, the Group did not give financial support to any of these unconsolidated SPTs (31 December 2021: Nil).

For certain asset-backed securitizations business, the Group may hold part of subordinated tranches which may give rise to the Group's continuing involvement in the transferred assets. The assets are recognized on the balance sheet to the extent of the Group's continuing involvement, and the rest part shall be derecognized. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. As at 31 December 2022, the Group continued to recognize assets totaling to RMB1,487 million (31 December 2021: RMB1,487 million).

(b) Unconsolidated structured entities invested by the Group

For the year ended 31 December 2022, the Group, for better investment return, has invested in such structured entities as funds, trust plans, asset management plans and earning rights, asset-backed securities issued and managed by independent third parties. Trust plans and asset management plans the Group invests are issued and managed by non-bank financial institutions. Underlying assets in such plan mainly comprise corporate or financial institution loans, notes, deposit receipt and asset-backed securities. As at 31 December 2022, the Group did not provide any liquidity support to those unconsolidated structured entities (31 December 2021: Nil).

As at 31 December 2022 and 31 December 2021, the carrying amount (including accrued interest) of and the Group's maximum exposure to these other unconsolidated structured entities was summarized in the table below:

| | The Group | | | |
|------------------------------------|------------------|--------------------------|-----------------------------------|------|
| | 31 December 2022 | | | |
| | Carrying amount | Maximum exposure to loss | Total size of structured entities | |
| Financial assets held for trading | | | | |
| Funds | 184,228 | 184,228 | | Note |
| Trust plans | 2,930 | 2,930 | | Note |
| Asset management plans | 16 | 16 | | Note |
| Asset-backed securities and others | 2,701 | 2,701 | 19,834 | |
| Sub-total | 189,875 | 189,875 | | |
| Investment on debts | | | | |
| Trust plans | 49,655 | 49,655 | | Note |
| Asset management plans | 38,748 | 38,748 | | Note |
| Asset-backed securities and others | 9,434 | 9,434 | 123,106 | |
| Sub-total | 97,837 | 97,837 | | |
| Other investment on debts | | | | |
| Trust plans | 11,847 | 11,847 | | Note |
| Asset management plans | 2,425 | 2,425 | | Note |
| Asset-backed securities | 35,270 | 35,270 | 259,892 | |
| Sub-total | 49,542 | 49,542 | | |
| Total | 337,254 | 337,254 | | |

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

52. Structured entities (Continued)

(b) Unconsolidated structured entities invested by the Group (Continued)

| | The Group | | |
|------------------------------------|------------------|--------------------------|-----------------------------------|
| | 31 December 2021 | | |
| | Carrying amount | Maximum exposure to loss | Total size of structured entities |
| Financial assets held for trading | | | |
| Funds | 117,923 | 117,923 | Note |
| Trust plans | 1,448 | 1,448 | Note |
| Asset management plans | 2,013 | 2,013 | Note |
| Asset-backed securities | 2,527 | 2,527 | 44,738 |
| Sub-total | 123,911 | 123,911 | |
| Investment on debts | | | |
| Trust plans | 89,178 | 89,178 | Note |
| Asset management plans | 61,041 | 61,041 | Note |
| Asset-backed securities and others | 34,864 | 34,864 | 328,937 |
| Sub-total | 185,083 | 185,083 | |
| Other investment on debts | | | |
| Trust plans | 19,502 | 19,502 | Note |
| Asset management plans | 6,101 | 6,101 | Note |
| Asset-backed securities | 12,462 | 12,462 | 167,736 |
| Sub-total | 38,065 | 38,065 | |
| Total | 347,059 | 347,059 | |

The Group earns interest income, service fee income and investment income for investing in or providing services to structured entities.

Note: The information of total size of the unconsolidated structured entities listed above is not readily available from the public.

V. Operating segment information

The Group identifies operating segments based on the internal organization structure, management requirements and internal reporting system, and implements management on such basis. The Group mainly manages the operation by way of geographical segments and business segments. Geographically, the Group separately operates five reporting segments, Eastern Region, Southern Region, Western Region, Northern Region and Headquarters. And in business lines, the Group separately manages the production and operation of three reporting segments, wholesale banking business, retail banking business and other businesses. The operating segment information is shown in detail as follows:

Geographical operating segments

The geographical operating segments are identified as follows:

- “Eastern Region”: Shanghai Branch, Hangzhou Branch, Yangzhou Branch, Yiwu Branch, Taizhou Branch, Shaoxing Branch, Huzhou Branch, Ningbo Branch, Wenzhou Branch, Nanjing Branch, Wuxi Branch, Changzhou Branch, Suzhou Branch, Nantong Branch, Taizhou Branch, Fuzhou Branch, Zhangzhou Branch, Fujian Pilot Free Trade Zone Fuzhou Branch, Xiamen Branch, Fujian Pilot Free Trade Zone Xiamen Branch, Quanzhou Branch, Shanghai Pilot Free Trade Zone Branch, Hefei Branch, Wuhu Branch, Xuzhou Branch, Nanchang Branch, Yancheng Branch, Putian Branch, Zhenjiang Branch, Fuyang Branch, Ganzhou Branch, Jiujiang Branch;
- “Southern Region”: Shenzhen Branch, Shenzhen Qianhai Branch, Guangzhou Branch, Guangdong Pilot Free Trade Zone Nansha Branch, Zhuhai Branch, Hengqin Guangdong-Macao In-depth Cooperation Zone Branch, Foshan Branch, Dongguan Branch, Huizhou Branch, Zhongshan Branch, Haikou Branch, Changsha Branch, Hengyang Branch, Yueyang Branch, Nanning Branch, Sanya Branch, Changde Branch, Liuzhou Branch, Shantou Branch, Zhanjiang Branch, Jiangmen Branch;
- “Western Region”: Chongqing Branch, Chengdu Branch, Deyang Branch, Leshan Branch, Mianyang Branch, Kunming Branch, Honghe Branch, Wuhan Branch, Jingzhou Branch, Xiangyang Branch, Yichang Branch, Xi’an Branch, Xianyang Branch, Guiyang Branch, Chongqing Pilot Free Trade Zone Branch, Zunyi Branch, Huanggang Branch;
- “Northern Region”: Beijing Branch, Dalian Branch, Tianjin Branch, Tianjin Pilot Free Trade Zone Branch, Jinan Branch, Linyi Branch, Weifang Branch, Dongying Branch, Qingdao Branch, Yantai Branch, Rizhao Branch, Zhengzhou Branch, Luoyang Branch, Shenyang Branch, Shijiazhuang Branch, Taiyuan Branch, Tangshan Branch, Zibo Branch, Jining Branch, Jinzhong Branch, Langfang Branch, Nanyang Branch, Weihai Branch, Hohhot Branch, Kaifeng Branch, Taian Branch, Baoding Branch, Urumchi Branch, Anshan Branch, Lanzhou Branch, Cangzhou Branch, Harbin Branch, Qingdao Free Trade Zone Branch, Yinchuan Branch, Xinxiang Branch, Handan Branch, Baotou Branch, Changchun Branch;
- “Headquarters”: The departments of Head Office including credit card center, capital operation department, financial institution department, asset management department, transaction banking department, auto consumer finance center, etc., and Ping An Wealth Management;
- “Overseas”: Hong Kong Branch.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

V. Operating segment information (Continued)

Geographical operating segments (Continued)

The management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocations and performance assessment. When monitoring operating results of geographic regions, the management mainly considers operating income, operating costs and operating profit.

| 2022 | Eastern Region | Southern Region | Western Region | Northern Region | Headquarters | Overseas | Total |
|---|----------------|-----------------|----------------|-----------------|--------------|----------|----------|
| Net interest income (1) | 24,504 | 25,837 | 8,568 | 17,443 | 53,460 | 318 | 130,130 |
| Net non-interest income (2) | 3,363 | 4,856 | 1,150 | 3,291 | 36,843 | 262 | 49,765 |
| Operating income | 27,867 | 30,693 | 9,718 | 20,734 | 90,303 | 580 | 179,895 |
| Operating expenses (3) | (8,092) | (8,229) | (3,072) | (6,672) | (24,769) | (280) | (51,114) |
| Including: Depreciation, amortization and rental expenses | (1,122) | (1,054) | (589) | (1,057) | (2,710) | (36) | (6,568) |
| Impairment losses on credit and other assets | (8,251) | (16,636) | (5,321) | (6,115) | (34,634) | (349) | (71,306) |
| Net non-operating expenses | (68) | (88) | (21) | (22) | (23) | - | (222) |
| Segment profits | 11,456 | 5,740 | 1,304 | 7,925 | 30,877 | (49) | 57,253 |
| Income tax expenses | | | | | | | (11,737) |
| Net profit | | | | | | | 45,516 |

| 31 December 2022 | Eastern Region | Southern Region | Western Region | Northern Region | Headquarters | Overseas | Offsetting | Total |
|-------------------|----------------|-----------------|----------------|-----------------|--------------|----------|-------------|-----------|
| Total assets | 1,055,076 | 1,257,025 | 321,413 | 745,054 | 3,085,160 | 54,702 | (1,196,916) | 5,321,514 |
| Total liabilities | 1,045,990 | 1,253,172 | 321,721 | 739,002 | 2,668,924 | 54,941 | (1,196,916) | 4,886,834 |

(1)Included exterior net interest income/expense and interior net interest income/expense;

(2)Included net fee and commission income, investment income, gains or losses on changes in fair value, exchange gains or losses, other operating income, gains or losses from disposal of assets and other income;

(3)Included taxes and surcharges, and business and administrative expenses.

| <u>2021</u> | Eastern Region | Southern Region | Western Region | Northern Region | Headquarters | Overseas | Total |
|---|----------------|-----------------|----------------|-----------------|--------------|----------|----------|
| Net interest income (1) | 22,255 | 25,911 | 8,430 | 17,172 | 46,264 | 304 | 120,336 |
| Net non-interest income (2) | 3,279 | 4,370 | 778 | 2,478 | 37,874 | 268 | 49,047 |
| Operating income | 25,534 | 30,281 | 9,208 | 19,650 | 84,138 | 572 | 169,383 |
| Operating expenses (3) | (7,618) | (8,041) | (2,942) | (6,404) | (24,360) | (216) | (49,581) |
| Including: Depreciation, amortization and rental expenses | (1,162) | (1,053) | (506) | (1,030) | (2,637) | (26) | (6,414) |
| Impairment losses on credit and other assets | (8,106) | (17,318) | (5,215) | (7,234) | (35,757) | (187) | (73,817) |
| Net non-operating in-come/ (expenses) | 73 | (86) | (2) | (13) | (78) | - | (106) |
| Segment profits | 9,883 | 4,836 | 1,049 | 5,999 | 23,943 | 169 | 45,879 |
| Income tax expenses | | | | | | | (9,543) |
| Net profit | | | | | | | 36,336 |

| <u>31 December 2021</u> | Eastern Re-gion | Southern Region | Western Region | Northern Region | Headquarters | Overseas | Offsetting | Total |
|-------------------------|-----------------|-----------------|----------------|-----------------|--------------|----------|-------------|-----------|
| Total assets | 1,072,811 | 1,173,467 | 285,701 | 696,359 | 2,910,907 | 45,265 | (1,263,130) | 4,921,380 |
| Total liabilities | 1,063,661 | 1,169,320 | 285,389 | 690,736 | 2,534,701 | 45,255 | (1,263,130) | 4,525,932 |

(1)Included exterior net interest income/expense and interior net interest income/expense;

(2)Included net fee and commission income, investment income, gains or losses on changes in fair value, exchange gains or losses, other operating income, gains or losses from disposal of assets and other income;

(3)Included taxes and surcharges, and business and administrative expenses.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

V. Operating segment information (Continued)

Business lines operating segments

For the year ended 31 December 2022, in concern of the management structure and policies, the business decisions, reporting and performance assessment should be in accordance with two main business lines-wholesale banking business and retail banking business and other business segments. The segments are set out as follows:

Wholesale banking business

The wholesale banking business segment covers the provision of financial products and services to corporate customers, government organizations, banks and other financial institutions, as well as some small enterprises. The products and services include corporate loans, corporate deposits, trade financing, various corporate intermediary businesses, various inter-bank capital businesses and Ping An wealth management related businesses.

Retail banking business

The retail banking business segment covers the provision of financial products and services to individual customers and some small enterprises, including personal loans, personal deposits, bank cards and various personal intermediary businesses.

Others

The business line refers to the bond and money market investment in need of liquidity management. It refers to the collective management of equity investment as well as assets, liabilities, income that are not directly attributable to a segment.

Measurement of segment assets, liabilities, income and profit is based on the Group's accounting policies. Income tax is managed at the corporate level and would not be allocated to each operating segment. Segment income is mainly from interest income, and therefore interest income is presented in net amount. Net interest income, instead of interest income and interest expenses, is used by the management.

Inter-segment transactions are mainly money transference. The terms of the transaction are set by period and by referencing the capital cost in the market, and are reflected in the performance of each branch. "Internal interest net income/expense" refers to the net interest income and expense from transfer pricing between operating segments, which will be presented in operation business of each branch after offsetting. In addition, "external interest net income/expense" refers to the interest income received from the third party or interest expenses paid to the third party. The total amount of "external interest net income/expense" from every operating segment should be equal to the net interest income in the Group's income statement.

Segment revenue, profit, assets and liabilities include those items that can be directly allocated to a segment, and those that can be allocated pro rata.

The Group thoroughly conducts internal funds transfer pricing, using term matching and re-pricing method to calculate the income and expense of an individual account (contract), in order to enhance gearing, reasonable pricing, and comprehensive evaluation of the Group's performance.

| <u>2022</u> | Wholesale banking business | Retail banking business | Others | Total |
|---|----------------------------|-------------------------|--------|----------|
| Net interest income (1) | 32,789 | 83,197 | 14,144 | 130,130 |
| Net non-interest income (2) | 30,533 | 19,810 | (578) | 49,765 |
| Operating income | 63,322 | 103,007 | 13,566 | 179,895 |
| Operating expenses (3) | (18,848) | (32,266) | - | (51,114) |
| Including: Depreciation, amortization and rental expenses | (2,113) | (4,455) | - | (6,568) |
| Impairment losses on credit and other assets | (24,753) | (45,756) | (797) | (71,306) |
| Net non-operating expenses | (24) | (44) | (154) | (222) |
| Segment profits | 19,697 | 24,941 | 12,615 | 57,253 |
| Income tax expenses | | | | (11,737) |
| Net profit | | | | 45,516 |

| <u>31 December 2022</u> | Wholesale banking business | Retail banking business | Others | Total |
|-------------------------|----------------------------|-------------------------|-----------|-----------|
| Total assets | 2,094,404 | 2,027,005 | 1,200,105 | 5,321,514 |
| Total liabilities | 3,353,521 | 1,058,401 | 474,912 | 4,886,834 |

(1)Included exterior net interest income/expense and interior net interest income/expense;

(2)Included net fee and commission income, investment income, gains or losses on changes in fair value, exchange gains or losses, other operating income, gains or losses from disposal of assets and other income;

(3)Included taxes and surcharges, and business and administrative expenses.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

V. Operating segment information (Continued)

Business lines operating segments (Continued)

| 2021 | Wholesale banking business | Retail bank-ing business | Others | Total |
|---|----------------------------|--------------------------|--------|----------|
| Net interest income (1) | 35,016 | 75,903 | 9,417 | 120,336 |
| Net non-interest income (2) | 26,402 | 22,334 | 311 | 49,047 |
| Operating income | 61,418 | 98,237 | 9,728 | 169,383 |
| Operating expenses (3) | (14,863) | (34,718) | - | (49,581) |
| Including: Depreciation, amortization and rental expenses | (1,514) | (4,900) | - | (6,414) |
| Impairment losses on credit and other assets | (37,301) | (36,330) | (186) | (73,817) |
| Net non-operating expenses | (46) | (45) | (15) | (106) |
| Segment profits | 9,208 | 27,144 | 9,527 | 45,879 |
| Income tax expenses | | | | (9,543) |
| Net profit | | | | 36,336 |

| 31 December 2021 | Wholesale banking business | Retail banking business | Others | Total |
|-------------------|----------------------------|-------------------------|-----------|-----------|
| Total assets | 1,922,319 | 1,888,412 | 1,110,649 | 4,921,380 |
| Total liabilities | 3,302,468 | 790,588 | 432,876 | 4,525,932 |

(1)Included exterior net interest income/expense and interior net interest income/expense;

(2)Included net fee and commission income, investment income, gains or losses on changes in fair value, exchange gains or losses, other operating income, gains or losses from disposal of assets and other income;

(3)Included taxes and surcharges, and business and administrative expenses.

Information on major customers

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue for the years ended 31 December 2022 and 31 December 2021.

VI. Commitments and contingent liabilities

1. Capital commitments

| | The Group | |
|-------------------------------|------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Authorized but not contracted | 9,516 | 5,529 |
| Contracted but not provided | 2,818 | 2,809 |
| Total | 12,334 | 8,338 |

| | The Bank | |
|-------------------------------|------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Authorized but not contracted | 9,514 | 5,529 |
| Contracted but not provided | 2,817 | 2,809 |
| Total | 12,331 | 8,338 |

2. Credit commitments

| | The Group and the Bank | |
|--|------------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Bank acceptance bills | 704,275 | 576,535 |
| Letters of guarantee issued | 111,318 | 99,697 |
| Letters of credit issued | 122,833 | 66,869 |
| Sub-total | 938,426 | 743,101 |
| Unused limit of credit cards | 889,566 | 818,628 |
| Total | 1,827,992 | 1,561,729 |
| Credit risk weighted amounts of credit commitments | 506,034 | 431,405 |

Financial guarantee contracts commit the Bank to make payments on behalf of customers upon the failure of the customers to perform the terms of the contracts. Provision for expected credit losses of bank acceptance bills, letters of guarantee issued and letters of credit issued is presented in provisions. Provision for expected credit losses of unused limit of credit cards is presented in impairment provision for loans and advances to customers.

As at 31 December 2022, the Group and the Bank had revocable loan commitments amounting to RMB3,994.6 billion (31 December 2021: RMB3,442.1 billion).

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

VI. Commitments and contingent liabilities (Continued)

3. Fiduciary activities

Entrusted loans business

The Group and the Bank act as an agent and grant such entrusted loans to borrowers under the direction of the third-party lenders who fund these loans. The Group and the Bank have been contracted by the third-party lenders to manage the administration and collection of these loans on their behalf. The credit risk is not recognized on the balance sheet as it remains with the trustees. As at 31 December 2022 and 31 December 2021, the scale of entrusted loans and deposits is as follows:

| | The Group and the Bank | |
|--------------------|------------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| Entrusted deposits | 178,386 | 190,853 |
| Entrusted loans | 178,386 | 190,853 |

Entrusted funding and entrusted investments

The Group and the Bank's entrusted funding and entrusted investments are primarily unconsolidated non-principal guaranteed WMPs sold to enterprises or individuals. Details are set out in Note IV 52.

4. Contingencies

4.1 Outstanding litigations and disputes

As at 31 December 2022, the total claimed amount of the litigation cases of which the Group and the Bank were the defendants was RMB1,028 million (31 December 2021: RMB805 million). These litigation cases are under legal proceedings. In the opinion of the management, the Group and the Bank have made adequate provision for any probable losses based on the prevailing facts and circumstances.

4.2 Redemption and underwriting commitments of voucher-type government bonds and savings bonds (electronic)

As an underwriting agent of the MOF, the Group and the Bank underwrite PRC voucher-type government bonds and savings bonds (electronic) and sell the bonds to the general public. The Group and the Bank are obliged to redeem the bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the notional value of the bonds plus any interest accrued up to the redemption date. As at 31 December 2022, the Group and the Bank have sold voucher-type government bonds and savings bonds (electronic) with accumulated amounts of RMB1,023 million (31 December 2021: RMB1,139 million) and RMB2,620 million (31 December 2021: RMB2,698 million) respectively, to the general public that the Group and the Bank have the obligation of early redemption. The MOF will not provide funding for the early redemption of these voucher-type government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

As at 31 December 2022 and 31 December 2021, there was no unexpired underwriting commitment of the government bonds.

VII. Capital management

The primary objectives of the Group's capital management are to safeguard its continued and steady business growth, to ensure compliance with regulatory requirements and to maximize return on capital. The Group regularly reviews its capital position and the implementation of related capital management strategies across the Bank, and adopts active capital management to support the achievement of medium and long-term business objectives and continuously improve the efficiency of its capital employment. In response to changes in its economic environment and the nature of risks it is exposed to, the Group makes active adjustments to its capital structure. The Group reports the required capital adequacy information to CBIRC on a quarterly basis.

The Group calculates capital adequacy ratio pursuant to the Administrative Measures for the Capital Management of Commercial Banks (Provisional) promulgated by CBIRC in June 2012. As required and for this reporting period, the Group applies the risk-weighted method to measure its credit-risk-weighted assets, the standard method for its market-risk-weighted assets, and the basic indicator approach for its operational risk-weighted assets.

Pursuant to the Administrative Measures for the Capital Management of Commercial Banks (Provisional) issued by CBIRC, the regulatory capital positions of the Group on 31 December 2022 are shown below:

| | Note | 31 December 2022 | 31 December 2021 |
|--|------|------------------|------------------|
| Core Tier 1 capital adequacy ratio | (a) | 8.64% | 8.60% |
| Tier 1 capital adequacy ratio | (a) | 10.40% | 10.56% |
| Capital adequacy ratio | (a) | 13.01% | 13.34% |
| Core Tier 1 capital | | | |
| Share capital | | 19,406 | 19,406 |
| Capital reserve and investment revaluation reserve | | 80,816 | 80,816 |
| Surplus reserve | | 10,781 | 10,781 |
| General reserve | | 64,768 | 58,339 |
| Undistributed profit | | 186,305 | 154,377 |
| Other comprehensive income | | (617) | 786 |
| Deduction items from core Tier 1 capital | | | |
| Goodwill | | 7,568 | 7,568 |
| Other intangible assets (except land use right) | (b) | 2,549 | 2,729 |
| Other net deferred income tax assets that rest on bank's future earnings | | 7,933 | 7,659 |
| Other Tier 1 capital | | 69,944 | 69,944 |
| Tier 2 capital | | | |
| Tier 2 capital instruments and surplus | | 59,985 | 59,986 |
| Excessive loan impairment provision | | 43,699 | 39,365 |
| Net core Tier 1 capital | (c) | 343,409 | 306,549 |
| Net Tier 1 capital | (c) | 413,353 | 376,493 |
| Net capital | (c) | 517,037 | 475,844 |
| Risk-weighted assets | (d) | 3,975,182 | 3,566,465 |

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

(a) Core Tier 1 capital adequacy ratio equals to net amount of core Tier 1 capital over risk-weighted assets. Tier 1 capital adequacy ratio equals to net amount of Tier 1 capital over risk-weighted assets. Capital adequacy ratio equals to net capital over risk-weighted assets.

(b) Other intangible assets (excluding land use right) are the net amounts from deduction of the associated deferred income tax liability.

(c) Net amount of core Tier 1 capital is core Tier 1 capital minus exclusive items of core Tier 1 capital. Net amount of Tier 1 capital equals to Tier 1 capital minus exclusive items of core Tier 1 capital. Net amount of capital equals to total capital minus exclusive items of total capital.

(d) Risk-weighted assets include credit risk-weighted assets, market risk-weighted assets, and operating risk-weighted assets.

VIII. Risk disclosure

1. Credit risk

Credit risk is the risk of loss arising from that a party of the financial instrument fails to fulfill its obligations.

The Group have established relevant mechanism for unified credit management, and periodically monitors the limit and reviews the credit risk.

1.1 Credit risk management

(i) Loans and advances to customers and credit commitments

The Bank has established a concentrated, vertical and individual comprehensive risk management framework and a “dispatched risk management, matrix and double-line reporting” risk management model. The Risk Management Committee of the Head Office is responsible for coordinating risk management of all levels. Professional departments such as the Risk Management Department, Corporate Credit Authorization Department, Retail Risk Management Department, are responsible for credit management of the bank. The Risk Management Committee of the Head Office dispatch responsible leader for risk management or risk directors to branches and business units, who undertake credit management duties in their own institutions.

The Bank has formulated a complete set of credit management processes and internal control mechanisms, so as to carry out whole process management of credit business. Credit management procedures for its corporate and personal loans comprise the processes of credit investigation, credit review, credit approval, disbursement and post management. In addition, the Bank has formulated relevant policies of credit underwriting, which have defined the functions and responsibilities of different credit operational processes, and have enhanced the monitoring of the related compliance for improving the overall effective control of credit risk.

Risks arising from credit commitments are similar to those associated with loans and advances. Transactions of financial guarantees and loan commitments are, therefore, subject to the same portfolio management and the same requirements for application and collateral as loans and advances to customers.

If the Bank, after executing all necessary procedures, still considers that it is not expected to recover the whole or part of the financial assets, they shall be written off. Signs indicating that amounts are not expected to be recovered include: (1) the enforcement has been terminated, and (2) the Bank recovers the amounts by confiscating and disposing the collaterals but it is estimated that the value of the collaterals could not fully cover the principal and interest.

(ii) Bonds

The Group manages credit risk exposure of bonds and bills by setting restriction of investment size, issuer profile and rating and also post-investment management. Generally, corporate credit rating of issuer of overseas bonds is required to be equal to or higher than BBB- (by Standard & Poor's or equivalent rating agencies) when purchasing. Corporate credit rating of domestic bonds is required to be equal to or higher than AA (credit rating institutes shall obtain the admission by the Group) when purchasing. With overall consideration taken into internal rating and external data, the Group continues to conduct strict risk management on bond investment.

(iii) Non-bond investment on debts

Non-bond investment on debts includes asset management plans and trust plans, etc. The Group has rating-based access policies in place towards the cooperating trust companies, securities companies and fund companies, and grants credit facility to the repurchase parties of trust beneficial rights, and ultimate financing parties of directional asset management plans. Subsequent risk management is carried out on a regular basis.

(iv) Inter-bank transactions

Inter-bank transactions include deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets held under resale agreements, etc. The Group reviews and monitors credit risk of individual financial institutions periodically. Limits are placed for each individual bank or non-bank financial institution which has business relationships with the Group.

1.2 Measurement of expected credit losses

The Group uses the "ECL model" to make impairment provision for debt-instrument financial assets measured at amortized cost and those designated at fair value and changes included into other comprehensive income, loan commitments and financial guarantee contracts.

For financial instruments included in the measurement of expected credit losses, the Group applies "three stages" impairment model to measure the loss allowance and recognize expected credit losses in assessing whether the credit risk on a financial instrument has increased significantly since initial recognition.

Stage 1: Financial instruments with credit risk not increased significantly since initial recognition are classified to Stage 1.

Stage 2: Financial instruments with credit risk increased significantly since initial recognition yet without credit impairment are classified to Stage 2.

Stage 3: Financial instruments with credit impairment are classified to Stage 3.

The loss allowance for the financial instruments at Stage 1 is determined at the amount of expected credit losses on the financial instrument within the next 12 months. The loss allowance for the financial instruments at Stage 2 and Stage 3 is determined at the amount of expected credit losses on the financial instrument within the lifetime.

Purchased or underlying financial assets that are impaired for which the credit impairment has been incurred refer to financial assets that are impaired at initial recognition. Impairment provision of these assets represent the expected credit losses over the whole duration period.

The Group uses the probability of default / loss given default model and the discounted cash flow model to assess financial assets for expected credit losses. The probability of default / loss given default model is applicable to retail business as well as non-retail business classified as Stage 1 and Stage 2. The discounted cash flow model is applicable to non-retail business classified as Stage 3.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

1.Credit risk (Continued)

1.2 Measurement of expected credit losses (Continued)

Expected credit losses are assessed by taking into account the forward-looking information, and complicated models and assumptions are used in measuring expected credit losses. These models and assumptions involve future macroeconomic conditions and the credit record of the borrower (such as, possibility of default by customers and losses therefrom).

The Group uses judgments, assumptions and estimates in measuring the expected credit losses in accordance with the accounting standards, including:

- (a) Grouping of risks
- (b) Classification of stages
- (c) Models and parameters
- (d) Forward-looking information
- (e) Sensitivity analysis and management overlay

Grouping of risks

Credit exposures are grouped based on credit risk characteristics including type of product, type of customer, industry where the client operates and markets. The non-retail business risk group covers “manufacturing, wholesale and retail, real estate and construction, finance, service and other similar industries”. The retail business risk group covers “retail loans, auto finance, inclusive finance, credit cards, etc.”.

Classification of stages

By judging whether the credit risk has increased significantly or the credit impairment has occurred since initial recognition, the Group classifies the financial assets into “three stages” and measures expected credit losses of financial assets by stage.

For purpose of classification of stages, the Group fully assesses available information on the credit entity and its credit exposures. The related information includes but is not limited to internal credit rating of the credit entity in the Group; classification and overdue status of credit exposures, contract terms, etc.; changes of the Group’s credit strategies on the credit entity or credit risk management method; credit, external rating, changes in price of debts and equity, credit default swap prices, credit spread, public opinion, etc., relating to the credit entity; operating and financial information of the credit entity and its shareholder(s) and associate(s); macro-economy, industry development, technology innovation, climate changes, natural disasters, social, economic and financial policies, government support or aid measures that may have potential influence on the ability of the credit entity to repay, and other related information.

Criteria for significant increase in credit risk

The Group sets quantitative and qualitative criteria to judge whether the credit risk of financial instruments changes significantly since initial recognition, and the criteria include: overdue for more than 30 days, changes in default probability, changes in credit risk classification and other situations indicating significant changes in credit risk.

Criteria for credit-impaired assets

Under the accounting standards for financial instruments, in order to determine whether credit impairment occurs, the defined criteria adopted by the Group are consistent with the internal credit risk management objectives for relevant financial instruments, both of which incorporate quantitative and qualitative indicators. When assessing whether a debtor has suffered a credit impairment, the Group usually considers the following factors:

- Borrowings overdue for over 90 days after the contractual payment day
- Default of internal credit rating
- Concessions made by the lender to the borrower for economic or contractual reasons related to the financial difficulties of the borrower
- Significant financial difficulty of the borrower
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization
- The active market for financial assets disappears

Financial assets may be credit-impaired due to the joint effect of multiple events rather than separately identifiable events.

Models and parameters

The Group uses the probability of default / loss given default model to assess expected credit losses. For exposures of non-retail business classified as Stage 3, the Group uses the discounted cash flow model to assess expected credit losses of assets.

Under the probability of default / loss given default model, the Group estimates the parameters under the model, including default risk exposure, default probability, default loss rate, lifetime relating to credit exposures, etc., and calculates the expected risk losses. Under the discounted cash flow model, the Group determines the expected credit losses based the difference between the lower present value of future cash flows and the book value.

- Default probability refers to the possibility that borrowers are unable to perform their repayment obligation in the next 12 months or during the rest of the lifetime. The Group calculates default probability by combining historical default experience, which is calculated by adjusting the result of internal rating model or collective assessment, and forward-looking information to reflect the default probability under the current macroeconomic environment at a certain time point;
- Default loss rate refers to the Group's expectation of the extent of the losses caused by default risk exposure. It is the percentage of the risk exposure loss in the event of default;
- Default risk exposure refers to the repayment due to the Group when default occurs.

The Group adopts internal credit risk rating to reflect the default probability assessment results of a single counter-party and adopt different internal rating models for different counter-parties. The information about the borrower and specific information of the loan collected upon the application for loan will be included in rating model. The Group's rating system consists of 33 grades for non-default and one grade for default. The Group regularly monitors and reviews assumptions related to the calculation of expected credit losses, including the default probability, default loss rate and default risk exposure in terms of different maturities.

Forward-looking information

Both the assessment of significant increase in credit risk and the calculation of expected credit losses involve forward-looking information. The Group identifies key economic indicators that affect credit risks and expected credit losses of all asset portfolios based on historical data analysis, such as quarter-on-year growth rate of GDP, broad money supply, loan prime rate, etc.

The Group evaluates and predicts the economic indicators at regular intervals, and provides best estimates and examines the evaluation results on a regular basis. For the year ended 31 December 2022, the Group adjusted the forecasting of forward-looking economic indicators using the statistical analysis with combination of expert judgment, and also considered the range of possible outcomes represented by each scenario, and determined the final macroeconomic scenarios and

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

1.Credit risk (Continued)

1.2 Measurement of expected credit losses (Continued)

Forward-looking information (Continued)

weights. Similar to other economic estimates, the expected economic indicators and probability of occurrence are inherently highly uncertain. As a result, the actual results may be materially different from the estimates. The Group believes that the forecasting reflects the Group's best estimate of possible outcomes. The above weighted credit loss is calculated by multiplying the expected credit loss under each scenario by the weight of the corresponding scenario.

The impact of these economic indicators on default probability and default loss rate varies between different business types. The Group considers internal and external data, expert forecasts and statistical analysis to determine the relationship between these economic indicators and default probability, default loss rate and default risk exposure. The Group annually reviews key parameters and assumptions used in the calculation of expected credit losses and makes necessary updates and adjustments according to the external economic development and changes in industrial and regional risks.

For the year ended 31 December 2022, the key macroeconomic assumptions used by the Group in macroeconomic scenarios included quarter-on- year growth rate of GDP, broad money supply, loan prime rate. For quarter-on-year growth rate of GDP, the average forecasting value under baseline scenario in 2023 is about 5%, with that under optimistic scenario increasing by 0.5 percentage point and that under pessimistic scenario decreasing by 0.5 percentage point; the average forecasting value under baseline scenario in 2024 is about 5.24%, with that under optimistic scenario increasing by 0.45 percentage point and that under pessimistic scenario decreasing by 0.44 percentage point.

The Group develops a measurement model under which it leverages macro data analysis and experts' judgements to determine the weights of pessimistic scenario, baseline scenario and optimistic scenario. For the year ended 31 December 2022, the weight of baseline scenario accounted for the highest percentage and those of other scenarios were lower than 25% respectively.

Sensitivity analysis and management overlay

Expected credit losses are sensitive to parameters used in the model, macroeconomic variables of forward-looking estimates, weight probability of the three scenarios, and other factors considered in the expert judgment. Changes in these input parameters, assumptions, models, and judgments will have an impact on the significant increase in credit risk and the measurement of expected credit losses.

If the weight of optimistic scenario increases by 10% while the weight of basis scenario decreases by 10%, provision for credit impairment as at 31 December 2022 decreases by RMB1,177 million (31 December 2021: RMB1,161 million); if the weight of pessimistic scenario increases by 10% while the weight of basis scenario decreases by 10%, provision for credit impairment increases by RMB1,144 million (31 December 2021: RMB1,883 million).

For the year ended 31 December 2022, for external environment and other circumstances not reflected by the model, the Group's management has also considered and therefore accrued loss provision, thereby further enhancing the risk compensation capacity.

The table below illustrates the changes in the carrying amount of major financial assets of the Group and the Bank (including accrued interest):

| | | The Group | | | | | | |
|---------------------------------|---------------------|--------------------------------------|---|--|--|--|-------------------------------|--------------------------------|
| | | 2022 | | | | | | |
| | | Changes in three stages | | | | | | |
| Item | Stage of impairment | Balance at the beginning of the year | Net increase/ (decrease) in the current year (Note) | Net transfer/ (reversal) from Stage 1 to Stage 2 | Net transfer/ (reversal) from Stage 1 to Stage 3 | Net transfer/ (reversal) from Stage 2 to Stage 3 | Write-off in the current year | Balance at the end of the year |
| Loans and advances to customers | Stage 1 | 2,995,788 | 340,965 | (126,378) | (707) | - | - | 3,209,668 |
| | Stage 2 | 44,549 | (14,009) | 126,378 | - | (65,193) | - | 91,725 |
| | Stage 3 | 33,672 | (986) | - | 707 | 65,193 | (59,802) | 38,784 |
| | Sub-total | 3,074,009 | 325,970 | - | - | - | (59,802) | 3,340,177 |
| Investment on debts | Stage 1 | 725,080 | 2,223 | 799 | - | - | - | 728,102 |
| | Stage 2 | 8,219 | (3,006) | (799) | - | (1,330) | - | 3,084 |
| | Stage 3 | 15,977 | (256) | - | - | 1,330 | - | 17,051 |
| | Sub-total | 749,276 | (1,039) | - | - | - | - | 748,237 |
| Other investment on debts | Stage 1 | 149,680 | 21,157 | 55 | - | - | - | 170,892 |
| | Stage 2 | 2,710 | (1,271) | (55) | - | (384) | - | 1,000 |
| | Stage 3 | 38 | (81) | - | - | 384 | - | 341 |
| | Sub-total | 152,428 | 19,805 | - | - | - | - | 172,233 |

Note: Changes due to purchase, origination, or derecognition (except for write-off) for the current year.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

1.Credit risk (Continued)

1.2 Measurement of expected credit losses (Continued)

The table below illustrates the changes in the carrying amount of major financial assets of the Group and the Bank (including accrued interest) (Continued):

| | | The Bank | | | | | | |
|---------------------------------|---------------------|--------------------------------------|--|---|---|---|-------------------------------|--------------------------------|
| | | 2022 | | | | | | |
| | | Changes in three stages | | | | | | |
| Item | Stage of impairment | Balance at the beginning of the year | Net increase/(decrease) in the current year (Note) | Net transfer/(reversal) from Stage 1 to Stage 2 | Net transfer/(reversal) from Stage 1 to Stage 3 | Net transfer/(reversal) from Stage 2 to Stage 3 | Write-off in the current year | Balance at the end of the year |
| Loans and advances to customers | Stage 1 | 2,995,788 | 340,965 | (126,378) | (707) | - | - | 3,209,668 |
| | Stage 2 | 44,549 | (14,009) | 126,378 | - | (65,193) | - | 91,725 |
| | Stage 3 | 33,672 | (986) | - | 707 | 65,193 | (59,802) | 38,784 |
| | Sub-total | 3,074,009 | 325,970 | - | - | - | (59,802) | 3,340,177 |
| Investment on debts | Stage 1 | 724,053 | 3,151 | 799 | - | - | - | 728,003 |
| | Stage 2 | 8,219 | (3,006) | (799) | - | (1,330) | - | 3,084 |
| | Stage 3 | 15,977 | (256) | - | - | 1,330 | - | 17,051 |
| | Sub-total | 748,249 | (111) | - | - | - | - | 748,138 |
| Other investment on debts | Stage 1 | 148,678 | 19,294 | 55 | - | - | - | 168,027 |
| | Stage 2 | 2,710 | (1,271) | (55) | - | (384) | - | 1,000 |
| | Stage 3 | 38 | (81) | - | - | 384 | - | 341 |
| | Sub-total | 151,426 | 17,942 | - | - | - | - | 169,368 |

Note: Changes due to purchase, origination, or derecognition (except for write-off) for the current year.

| The Group | | | | | | | | |
|---------------------------------|---------------------|--------------------------------------|--|---|---|---|-------------------------------|--------------------------------|
| 2021 | | | | | | | | |
| Changes in three stages | | | | | | | | |
| Item | Stage of impairment | Balance at the beginning of the year | Net increase/(decrease) in the current year (Note) | Net transfer/(reversal) from Stage 1 to Stage 2 | Net transfer/(reversal) from Stage 1 to Stage 3 | Net transfer/(reversal) from Stage 2 to Stage 3 | Write-off in the current year | Balance at the end of the year |
| Loans and advances to customers | Stage 1 | 2,601,514 | 475,841 | (79,567) | (2,000) | - | - | 2,995,788 |
| | Stage 2 | 37,233 | (21,965) | 79,567 | - | (50,286) | - | 44,549 |
| | Stage 3 | 34,915 | (13,111) | - | 2,000 | 50,286 | (40,418) | 33,672 |
| | Sub-total | 2,673,662 | 440,765 | - | - | - | (40,418) | 3,074,009 |
| Investment on debts | Stage 1 | 620,874 | 119,743 | (10,317) | (5,220) | - | - | 725,080 |
| | Stage 2 | 9,404 | (1,721) | 10,317 | - | (9,781) | - | 8,219 |
| | Stage 3 | 8,441 | (246) | - | 5,220 | 9,781 | (7,219) | 15,977 |
| | Sub-total | 638,719 | 117,776 | - | - | - | (7,219) | 749,276 |
| Other investment on debts | Stage 1 | 194,977 | (44,104) | (1,193) | - | - | - | 149,680 |
| | Stage 2 | 2,057 | (540) | 1,193 | - | - | - | 2,710 |
| | Stage 3 | 39 | (1) | - | - | - | - | 38 |
| | Sub-total | 197,073 | (44,645) | - | - | - | - | 152,428 |

Note: Changes due to purchase, origination, or derecognition (except for write-off) for the current year.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

1.Credit risk (Continued)

1.2 Measurement of expected credit losses (Continued)

The table below illustrates the changes in the carrying amount of major financial assets of the Group and the Bank (including accrued interest) (Continued):

| | | The Bank | | | | | | |
|---------------------------------|---------------------|--------------------------------------|--|---|---|---|-------------------------------|--------------------------------|
| | | 2021 | | | | | | |
| | | Changes in three stages | | | | | | |
| Item | Stage of impairment | Balance at the beginning of the year | Net increase/(decrease) in the current year (Note) | Net transfer/(reversal) from Stage 1 to Stage 2 | Net transfer/(reversal) from Stage 1 to Stage 3 | Net transfer/(reversal) from Stage 2 to Stage 3 | Write-off in the current year | Balance at the end of the year |
| Loans and advances to customers | Stage 1 | 2,601,514 | 475,841 | (79,567) | (2,000) | - | - | 2,995,788 |
| | Stage 2 | 37,233 | (21,965) | 79,567 | - | (50,286) | - | 44,549 |
| | Stage 3 | 34,915 | (13,111) | - | 2,000 | 50,286 | (40,418) | 33,672 |
| | Sub-total | 2,673,662 | 440,765 | - | - | - | (40,418) | 3,074,009 |
| Investment on debts | Stage 1 | 620,874 | 118,716 | (10,317) | (5,220) | - | - | 724,053 |
| | Stage 2 | 9,404 | (1,721) | 10,317 | - | (9,781) | - | 8,219 |
| | Stage 3 | 8,441 | (246) | - | 5,220 | 9,781 | (7,219) | 15,977 |
| | Sub-total | 638,719 | 116,749 | - | - | - | (7,219) | 748,249 |
| Other investment on debts | Stage 1 | 193,565 | (43,694) | (1,193) | - | - | - | 148,678 |
| | Stage 2 | 2,057 | (540) | 1,193 | - | - | - | 2,710 |
| | Stage 3 | 39 | (1) | - | - | - | - | 38 |
| | Sub-total | 195,661 | (44,235) | - | - | - | - | 151,426 |

Note: Changes due to purchase, origination, or derecognition (except for write-off) for the current year.

The table below illustrates the changes in the balance of the impairment provision for major financial assets of the Group and the Bank:

| | | The Group | | | | | | | |
|---------------------------------|---------------------|--------------------------------------|---|---|--|--|--|-------------------------------|--------------------------------|
| | | 2022 | | | | | | | |
| Item | Stage of impairment | Balance at the beginning of the year | Net increase/ (decrease) in the current year (Note 1) | Increase in/ (reversal of) provision (Note 2) | Changes in three stages | | | Write-off in the current year | Balance at the end of the year |
| | | | | | Net transfer/ (reversal) from Stage 1 to Stage 2 | Net transfer/ (reversal) from Stage 1 to Stage 3 | Net transfer/ (reversal) from Stage 2 to Stage 3 | | |
| Loans and advances to customers | Stage 1 | 53,285 | 20,225 | (11,847) | (5,185) | 53 | - | - | 56,531 |
| | Stage 2 | 10,088 | (1,117) | 26,245 | 5,185 | - | (23,044) | - | 17,357 |
| | Stage 3 | 26,829 | 2,631 | 34,659 | - | (53) | 23,044 | (59,802) | 27,308 |
| | Sub-total | 90,202 | 21,739 | 49,057 | - | - | - | (59,802) | 101,196 |
| Investment on debts | Stage 1 | 2,737 | 740 | 2,093 | 111 | - | - | - | 5,681 |
| | Stage 2 | 877 | (89) | 202 | (111) | - | (16) | - | 863 |
| | Stage 3 | 7,496 | 104 | 2,227 | - | - | 16 | - | 9,843 |
| | Sub-total | 11,110 | 755 | 4,522 | - | - | - | - | 16,387 |
| Other investment on debts | Stage 1 | 858 | 217 | (169) | 15 | - | - | - | 921 |
| | Stage 2 | 187 | (33) | 107 | (15) | - | (19) | - | 227 |
| | Stage 3 | 38 | (37) | 171 | - | - | 19 | - | 191 |
| | Sub-total | 1,083 | 147 | 109 | - | - | - | - | 1,339 |

Note 1: Changes due to purchase, origination, or derecognition (except for write-off) for the current year.

Note 2: This item mainly includes changes in default probability, default risk exposure, default loss rate caused by regular updates of model parameters, and impacts of changes in stages and management overlay on the measurement of expected credit losses.

Note 3: Impairment provision for loans and advances to customers designated at fair value and changes included into other comprehensive income.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

1.Credit risk (Continued)

1.2 Measurement of expected credit losses (Continued)

The table below illustrates the changes in the balance of the impairment provision for major financial assets of the Group and the Bank(Continued):

| | | The Bank | | | | | | | |
|---------------------------------|---------------------|--------------------------------------|--|--|---|---|---|-------------------------------|--------------------------------|
| | | 2022 | | | | | | | |
| | | Changes in three stages | | | | | | | |
| Item | Stage of impairment | Balance at the beginning of the year | Net increase/(decrease) in the current year (Note 1) | Increase in/(reversal of) provision (Note 2) | Net transfer/(reversal) from Stage 1 to Stage 2 | Net transfer/(reversal) from Stage 1 to Stage 3 | Net transfer/(reversal) from Stage 2 to Stage 3 | Write-off in the current year | Balance at the end of the year |
| Loans and advances to customers | Stage 1 | 53,285 | 20,225 | (11,847) | (5,185) | 53 | - | - | 56,531 |
| | Stage 2 | 10,088 | (1,117) | 26,245 | 5,185 | - | (23,044) | - | 17,357 |
| | Stage 3 | 26,829 | 2,631 | 34,659 | - | (53) | 23,044 | (59,802) | 27,308 |
| | Sub-total | 90,202 | 21,739 | 49,057 | - | - | - | (59,802) | 101,196 |
| Investment on debts | Stage 1 | 2,737 | 738 | 2,093 | 111 | - | - | - | 5,679 |
| | Stage 2 | 877 | (89) | 202 | (111) | - | (16) | - | 863 |
| | Stage 3 | 7,496 | 104 | 2,227 | - | - | 16 | - | 9,843 |
| | Sub-total | 11,110 | 753 | 4,522 | - | - | - | - | 16,385 |
| Other investment on debts | Stage 1 | 858 | 217 | (169) | 15 | - | - | - | 921 |
| | Stage 2 | 187 | (33) | 107 | (15) | - | (19) | - | 227 |
| | Stage 3 | 38 | (37) | 171 | - | - | 19 | - | 191 |
| | Sub-total | 1,083 | 147 | 109 | - | - | - | - | 1,339 |

Note 1: Changes due to purchase, origination, or derecognition (except for write-off) for the current year.

Note 2: This item mainly includes changes in default probability, default risk exposure, default loss rate caused by regular updates of model parameters, and impacts of changes in stages and management overlay on the measurement of expected credit losses.

Note 3: Impairment provision for loans and advances to customers designated at fair value and changes included into other comprehensive income.

| The Group and the Bank | | | | | | | | | |
|---------------------------------|---------------------|--------------------------------------|---|---|--|--|--|-------------------------------|--------------------------------|
| 2021 | | | | | | | | | |
| Item | Stage of impairment | Balance at the beginning of the year | Net increase/ (decrease) in the current year (Note 1) | Increase in/ (reversal of) provision (Note 2) | Changes in three stages | | | Write-off in the current year | Balance at the end of the year |
| | | | | | Net transfer/ (reversal) from Stage 1 to Stage 2 | Net transfer/ (reversal) from Stage 1 to Stage 3 | Net transfer/ (reversal) from Stage 2 to Stage 3 | | |
| Loans and advances to customers | Stage 1 | 31,718 | 18,662 | 7,077 | (4,210) | 38 | - | - | 53,285 |
| | Stage 2 | 7,864 | (1,220) | 14,435 | 4,210 | - | (15,201) | - | 10,088 |
| | Stage 3 | 23,637 | 912 | 27,535 | - | (38) | 15,201 | (40,418) | 26,829 |
| | Sub-total | 63,219 | 18,354 | 49,047 | - | - | - | (40,418) | 90,202 |
| Investment on debts | Stage 1 | 1,756 | 1,092 | 188 | (149) | (150) | - | - | 2,737 |
| | Stage 2 | 701 | 11 | 754 | 149 | - | (738) | - | 877 |
| | Stage 3 | 2,643 | 835 | 10,349 | - | 150 | 738 | (7,219) | 7,496 |
| | Sub-total | 5,100 | 1,938 | 11,291 | - | - | - | (7,219) | 11,110 |
| Other investment on debts | Stage 1 | 829 | 2 | 53 | (26) | - | - | - | 858 |
| | Stage 2 | 221 | (50) | (10) | 26 | - | - | - | 187 |
| | Stage 3 | 39 | (1) | - | - | - | - | - | 38 |
| | Sub-total | 1,089 | (49) | 43 | - | - | - | - | 1,083 |

Note 1: Changes due to purchase, origination, or derecognition (except for write-off) for the current year.

Note 2: This item mainly includes changes in default probability, default risk exposure, default loss rate caused by regular updates of model parameters, and impacts of changes in stages and management overlay on the measurement of expected credit losses.

Note 3: Impairment provision for loans and advances to customers designated at fair value and changes included into other comprehensive income.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

1.Credit risk (Continued)

1.3 Credit risk measurement

Credit risk exposure analysis

The Group conducts internal rating on the risk characteristics of assets based on the quality status of assets, and classifies the credit ratings of financial assets included in the measurement of expected credit losses into "low risk", "medium risk", "high risk" and "default" according to the internal rating yardstick. The credit ratings are only for internal credit risk management. "Low risk" means that an asset has high quality, and there is sufficient evidence to show that no default is expected to occur on the asset, or there is no sufficient reason to suspect that default is expected to occur on the asset; "medium risk" refers to factors that may adversely affect the quality of an asset, but there is no sufficient reason to suspect that the asset is expected to default; "high risk" means that there are factors that have an obvious adverse effect on the quality of an asset, but no occurrence of default; the criterion for "default" is consistent with the definition of credit-impaired assets.

The table below provides an analysis on the credit risk rate of the loans and advances to customers and investment on debts included in the expected credit losses assessment. The carrying amount of financial assets below represents the Group's maximum credit risk exposure with these assets.

Loans and advances to customers

| Credit rating | The Group and the Bank | | | |
|----------------------|---------------------------------|---------------------------------|---------------------------------|-----------|
| | 31 December 2022 | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | 12-month expected credit losses | Lifetime expected credit losses | Lifetime expected credit losses | |
| Low risk | 1,781,739 | 4,945 | - | 1,786,684 |
| Medium risk | 1,426,465 | 34,864 | - | 1,461,329 |
| High risk | 1,464 | 51,916 | - | 53,380 |
| Default | - | - | 38,784 | 38,784 |
| Book balance | 3,209,668 | 91,725 | 38,784 | 3,340,177 |
| Impairment provision | (53,393) | (17,281) | (27,245) | (97,919) |
| Carrying amount | 3,156,275 | 74,444 | 11,539 | 3,242,258 |

| The Group and the Bank | | | | |
|------------------------|---------------------------------|---------------------------------|---------------------------------|-----------|
| 31 December 2021 | | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Credit rating | 12-month expected credit losses | Lifetime expected credit losses | Lifetime expected credit losses | |
| Low risk | 1,619,679 | 280 | - | 1,619,959 |
| Medium risk | 1,363,769 | 9,164 | - | 1,372,933 |
| High risk | 12,340 | 35,105 | - | 47,445 |
| Default | - | - | 33,672 | 33,672 |
| Book balance | 2,995,788 | 44,549 | 33,672 | 3,074,009 |
| Impairment provision | (52,391) | (10,037) | (26,828) | (89,256) |
| Carrying amount | 2,943,397 | 34,512 | 6,844 | 2,984,753 |

Investment on debts

| The Group | | | | |
|----------------------|---------------------------------|---------------------------------|---------------------------------|----------|
| 31 December 2022 | | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Credit rating | 12-month expected credit losses | Lifetime expected credit losses | Lifetime expected credit losses | |
| Low risk | 696,627 | - | - | 696,627 |
| Medium risk | 31,475 | 2,903 | - | 34,378 |
| High risk | - | 181 | - | 181 |
| Default | - | - | 17,051 | 17,051 |
| Book balance | 728,102 | 3,084 | 17,051 | 748,237 |
| Impairment provision | (5,681) | (863) | (9,843) | (16,387) |
| Carrying amount | 722,421 | 2,221 | 7,208 | 731,850 |

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

1.Credit risk (Continued)

1.3 Credit risk measurement (Continued)

Investment on debts

| Credit rating | The Bank | | | |
|----------------------|---------------------------------|---------------------------------|---------------------------------|----------|
| | 31 December 2022 | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | 12-month expected credit losses | Lifetime expected credit losses | Lifetime expected credit losses | |
| Low risk | 696,627 | - | - | 696,627 |
| Medium risk | 31,376 | 2,903 | - | 34,279 |
| High risk | - | 181 | - | 181 |
| Default | - | - | 17,051 | 17,051 |
| Book balance | 728,003 | 3,084 | 17,051 | 748,138 |
| Impairment provision | (5,679) | (863) | (9,843) | (16,385) |
| Carrying amount | 722,324 | 2,221 | 7,208 | 731,753 |

| Credit rating | The Group | | | |
|----------------------|---------------------------------|---------------------------------|---------------------------------|----------|
| | 31 December 2021 | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | 12-month expected credit losses | Lifetime expected credit losses | Lifetime expected credit losses | |
| Low risk | 664,600 | - | - | 664,600 |
| Medium risk | 60,480 | 3,289 | - | 63,769 |
| High risk | - | 4,930 | - | 4,930 |
| Default | - | - | 15,977 | 15,977 |
| Book balance | 725,080 | 8,219 | 15,977 | 749,276 |
| Impairment provision | (2,737) | (877) | (7,496) | (11,110) |
| Carrying amount | 722,343 | 7,342 | 8,481 | 738,166 |

| The Bank | | | | |
|----------------------|---------------------------------|---------------------------------|---------------------------------|----------|
| 31 December 2021 | | | | |
| Credit rating | Stage 1 | Stage 2 | Stage 3 | Total |
| | 12-month expected credit losses | Lifetime expected credit losses | Lifetime expected credit losses | |
| Low risk | 663,573 | - | - | 663,573 |
| Medium risk | 60,480 | 3,289 | - | 63,769 |
| High risk | - | 4,930 | - | 4,930 |
| Default | - | - | 15,977 | 15,977 |
| Book balance | 724,053 | 8,219 | 15,977 | 748,249 |
| Impairment provision | (2,737) | (877) | (7,496) | (11,110) |
| Carrying amount | 721,316 | 7,342 | 8,481 | 737,139 |

Risk concentration of the maximum credit risk exposure

Credit risk is often greater when counter-parties are concentrated in a single industry or geographic location or have comparable economic characteristics.

The majority of the loans and financial guarantee contracts of the Group are related to the local customers within Mainland China. However, different areas in Mainland China have their own unique characteristics in terms of economic development. Therefore, each area in Mainland China could present different credit risks.

Please refer to Note IV 6 for an analysis of concentration of loans and advances by industry and geographical region.

Collateral and other credit enhancements

The amount and type of collateral required depend on an assessment of the credit risk of the counter-party. The Group has implemented guidelines regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For reverse repurchase transactions, mainly in bills, beneficial right of trust, or securities;
- For corporate lending, mainly charges over real estate properties, inventories, shares or trade receivables;
- For personal loans, mainly in residential properties mortgages.

The management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of impairment provision.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

1.Credit risk (Continued)

1.3 Credit risk measurement (Continued)

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements (deducting impairment provision):

| | The Group | | | | | Maximum exposure to credit risk without taking account of any collateral and other credit enhancements |
|---|------------------|---------|---------|----------------|---|--|
| | 31 December 2022 | | | | | |
| | Stage 1 | Stage 2 | Stage 3 | Not applicable | | |
| Balances with the Central Bank | 281,115 | - | - | - | - | 281,115 |
| Deposits with banks and other financial institutions | 98,329 | - | - | - | - | 98,329 |
| Placements with and loans to banks and other financial institutions | 133,921 | - | - | - | - | 133,921 |
| Financial assets held for trading (excluding equity investments) | - | - | - | 445,940 | - | 445,940 |
| Derivative financial assets | - | - | - | 27,553 | - | 27,553 |
| Financial assets held under resale agreements | 41,561 | - | - | - | - | 41,561 |
| Loans and advances to customers | 3,156,275 | 74,444 | 11,539 | - | - | 3,242,258 |
| Other investment on debts | 170,892 | 1,000 | 341 | - | - | 172,233 |
| Investment on debts | 722,421 | 2,221 | 7,208 | - | - | 731,850 |
| Other financial assets | 39,594 | - | - | - | - | 39,594 |
| Sub-total | 4,644,108 | 77,665 | 19,088 | 473,493 | - | 5,214,354 |
| Off-balance-sheet items | | | | | | |
| Including: Bank acceptance bills | 694,344 | 2,563 | 1 | - | - | 696,908 |
| Letters of guarantee issued | 109,346 | 85 | - | - | - | 109,431 |
| Letters of credit issued | 121,941 | 506 | - | - | - | 122,447 |
| Unused limit of credit cards | 886,381 | 3,039 | 146 | - | - | 889,566 |
| Sub-total | 1,812,012 | 6,193 | 147 | - | - | 1,818,352 |
| Total | 6,456,120 | 83,858 | 19,235 | 473,493 | - | 7,032,706 |

| The Bank | | | | | |
|---|------------------|---------------|---------------|----------------|--|
| 31 December 2022 | | | | | |
| | Stage 1 | Stage 2 | Stage 3 | Not applicable | Maximum exposure to credit risk without taking account of any collateral and other credit enhancements |
| Balances with the Central Bank | 281,115 | - | - | - | 281,115 |
| Deposits with banks and other financial institutions | 97,619 | - | - | - | 97,619 |
| Placements with and loans to banks and other financial institutions | 133,921 | - | - | - | 133,921 |
| Financial assets held for trading (excluding equity investments) | - | - | - | 442,599 | 442,599 |
| Derivative financial assets | - | - | - | 27,553 | 27,553 |
| Financial assets held under resale agreements | 41,561 | - | - | - | 41,561 |
| Loans and advances to customers | 3,156,275 | 74,444 | 11,539 | - | 3,242,258 |
| Other investment on debts | 168,027 | 1,000 | 341 | - | 169,368 |
| Investment on debts | 722,324 | 2,221 | 7,208 | - | 731,753 |
| Other financial assets | 39,328 | - | - | - | 39,328 |
| Sub-total | 4,640,170 | 77,665 | 19,088 | 470,152 | 5,207,075 |
| Off-balance-sheet items | | | | | |
| Including: Bank acceptance bills | 694,344 | 2,563 | 1 | - | 696,908 |
| Letters of guarantee issued | 109,346 | 85 | - | - | 109,431 |
| Letters of credit issued | 121,941 | 506 | - | - | 122,447 |
| Unused limit of credit cards | 886,381 | 3,039 | 146 | - | 889,566 |
| Sub-total | 1,812,012 | 6,193 | 147 | - | 1,818,352 |
| Total | 6,452,182 | 83,858 | 19,235 | 470,152 | 7,025,427 |

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

1.Credit risk (Continued)

1.3 Credit risk measurement (Continued)

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements (deducting impairment provision)(Continued):

| | The Group | | | | | Maximum exposure to credit risk without taking account of any collateral and other credit enhancements |
|---|------------------|---------|---------|----------------|---|--|
| | 31 December 2021 | | | | | |
| | Stage 1 | Stage 2 | Stage 3 | Not applicable | | |
| Balances with the Central Bank | 308,348 | - | - | - | - | 308,348 |
| Deposits with banks and other financial institutions | 78,215 | - | - | - | - | 78,215 |
| Placements with and loans to banks and other financial institutions | 94,473 | - | - | - | - | 94,473 |
| Financial assets held for trading (excluding equity investments) | - | - | - | 389,534 | - | 389,534 |
| Derivative financial assets | - | - | - | 30,238 | - | 30,238 |
| Financial assets held under resale agreements | 6,388 | - | - | - | - | 6,388 |
| Loans and advances to customers | 2,943,397 | 34,512 | 6,844 | - | - | 2,984,753 |
| Other investment on debts | 149,680 | 2,710 | 38 | - | - | 152,428 |
| Investment on debts | 722,343 | 7,342 | 8,481 | - | - | 738,166 |
| Other financial assets | 38,354 | - | - | - | - | 38,354 |
| Sub-total | 4,341,198 | 44,564 | 15,363 | 419,772 | - | 4,820,897 |
| Off-balance-sheet items | | | | | | |
| Including: Bank acceptance bills | 573,067 | 874 | 9 | - | - | 573,950 |
| Letters of guarantee issued | 98,497 | 7 | - | - | - | 98,504 |
| Letters of credit issued | 65,974 | 765 | - | - | - | 66,739 |
| Unused limit of credit cards | 818,019 | 519 | 90 | - | - | 818,628 |
| Sub-total | 1,555,557 | 2,165 | 99 | - | - | 1,557,821 |
| Total | 5,896,755 | 46,729 | 15,462 | 419,772 | - | 6,378,718 |

| | The Bank | | | | | |
|---|------------------|---------|---------|----------------|--|-----------|
| | 31 December 2021 | | | | | |
| | Stage 1 | Stage 2 | Stage 3 | Not applicable | Maximum exposure to credit risk without taking account of any collateral and other credit enhancements | |
| Balances with the Central Bank | 308,348 | - | - | - | | 308,348 |
| Deposits with banks and other financial institutions | 77,890 | - | - | - | | 77,890 |
| Placements with and loans to banks and other financial institutions | 94,473 | - | - | - | | 94,473 |
| Financial assets held for trading (excluding equity investments) | - | - | - | 386,777 | | 386,777 |
| Derivative financial assets | - | - | - | 30,238 | | 30,238 |
| Financial assets held under resale agreements | 6,388 | - | - | - | | 6,388 |
| Loans and advances to customers | 2,943,397 | 34,512 | 6,844 | - | | 2,984,753 |
| Other investment on debts | 148,678 | 2,710 | 38 | - | | 151,426 |
| Investment on debts | 721,316 | 7,342 | 8,481 | - | | 737,139 |
| Other financial assets | 38,229 | - | - | - | | 38,229 |
| Sub-total | 4,338,719 | 44,564 | 15,363 | 417,015 | | 4,815,661 |
| Off-balance-sheet items | | | | | | |
| Including: Bank acceptance bills | 573,067 | 874 | 9 | - | | 573,950 |
| Letters of guarantee issued | 98,497 | 7 | - | - | | 98,504 |
| Letters of credit issued | 65,974 | 765 | - | - | | 66,739 |
| Unused limit of credit cards | 818,019 | 519 | 90 | - | | 818,628 |
| Sub-total | 1,555,557 | 2,165 | 99 | - | | 1,557,821 |
| Total | 5,894,276 | 46,729 | 15,462 | 417,015 | | 6,373,482 |

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

1.Credit risk (Continued)

1.3 Credit risk measurement (Continued)

The Group closely monitors collateral related to credit-impaired financial assets, as the possibility is greater that the Group confiscates such collateral in order to lower the potential credit losses when compared with other collaterals. As at 31 December 2022 and 31 December 2021, the Group and the Bank's credit-impaired financial assets and the value of the collateral held to lower the potential losses were set out as follows:

| | The Group and the Bank | | | |
|---------------------------------|------------------------|-----------------------------|-----------------|-----------------------------------|
| | 31 December 2022 | | | |
| | Total exposure | Impairment provision (Note) | Carrying amount | Fair value of the collateral held |
| Credit-impaired assets | | | | |
| Loans and advances to customers | 38,784 | 27,308 | 11,539 | 16,747 |
| Financial investments: | | | | |
| Investment on debts | 17,051 | 9,843 | 7,208 | 1,226 |
| Other investment on debts | 341 | 191 | 341 | 299 |
| Total credit-impaired assets | 56,176 | 37,342 | 19,088 | 18,272 |

| | The Group and the Bank | | | |
|---------------------------------|------------------------|-----------------------------|-----------------|-----------------------------------|
| | 31 December 2021 | | | |
| | Total exposure | Impairment provision (Note) | Carrying amount | Fair value of the collateral held |
| Credit-impaired assets | | | | |
| Loans and advances to customers | 33,672 | 26,829 | 6,844 | 14,030 |
| Financial investments: | | | | |
| Investment on debts | 15,977 | 7,496 | 8,481 | 3,938 |
| Other investment on debts | 38 | 38 | 38 | - |
| Total credit-impaired assets | 49,687 | 34,363 | 15,363 | 17,968 |

Note: As at 31 December 2022, an impairment provision, amounting to RMB63 million, in the Group and the Bank's loans and advances to corporates was included in other comprehensive income (31 December 2021: RMB1 million). As at 31 December 2022, an impairment provision, amounting to RMB191 million, in the Group and the Bank's other investment on debts was included in other comprehensive income (31 December 2021: RMB38 million).

Restructured loans and advances to customers

Restructured loans and advances to customers refer to those loans with renegotiated contract provisions due to deteriorated financial performance or inability to scheduled repayment. The Group reaches agreement with the borrowers in consideration of their financial difficulty or makes concessions based on the court order. As at 31 December 2022, the restructured loans and advances to customers of the Group and the Bank amounted to RMB17,107 million (31 December 2021: RMB11,417 million).

2. Liquidity risk

Liquidity risk refers to the risk that commercial banks are unable to obtain sufficient funds at reasonable cost and in a timely manner to pay debts as they fall due, meet other payment obligations and meet other funding requirements for normal business operations.

The Group and the Bank have established a comprehensive and effective liquidity risk management and governance structure. The Board assumes the ultimate responsibility of liquidity risk management. The Board of Supervisors supervises and evaluates the performance of the Board and senior management in liquidity risk management. Senior management assumes the responsibility for liquidity risk management, and the Asset and Liability Management Committee is the top management body of liquidity risk management. The Asset and Liability Management Department is responsible for specific management of liquidity risk under the guidance of the Asset and Liability Management Committee. The Audit and Supervision Department, as an internal audit department for liquidity risk management, is responsible for the internal audit of liquidity risk management.

The Group and the Bank attach great importance to liquidity risk management, continuously optimize the liquidity risk management system and management strategies. The Group and the Bank adequately identify, accurately measure, continuously monitor and effectively control liquidity risk, and monitor liquidity risk using various methods such as cash flow measurement and analysis and liquidity risk limit management. The Group and the Bank continuously optimize its asset and liability structure, strengthen the management of liabilities and high-quality liquid assets, and maintain a balanced development of fund sources and fund utilization; conduct regular liquidity risk stress tests to cautiously assess potential liquidity risks; and continuously improve emergency plan with respect to liquidity risk to enhance liquidity risk emergency management capabilities.

As at the end of the reporting period, each of the Group's and the Bank's businesses grew at a stable pace, with abundant high-quality liquidity asset reserve, safe and prudent liquidity condition, and liquidity risk regulatory indicators meeting the requirements of CBIRC.

The Group and the Bank will continuously work on the improvement on the pertinence and flexibility of liquidity risk management, promote the structure optimization of assets and liabilities, and strengthen the management of stable deposits, maintain the balanced development of fund sources and fund utilization and ensure continuous liquidation safety.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

2. Liquidity risk (Continued)

As at 31 December 2022, the remaining contractual maturity analysis of the Group's financial assets and financial liabilities (based on contractual undiscounted cash flows) was as follows:

| | The Group | | | | | | | Total |
|---|--------------------|------------------|----------------|--------------------|------------------|------------------|----------------|------------------|
| | 31 December 2022 | | | | | | | |
| | Overdue/On demand | Within 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years | Undated | |
| Non-derivative financial instruments cash flows: | | | | | | | | |
| Financial assets: | | | | | | | | |
| Cash and balances with the Central Bank | 44,998 | - | - | - | - | - | 240,279 | 285,277 |
| Amounts due from banks and other financial institutions (1) | 70,591 | 94,864 | 33,584 | 76,200 | - | - | - | 275,239 |
| Financial assets held for trading | 1,322 | 1,224 | 12,786 | 70,125 | 148,542 | 50,985 | 185,943 | 470,927 |
| Loans and advances to customers | 16,181 | 303,281 | 431,667 | 992,656 | 1,209,797 | 811,963 | - | 3,765,545 |
| Investment on debts | 6,895 | 5,694 | 19,681 | 89,221 | 392,276 | 351,194 | - | 864,961 |
| Other investment on debts | 150 | 4,278 | 9,332 | 54,016 | 101,834 | 15,576 | - | 185,186 |
| Other equity instrument investment | - | - | - | - | - | - | 6,380 | 6,380 |
| Other financial assets | 29,885 | 1,513 | 4,233 | 11 | 937 | 1,517 | - | 38,096 |
| Total financial assets | 170,022 | 410,854 | 511,283 | 1,282,229 | 1,853,386 | 1,231,235 | 432,602 | 5,891,611 |
| Financial liabilities: | | | | | | | | |
| Borrowings from the Central Bank | - | 100,720 | 15,608 | 77,197 | - | - | - | 193,525 |
| Amounts due to banks and other financial institutions (2) | 296,380 | 99,133 | 56,564 | 16,388 | 6,907 | - | - | 475,372 |
| Financial liabilities held for trading | 1,289 | 65,374 | 1,724 | 674 | - | - | - | 69,061 |
| Deposits from customers | 1,176,768 | 546,290 | 269,396 | 600,651 | 834,494 | - | - | 3,427,599 |
| Debt securities issued | - | 74,216 | 129,102 | 365,678 | 137,836 | - | - | 706,832 |
| Lease liabilities | 285 | 232 | 416 | 1,923 | 4,721 | 239 | - | 7,816 |
| Other financial liabilities | 14,367 | 23 | 63 | 3,320 | - | 1,487 | - | 19,260 |
| Total financial liabilities | 1,489,089 | 885,988 | 472,873 | 1,065,831 | 983,958 | 1,726 | - | 4,899,465 |
| Net liquidity | (1,319,067) | (475,134) | 38,410 | 216,398 | 869,428 | 1,229,509 | 432,602 | 992,146 |
| Derivative cash flows: | | | | | | | | |
| Derivative financial instruments settled on a net basis | - | (185) | 71 | (11) | 254 | 24 | - | 153 |
| Derivative financial instruments settled on a gross basis | | | | | | | | |
| Including: Cash inflows | 8,006 | 791,549 | 483,558 | 756,035 | 115,623 | - | - | 2,154,771 |
| Cash outflows | (8,885) | (794,401) | (485,960) | (759,555) | (115,653) | - | - | (2,164,454) |
| | (879) | (2,852) | (2,402) | (3,520) | (30) | - | - | (9,683) |

(1) Amounts due from banks and other financial institutions included deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.

(2) Amounts due to banks and other financial institutions included deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.

As at 31 December 2022, the remaining contractual maturity analysis of the Bank's financial assets and financial liabilities (based on contractual undiscounted cash flows) was as follows:

| | The Bank | | | | | | | Total |
|---|--------------------|------------------|----------------|--------------------|------------------|------------------|----------------|------------------|
| | 31 December 2022 | | | | | | | |
| | Overdue/On demand | Within 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years | Undated | |
| Non-derivative financial instruments cash flows: | | | | | | | | |
| Financial assets: | | | | | | | | |
| Cash and balances with the Central Bank | 44,998 | - | - | - | - | - | 240,279 | 285,277 |
| Amounts due from banks and other financial institutions (1) | 69,881 | 94,864 | 33,584 | 76,200 | - | - | - | 274,529 |
| Financial assets held for trading | 1,322 | 1,224 | 12,786 | 70,090 | 147,249 | 50,923 | 183,921 | 467,515 |
| Loans and advances to customers | 16,181 | 303,281 | 431,667 | 992,656 | 1,209,797 | 811,963 | - | 3,765,545 |
| Investment on debts | 6,895 | 5,694 | 19,681 | 89,218 | 392,172 | 351,194 | - | 864,854 |
| Other investment on debts | 150 | 4,272 | 9,331 | 52,535 | 100,373 | 15,576 | - | 182,237 |
| Other equity instrument investment | - | - | - | - | - | - | 6,380 | 6,380 |
| Other financial assets | 29,883 | 1,261 | 4,233 | 1 | 937 | 1,517 | - | 37,832 |
| Total financial assets | 169,310 | 410,596 | 511,282 | 1,280,700 | 1,850,528 | 1,231,173 | 430,580 | 5,884,169 |
| Financial liabilities: | | | | | | | | |
| Borrowings from the Central Bank | - | 100,720 | 15,608 | 77,197 | - | - | - | 193,525 |
| Amounts due to banks and other financial institutions (2) | 296,707 | 99,133 | 56,564 | 16,388 | 6,907 | - | - | 475,699 |
| Financial liabilities held for trading | 1,289 | 65,374 | 1,724 | 674 | - | - | - | 69,061 |
| Deposits from customers | 1,176,772 | 546,290 | 269,396 | 600,651 | 834,494 | - | - | 3,427,603 |
| Debt securities issued | - | 74,216 | 129,102 | 365,678 | 137,836 | - | - | 706,832 |
| Lease liabilities | 285 | 232 | 416 | 1,923 | 4,721 | 239 | - | 7,816 |
| Other financial liabilities | 16,286 | - | - | 3,308 | - | 1,487 | - | 21,081 |
| Total financial liabilities | 1,491,339 | 885,965 | 472,810 | 1,065,819 | 983,958 | 1,726 | - | 4,901,617 |
| Net liquidity | (1,322,029) | (475,369) | 38,472 | 214,881 | 866,570 | 1,229,447 | 430,580 | 982,552 |
| Derivative cash flows: | | | | | | | | |
| Derivative financial instruments settled on a net basis | - | (185) | 71 | (11) | 254 | 24 | - | 153 |
| Derivative financial instruments settled on a gross basis | | | | | | | | |
| Including: Cash inflows | 8,006 | 791,549 | 483,558 | 756,035 | 115,623 | - | - | 2,154,771 |
| Cash outflows | (8,885) | (794,401) | (485,960) | (759,555) | (115,653) | - | - | (2,164,454) |
| | (879) | (2,852) | (2,402) | (3,520) | (30) | - | - | (9,683) |

(1) Amounts due from banks and other financial institutions included deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.

(2) Amounts due to banks and other financial institutions included deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

2. Liquidity risk (Continued)

As at 31 December 2021, the remaining contractual maturity analysis of the Group's financial assets and financial liabilities (based on contractual undiscounted cash flows) was as follows:

| | The Group | | | | | | | Total |
|---|--------------------|------------------|----------------|--------------------|------------------|------------------|----------------|------------------|
| | 31 December 2021 | | | | | | | |
| | Overdue/On demand | Within 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years | Undated | |
| Non-derivative financial instruments cash flows: | | | | | | | | |
| Financial assets: | | | | | | | | |
| Cash and balances with the Central Bank | 90,489 | - | - | - | - | - | 221,544 | 312,033 |
| Amounts due from banks and other financial institutions (1) | 49,020 | 73,447 | 33,434 | 23,735 | - | - | - | 179,636 |
| Financial assets held for trading | 3,744 | 2,195 | 6,363 | 101,375 | 136,919 | 43,025 | 119,488 | 413,109 |
| Loans and advances to customers | 19,644 | 316,755 | 427,826 | 897,113 | 1,024,437 | 827,108 | - | 3,512,883 |
| Investment on debts | 5,710 | 18,304 | 26,377 | 143,261 | 361,491 | 288,312 | - | 843,455 |
| Other investment on debts | - | 3,711 | 7,098 | 33,316 | 98,431 | 24,314 | - | 166,870 |
| Other equity instrument investment | - | - | - | - | - | - | 2,592 | 2,592 |
| Other financial assets | 30,458 | 1,167 | 3,274 | - | 918 | 1,517 | - | 37,334 |
| Total financial assets | 199,065 | 415,579 | 504,372 | 1,198,800 | 1,622,196 | 1,184,276 | 343,624 | 5,467,912 |
| Financial liabilities: | | | | | | | | |
| Borrowings from the Central Bank | - | 59,807 | 5,727 | 84,493 | - | - | - | 150,027 |
| Amounts due to banks and other financial institutions (2) | 276,310 | 95,841 | 38,765 | 14,237 | 106 | - | - | 425,259 |
| Financial liabilities held for trading | 1,385 | 35,127 | 6,643 | 277 | - | - | - | 43,432 |
| Deposits from customers | 1,120,981 | 449,665 | 238,660 | 617,480 | 632,671 | 2,404 | - | 3,061,861 |
| Debt securities issued | - | 106,195 | 172,827 | 444,940 | 119,235 | - | - | 843,197 |
| Lease liabilities | 219 | 257 | 386 | 1,926 | 4,841 | 179 | - | 7,808 |
| Other financial liabilities | 15,802 | 12 | 65 | 3,358 | - | 1,487 | - | 20,724 |
| Total financial liabilities | 1,414,697 | 746,904 | 463,073 | 1,166,711 | 756,853 | 4,070 | - | 4,552,308 |
| Net liquidity | (1,215,632) | (331,325) | 41,299 | 32,089 | 865,343 | 1,180,206 | 343,624 | 915,604 |
| Derivative cash flows: | | | | | | | | |
| Derivative financial instruments settled on a net basis | - | (12) | (111) | (339) | (1,882) | 4 | - | (2,340) |
| Derivative financial instruments settled on a gross basis | | | | | | | | |
| Including: Cash inflows | 8,108 | 754,604 | 479,299 | 845,865 | 41,350 | 405 | - | 2,129,631 |
| Cash outflows | (9,911) | (753,640) | (479,410) | (845,899) | (41,608) | (695) | - | (2,131,163) |
| | (1,803) | 964 | (111) | (34) | (258) | (290) | - | (1,532) |

(1) Amounts due from banks and other financial institutions included deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.

(2) Amounts due to banks and other financial institutions included deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.

As at 31 December 2021, the remaining contractual maturity analysis of the Bank's financial assets and financial liabilities (based on contractual undiscounted cash flows) was as follows:

| | The Bank | | | | | | | Total |
|---|--------------------|------------------|----------------|--------------------|------------------|------------------|----------------|------------------|
| | 31 December 2021 | | | | | | | |
| | Overdue/On demand | Within 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years | Undated | |
| Non-derivative financial instruments cash flows: | | | | | | | | |
| Financial assets: | | | | | | | | |
| Cash and balances with the Central Bank | 90,489 | - | - | - | - | - | 221,544 | 312,033 |
| Amounts due from banks and other financial institutions (1) | 48,695 | 73,447 | 33,434 | 23,735 | - | - | - | 179,311 |
| Financial assets held for trading | 3,744 | 2,195 | 6,363 | 101,280 | 135,712 | 42,435 | 118,425 | 410,154 |
| Loans and advances to customers | 19,644 | 316,755 | 427,826 | 897,113 | 1,024,437 | 827,108 | - | 3,512,883 |
| Investment on debts | 5,710 | 18,304 | 26,377 | 142,223 | 361,491 | 288,312 | - | 842,417 |
| Other investment on debts | - | 3,711 | 7,094 | 32,695 | 98,033 | 24,314 | - | 165,847 |
| Other equity instrument investment | - | - | - | - | - | - | 2,592 | 2,592 |
| Other financial assets | 30,456 | 1,051 | 3,274 | - | 911 | 1,517 | - | 37,209 |
| Total financial assets | 198,738 | 415,463 | 504,368 | 1,197,046 | 1,620,584 | 1,183,686 | 342,561 | 5,462,446 |
| Financial liabilities: | | | | | | | | |
| Borrowings from the Central Bank | - | 59,807 | 5,727 | 84,493 | - | - | - | 150,027 |
| Amounts due to banks and other financial institutions (2) | 277,404 | 95,841 | 38,765 | 14,237 | 106 | - | - | 426,353 |
| Financial liabilities held for trading | 1,385 | 35,127 | 6,643 | 277 | - | - | - | 43,432 |
| Deposits from customers | 1,120,985 | 449,665 | 238,660 | 617,480 | 632,671 | 2,404 | - | 3,061,865 |
| Debt securities issued | - | 106,195 | 172,827 | 444,940 | 119,235 | - | - | 843,197 |
| Lease liabilities | 219 | 257 | 379 | 1,906 | 4,841 | 179 | - | 7,781 |
| Other financial liabilities | 16,777 | - | - | 3,357 | - | 1,487 | - | 21,621 |
| Total financial liabilities | 1,416,770 | 746,892 | 463,001 | 1,166,690 | 756,853 | 4,070 | - | 4,554,276 |
| Net liquidity | (1,218,032) | (331,429) | 41,367 | 30,356 | 863,731 | 1,179,616 | 342,561 | 908,170 |
| Derivative cash flows: | | | | | | | | |
| Derivative financial instruments settled on a net basis | - | (12) | (111) | (339) | (1,882) | 4 | - | (2,340) |
| Derivative financial instruments settled on a gross basis | | | | | | | | |
| Including: Cash inflows | 8,108 | 754,604 | 479,299 | 845,865 | 41,350 | 405 | - | 2,129,631 |
| Cash outflows | (9,911) | (753,640) | (479,410) | (845,899) | (41,608) | (695) | - | (2,131,163) |
| | (1,803) | 964 | (111) | (34) | (258) | (290) | - | (1,532) |

(1) Amounts due from banks and other financial institutions included deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.

(2) Amounts due to banks and other financial institutions included deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.

Notes to the Financial Statements

For the year ended 31 December 2022
(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

2. Liquidity risk (Continued)

Analysis of credit commitments by contractual expiry date of the Group and the Bank:

| | The Group and the Bank | | | | | | |
|------------------------------|------------------------|----------------|--------------------|----------------|----------------|----------|------------------|
| | 31 December 2022 | | | | | | |
| | Within 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years | Undated | Total |
| Bank acceptance bills | 69,942 | 158,518 | 475,815 | - | - | - | 704,275 |
| Unused limit of credit cards | 373 | 7,537 | 58,996 | 458,956 | 363,704 | - | 889,566 |
| Letters of guarantee issued | 13,040 | 13,948 | 57,116 | 27,153 | 61 | - | 111,318 |
| Letters of credit issued | 10,474 | 23,614 | 88,075 | 670 | - | - | 122,833 |
| Total | 93,829 | 203,617 | 680,002 | 486,779 | 363,765 | - | 1,827,992 |

| | The Group and the Bank | | | | | | |
|------------------------------|------------------------|----------------|--------------------|----------------|----------------|----------|------------------|
| | 31 December 2021 | | | | | | |
| | Within 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years | Undated | Total |
| Bank acceptance bills | 74,166 | 135,531 | 366,838 | - | - | - | 576,535 |
| Unused limit of credit cards | 54 | 2,139 | 19,876 | 471,322 | 325,237 | - | 818,628 |
| Letters of guarantee issued | 8,830 | 6,809 | 37,934 | 45,767 | 357 | - | 99,697 |
| Letters of credit issued | 14,377 | 19,720 | 32,264 | 353 | 155 | - | 66,869 |
| Total | 97,427 | 164,199 | 456,912 | 517,442 | 325,749 | - | 1,561,729 |

The management expects that not all of the commitments will be drawn before expiry of the commitments.

3. Market risk

The market risk faced by the Group comes from transaction accounts and bank accounts and the principal market risks are interest rates risks and exchange rate risk. The target of market risk management is to avoid uncontrollable loss of revenue or equity caused by market risk, and to offset the impact of volatility risk of financial instruments on the Group. The Board of Directors is responsible for approving the basic system of market risk, while senior management and its subordinate committees specifically approve the credit limit on market risk, while conducting regular supervision on market risks. The risk management department undertakes regular functions of market risk monitoring, including determining a reasonable level of market risk limit, monitoring daily operation of treasury business.

In the opinion of the management, as the market risk of the Group's trading business activities is not material, the Group has not separately disclosed quantitative information about exposure to market risk arising from the trading portfolio.

3.1 Foreign exchange risk

The Bank's foreign exchange risk exposure mainly comprises exposures from the mismatch of foreign currency assets and liabilities, and off-balance-sheet foreign exchange position arising from derivative transactions. The currency risk of the Bank mainly arises from loans and advances, investments and deposits denominated in foreign currencies. The Bank has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

Notes to the Financial Statements

For the year ended 31 December 2022
(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

2. Liquidity risk (Continued)

3.1 Foreign exchange risk (Continued)

As at 31 December 2022, the Group and the Bank's foreign currency assets and liabilities summarized by currency are as follows:

| | The Group and the Bank | | | |
|---|------------------------|----------------------|-------------------------|----------------|
| | 31 December 2022 | | | |
| | USD (RMB equivalent) | HKD (RMB equivalent) | Others (RMB equivalent) | Total |
| Assets: | | | | |
| Cash and balances with the Central Bank | 6,222 | 457 | 55 | 6,734 |
| Amounts due from banks and other financial institutions (1) | 85,102 | 3,816 | 4,806 | 93,724 |
| Financial assets held for trading and derivative financial assets | 9,653 | - | - | 9,653 |
| Loans and advances to customers | 126,601 | 39,831 | 27,685 | 194,117 |
| Investment on debts | 36,904 | 347 | 2,644 | 39,895 |
| Other investment on debts | 18,157 | 1,194 | - | 19,351 |
| Other equity instrument investment | 15 | - | - | 15 |
| Other assets | 62 | 46 | 3 | 111 |
| Total assets | 282,716 | 45,691 | 35,193 | 363,600 |
| Liabilities: | | | | |
| Amounts due to banks and other financial institutions (2) | 26,485 | 12,045 | 9,294 | 47,824 |
| Financial liabilities held for trading and derivative financial liabilities | 2,163 | - | - | 2,163 |
| Deposits from customers | 246,525 | 15,688 | 6,038 | 268,251 |
| Debt securities issued | 3,074 | - | - | 3,074 |
| Other liabilities | 1,035 | 223 | 53 | 1,311 |
| Total liabilities | 279,282 | 27,956 | 15,385 | 322,623 |
| Net position of foreign currency (3) | 3,434 | 17,735 | 19,808 | 40,977 |
| Notional amount of derivative financial instruments | (2,347) | (18,317) | (18,977) | (39,641) |
| Total | 1,087 | (582) | 831 | 1,336 |
| Off-balance-sheet credit commitments | 25,879 | 1,003 | 9,399 | 36,281 |

(1) Amounts due from banks and other financial institutions included deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.

(2) Amounts due to banks and other financial institutions included deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.

(3) The net position of foreign currency comprised the related net position of monetary assets and liabilities.

As at 31 December 2021, the Group and the Bank's foreign currency assets and liabilities summarized by currency are as follows:

| | The Group and the Bank | | | |
|---|------------------------|----------------------|-------------------------|----------------|
| | 31 December 2021 | | | |
| | USD (RMB equivalent) | HKD (RMB equivalent) | Others (RMB equivalent) | Total |
| Assets: | | | | |
| Cash and balances with the Central Bank | 10,281 | 630 | 57 | 10,968 |
| Amounts due from banks and other financial institutions (1) | 62,139 | 10,505 | 4,807 | 77,451 |
| Financial assets held for trading and derivative financial assets | 10,764 | - | - | 10,764 |
| Loans and advances to customers | 145,497 | 16,859 | 22,562 | 184,918 |
| Investment on debts | 30,006 | 320 | 938 | 31,264 |
| Other investment on debts | 24,443 | 1,048 | - | 25,491 |
| Other equity instrument investment | 14 | - | - | 14 |
| Other assets | 339 | 18 | 2 | 359 |
| Total assets | 283,483 | 29,380 | 28,366 | 341,229 |
| Liabilities: | | | | |
| Amounts due to banks and other financial institutions (2) | 26,746 | 194 | 3,552 | 30,492 |
| Financial liabilities held for trading and derivative financial liabilities | 856 | - | - | 856 |
| Deposits from customers | 258,634 | 17,364 | 9,018 | 285,016 |
| Debt securities issued | 5,567 | - | - | 5,567 |
| Other liabilities | 1,845 | 121 | 24 | 1,990 |
| Total liabilities | 293,648 | 17,679 | 12,594 | 323,921 |
| Net position of foreign currency (3) | (10,165) | 11,701 | 15,772 | 17,308 |
| Notional amount of derivative financial instruments | 12,155 | (12,061) | (16,184) | (16,090) |
| Total | 1,990 | (360) | (412) | 1,218 |
| Off-balance-sheet credit commitments | 30,485 | 1,126 | 7,561 | 39,172 |

(1) Amounts due from banks and other financial institutions included deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.

(2) Amounts due to banks and other financial institutions included deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.

(3) The net position of foreign currency comprised the related net position of monetary assets and liabilities.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

2. Liquidity risk (Continued)

3.1 Foreign exchange risk (Continued)

The table below indicates the sensitivity analysis of exchange rate changes of the currencies to which the Group and the Bank had significant exposure on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on profit before tax. A negative amount in the table reflects a potential net reduction in profit before tax, while a positive amount reflects a potential net increase. As the Group and the Bank have no cash flow hedges based on foreign exchange risk and have only a minimal amount of equity instruments denominated in foreign currencies, changes in exchange rates do not have any material potential impact on equity.

| The Group and the Bank | | | | | |
|------------------------|------------------------------|---|------------------------------|---|---|
| Currency | 31 December 2022 | | 31 December 2021 | | Effect on profit before tax(RMB equivalent) |
| | Change in exchange rate in % | Effect on profit before tax(RMB equivalent) | Change in exchange rate in % | Effect on profit before tax(RMB equivalent) | |
| USD | +/-5 | +/-54 | +/-5 | +/-100 | |
| HKD | +/-5 | -/+29 | +/-5 | -/+18 | |

3.2 Interest rate risk

Transaction account interest rate risk comes from the change in interest rates and product price of the transaction account resulting from the change in market interest rates, which in turn affects the profit or loss of the Bank for the year. The Bank mainly manages the interest rate risk of transaction account by adopting measures such as the interest rate sensitive limit and daily and monthly stop-loss limit to ensure that the fluctuations of interest rate and market value of products are within the affordable scope of the Bank.

Bank account interest rate risk comes from the mismatch of the maturity date or contract re-pricing date between interest-earning assets and interest-bearing liabilities. Interest-earning assets and interest-bearing liabilities of the Bank are primarily denominated in RMB. The Bank manages bank account interest rate risk primarily by adjusting the asset/liability pricing structure, regularly monitoring sensitive gaps of interest rate, analyzing characteristics of asset/liability re-pricing, and using an asset/liability management system to conduct scenario analysis on interest risk. The Bank regularly convenes the Asset and Liability Management Committee meetings to adjust the asset/liability structure timely and appropriately and manage bank account interest rate risk by predicting future macroeconomic trends and analyzing base rate policies of the Peoples' Bank of China.

As at 31 December 2022, the contractual re-pricing dates or maturity dates, whichever were earlier, of the Group's balance sheet items were summarized as follows:

| | The Group | | | | | Total |
|---|------------------|--------------------|----------------|----------------|----------------------|------------------|
| | 31 December 2022 | | | | | |
| | Within 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years | Non-interest bearing | |
| Assets: | | | | | | |
| Cash and balances with the Central Bank | 274,300 | - | - | - | 10,977 | 285,277 |
| Precious metals | - | - | - | - | 16,555 | 16,555 |
| Amounts due from banks and other financial institutions (1) | 198,408 | 74,259 | - | - | 1,144 | 273,811 |
| Financial assets held for trading and derivative financial assets | 13,528 | 65,205 | 135,737 | 40,301 | 218,915 | 473,686 |
| Loans and advances to customers | 1,275,523 | 1,501,004 | 432,010 | 22,705 | 11,016 | 3,242,258 |
| Investment on debts | 23,192 | 67,876 | 332,679 | 300,520 | 7,583 | 731,850 |
| Other investment on debts | 13,523 | 50,449 | 93,621 | 13,029 | 1,611 | 172,233 |
| Other equity instrument investment | - | - | - | - | 6,380 | 6,380 |
| Fixed assets | - | - | - | - | 11,083 | 11,083 |
| Goodwill | - | - | - | - | 7,568 | 7,568 |
| Right-of-use assets | - | - | - | - | 6,530 | 6,530 |
| Other assets | - | - | - | - | 94,283 | 94,283 |
| Total assets | 1,798,474 | 1,758,793 | 994,047 | 376,555 | 393,645 | 5,321,514 |
| Liabilities: | | | | | | |
| Borrowings from the Central Bank | 114,988 | 75,131 | - | - | 1,797 | 191,916 |
| Amounts due to banks and other financial institutions (2) | 450,684 | 15,757 | 6,360 | - | 1,062 | 473,863 |
| Financial liabilities held for trading and derivative financial liabilities | 62,494 | - | - | - | 43,085 | 105,579 |
| Deposits from customers | 1,956,399 | 579,921 | 770,391 | - | 45,555 | 3,352,266 |
| Debt securities issued | 213,599 | 346,122 | 129,978 | - | 2,376 | 692,075 |
| Lease liabilities | - | - | - | - | 6,922 | 6,922 |
| Other liabilities | - | - | - | - | 64,213 | 64,213 |
| Total liabilities | 2,798,164 | 1,016,931 | 906,729 | - | 165,010 | 4,886,834 |
| Interest rate risk gap | (999,690) | 741,862 | 87,318 | 376,555 | Not applicable | Not applicable |

(1) Amounts due from banks and other financial institutions included deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.

(2) Amounts due to banks and other financial institutions included deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

2. Liquidity risk (Continued)

3.2 Interest rate risk (Continued)

As at 31 December 2022, the contractual re-pricing dates or maturity dates, whichever were earlier, of the Bank's balance sheet items were summarized as follows:

| | The Bank | | | | | Total |
|---|------------------|--------------------|----------------|----------------|----------------------|------------------|
| | 31 December 2022 | | | | | |
| | Within 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years | Non-interest bearing | |
| Assets: | | | | | | |
| Cash and balances with the Central Bank | 274,300 | - | - | - | 10,977 | 285,277 |
| Precious metals | - | - | - | - | 16,555 | 16,555 |
| Amounts due from banks and other financial institutions (1) | 197,698 | 74,259 | - | - | 1,144 | 273,101 |
| Financial assets held for trading and derivative financial assets | 13,528 | 65,205 | 134,495 | 40,239 | 216,878 | 470,345 |
| Loans and advances to customers | 1,275,523 | 1,501,004 | 432,010 | 22,705 | 11,016 | 3,242,258 |
| Investment on debts | 23,192 | 67,876 | 332,584 | 300,520 | 7,581 | 731,753 |
| Other investment on debts | 13,523 | 49,035 | 92,207 | 13,029 | 1,574 | 169,368 |
| Other equity instrument investment | - | - | - | - | 6,380 | 6,380 |
| Fixed assets | - | - | - | - | 11,054 | 11,054 |
| Goodwill | - | - | - | - | 7,568 | 7,568 |
| Right-of-use assets | - | - | - | - | 6,526 | 6,526 |
| Other assets | - | - | - | - | 98,953 | 98,953 |
| Total assets | 1,797,764 | 1,757,379 | 991,296 | 376,493 | 396,206 | 5,319,138 |
| Liabilities: | | | | | | |
| Borrowings from the Central Bank | 114,988 | 75,131 | - | - | 1,797 | 191,916 |
| Amounts due to banks and other financial institutions (2) | 451,011 | 15,757 | 6,360 | - | 1,062 | 474,190 |
| Financial liabilities held for trading and derivative financial liabilities | 62,494 | - | - | - | 43,085 | 105,579 |
| Deposits from customers | 1,956,403 | 579,921 | 770,391 | - | 45,555 | 3,352,270 |
| Debt securities issued | 213,599 | 346,122 | 129,978 | - | 2,376 | 692,075 |
| Lease liabilities | - | - | - | - | 6,922 | 6,922 |
| Other liabilities | - | - | - | - | 65,165 | 65,165 |
| Total liabilities | 2,798,495 | 1,016,931 | 906,729 | - | 165,962 | 4,888,117 |
| Interest rate risk gap | (1,000,731) | 740,448 | 84,567 | 376,493 | Not applicable | Not applicable |

(1) Amounts due from banks and other financial institutions included deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.

(2) Amounts due to banks and other financial institutions included deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.

As at 31 December 2021, the contractual re-pricing dates or maturity dates, whichever were earlier, of the Group's balance sheet items were summarized as follows:

| | The Group | | | | | Total |
|---|------------------|--------------------|----------------|----------------|----------------------|------------------|
| | 31 December 2021 | | | | | |
| | Within 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years | Non-interest bearing | |
| Assets: | | | | | | |
| Cash and balances with the Central Bank | 297,217 | - | - | - | 14,816 | 312,033 |
| Precious metals | - | - | - | - | 17,820 | 17,820 |
| Amounts due from banks and other financial institutions (1) | 155,438 | 23,164 | - | - | 474 | 179,076 |
| Financial assets held for trading and derivative financial assets | 9,502 | 95,817 | 125,464 | 34,930 | 154,228 | 419,941 |
| Loans and advances to customers | 1,255,445 | 1,269,594 | 437,577 | 11,576 | 10,561 | 2,984,753 |
| Investment on debts | 41,279 | 122,786 | 305,972 | 259,928 | 8,201 | 738,166 |
| Other investment on debts | 10,902 | 29,561 | 88,794 | 21,584 | 1,587 | 152,428 |
| Other equity instrument investment | - | - | - | - | 2,592 | 2,592 |
| Fixed assets | - | - | - | - | 11,974 | 11,974 |
| Goodwill | - | - | - | - | 7,568 | 7,568 |
| Right-of-use assets | - | - | - | - | 6,771 | 6,771 |
| Other assets | - | - | - | - | 88,258 | 88,258 |
| Total assets | 1,769,783 | 1,540,922 | 957,807 | 328,018 | 324,850 | 4,921,380 |
| Liabilities: | | | | | | |
| Borrowings from the Central Bank | 64,519 | 82,055 | - | - | 1,588 | 148,162 |
| Amounts due to banks and other financial institutions (2) | 409,257 | 13,858 | 100 | - | 2,013 | 425,228 |
| Financial liabilities held for trading and derivative financial liabilities | 31,092 | - | - | - | 43,421 | 74,513 |
| Deposits from customers | 1,778,772 | 588,248 | 571,534 | 2,050 | 49,914 | 2,990,518 |
| Debt securities issued | 308,973 | 402,662 | 109,980 | - | 2,319 | 823,934 |
| Lease liabilities | - | - | - | - | 6,968 | 6,968 |
| Other liabilities | - | - | - | - | 56,609 | 56,609 |
| Total liabilities | 2,592,613 | 1,086,823 | 681,614 | 2,050 | 162,832 | 4,525,932 |
| Interest rate risk gap | (822,830) | 454,099 | 276,193 | 325,968 | Not applicable | Not applicable |

(1) Amounts due from banks and other financial institutions included deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.

(2) Amounts due to banks and other financial institutions included deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

2. Liquidity risk (Continued)

3.2 Interest rate risk (Continued)

As at 31 December 2021, the contractual re-pricing dates or maturity dates, whichever were earlier, of the Bank's balance sheet items were summarized as follows:

| | The Bank | | | | | Total |
|---|------------------|--------------------|----------------|----------------|----------------------|------------------|
| | 31 December 2021 | | | | | |
| | Within 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years | Non-interest bearing | |
| Assets: | | | | | | |
| Cash and balances with the Central Bank | 297,217 | - | - | - | 14,816 | 312,033 |
| Precious metals | - | - | - | - | 17,820 | 17,820 |
| Amounts due from banks and other financial institutions (1) | 155,113 | 23,164 | - | - | 474 | 178,751 |
| Financial assets held for trading and derivative financial assets | 9,502 | 95,767 | 124,351 | 34,419 | 153,145 | 417,184 |
| Loans and advances to customers | 1,255,445 | 1,269,594 | 437,577 | 11,576 | 10,561 | 2,984,753 |
| Investment on debts | 41,279 | 121,786 | 305,972 | 259,928 | 8,174 | 737,139 |
| Other investment on debts | 10,902 | 28,959 | 88,404 | 21,584 | 1,577 | 151,426 |
| Other equity instrument investment | - | - | - | - | 2,592 | 2,592 |
| Fixed assets | - | - | - | - | 11,947 | 11,947 |
| Goodwill | - | - | - | - | 7,568 | 7,568 |
| Right-of-use assets | - | - | - | - | 6,743 | 6,743 |
| Other assets | - | - | - | - | 93,117 | 93,117 |
| Total assets | 1,769,458 | 1,539,270 | 956,304 | 327,507 | 328,534 | 4,921,073 |
| Liabilities: | | | | | | |
| Borrowings from the Central Bank | 64,519 | 82,055 | - | - | 1,588 | 148,162 |
| Amounts due to banks and other financial institutions (2) | 410,354 | 13,858 | 100 | - | 2,010 | 426,322 |
| Financial liabilities held for trading and derivative financial liabilities | 31,092 | - | - | - | 43,421 | 74,513 |
| Deposits from customers | 1,778,775 | 588,248 | 571,534 | 2,050 | 49,915 | 2,990,522 |
| Debt securities issued | 308,973 | 402,662 | 109,980 | - | 2,319 | 823,934 |
| Lease liabilities | - | - | - | - | 6,943 | 6,943 |
| Other liabilities | - | - | - | - | 57,010 | 57,010 |
| Total liabilities | 2,593,713 | 1,086,823 | 681,614 | 2,050 | 163,206 | 4,527,406 |
| Interest rate risk gap | (824,255) | 452,447 | 274,690 | 325,457 | Not applicable | Not applicable |

(1) Amounts due from banks and other financial institutions included deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.

(2) Amounts due to banks and other financial institutions included deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.

The Group and the Bank principally use sensitivity analysis to measure and control interest rate risk. In respect of the financial assets and liabilities held for trading, in the opinion of the management, the interest rate risk to the Group and the Bank arising from this portfolio is not significant. For other financial assets and liabilities, the Group and the Bank mainly use a gap analysis to measure and control the related interest rate risk.

As at 31 December 2022 and 31 December 2021, the gap analyses of the financial assets and liabilities (excluding financial assets and liabilities designated at fair value and changes included into the profits and losses) were as follows:

| | The Group | | | |
|---|--|---------|--|---------|
| | 31 December 2022 | | 31 December 2021 | |
| | Changes of interest rates (basis points) | | Changes of interest rates (basis points) | |
| | -50 | +50 | -50 | +50 |
| Effect on the net interest income increase/(decrease) | 2,891 | (2,891) | 2,834 | (2,834) |
| Effect on equity increase/(decrease) | 1,697 | (1,697) | 1,581 | (1,581) |

| | The Bank | | | |
|---|--|---------|--|---------|
| | 31 December 2022 | | 31 December 2021 | |
| | Changes of interest rates (basis points) | | Changes of interest rates (basis points) | |
| | -50 | +50 | -50 | +50 |
| Effect on the net interest income increase/(decrease) | 2,898 | (2,898) | 2,843 | (2,843) |
| Effect on equity increase/(decrease) | 1,680 | (1,680) | 1,577 | (1,577) |

The above gap analyses assume that the interest rate risk profile of the financial assets and liabilities (excluding financial assets and liabilities designated at fair value and changes included into the profits and losses) remains static.

The sensitivity of the net interest income is the effect of a reasonable possible change in interest rates on the net interest income for one year, in respect of the financial assets and liabilities (excluding financial assets and liabilities designated at fair value and changes included into the profits and losses) held by the Group and the Bank at the balance sheet date. The sensitivity of equity is calculated by revaluing the year end portfolio of fixed-rate financial assets designated at fair value and changes included into other comprehensive income, based on a reasonable possible change in interest rates. Impact on income tax has not been considered in calculating the above effect on the net interest income and equity.

The above sensitivity analyses are based on the following assumptions: all assets and liabilities that are re-priced/due within three months (inclusive), and between three months and one year (inclusive) are assumed to be repriced/due in the mid of the respective bands; and there are parallel shifts in the yield curve.

Regarding the above assumptions, the effect on the net interest income and equity of the Group and the Bank as a result of the actual increases or decreases in interest rates may differ from that of the above sensitivity analyses.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

4.Fair value of financial instruments

4.1 Financial assets and liabilities measured at fair value on a recurring basis

The level in which fair value measurement is categorized is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

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 the asset or liability, either directly or indirectly. The sources of the inputs comprise Bloomberg, Reuters, China Bond Market Website and National Equities Exchange and Quotations.

Level 3: Unobservable inputs for the asset or liability.

As at 31 December 2022, the Group's assets measured at fair value on a recurring basis by the above three levels were analyzed below:

| | The Group | | | Total |
|---|---|---|---|----------------|
| | 31 December 2022 | | | |
| | Quoted prices in active markets ("Level 1") | Valuation technique - observable market variables ("Level 2") | Valuation technique - unobservable market variables ("Level 3") | |
| Financial assets: | | | | |
| Placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income | - | 2,777 | - | 2,777 |
| Financial assets held for trading | 3,108 | 441,107 | 1,918 | 446,133 |
| Derivative financial assets | - | 27,553 | - | 27,553 |
| Loans and advances to customers designated at fair value and changes included into other comprehensive income | - | 331,880 | - | 331,880 |
| Other investment on debts | - | 172,233 | - | 172,233 |
| Other equity instrument investment | 2,166 | 1,949 | 2,265 | 6,380 |
| Total | 5,274 | 977,499 | 4,183 | 986,956 |
| Financial liabilities: | | | | |
| Financial liabilities held for trading | 5,766 | 63,288 | - | 69,054 |
| Derivative financial liabilities | - | 36,525 | - | 36,525 |
| Total | 5,766 | 99,813 | - | 105,579 |

As at 31 December 2022, the Bank's assets measured at fair value on a recurring basis by the above three levels were analyzed below:

| | The Bank | | | |
|---|---|---|---|----------------|
| | 31 December 2022 | | | |
| | Quoted prices in active markets ("Level 1") | Valuation technique - observable market variables ("Level 2") | Valuation technique - unobservable market variables ("Level 3") | Total |
| Financial assets: | | | | |
| Placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income | - | 2,777 | - | 2,777 |
| Financial assets held for trading | 1,086 | 439,788 | 1,918 | 442,792 |
| Derivative financial assets | - | 27,553 | - | 27,553 |
| Loans and advances to customers designated at fair value and changes included into other comprehensive income | - | 331,880 | - | 331,880 |
| Other investment on debts | - | 169,368 | - | 169,368 |
| Other equity instrument investment | 2,166 | 1,949 | 2,265 | 6,380 |
| Total | 3,252 | 973,315 | 4,183 | 980,750 |
| Financial liabilities: | | | | |
| Financial liabilities held for trading | 5,766 | 63,288 | - | 69,054 |
| Derivative financial liabilities | - | 36,525 | - | 36,525 |
| Total | 5,766 | 99,813 | - | 105,579 |

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

4.Fair value of financial instruments(Continued)

4.1 Financial assets and liabilities measured at fair value on a recurring basis(Continued)

As at 31 December 2021, the Group's assets measured at fair value on a recurring basis by the above three levels were analyzed below:

| | The Group | | | Total |
|---|---|---|---|----------------|
| | 31 December 2021 | | | |
| | Quoted prices in active markets ("Level 1") | Valuation technique - observable market variables ("Level 2") | Valuation technique - unobservable market variables ("Level 3") | |
| Financial assets: | | | | |
| Placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income | - | 11,228 | - | 11,228 |
| Financial assets held for trading | 1,721 | 386,163 | 1,819 | 389,703 |
| Derivative financial assets | - | 30,238 | - | 30,238 |
| Loans and advances to customers designated at fair value and changes included into other comprehensive income | - | 248,054 | - | 248,054 |
| Other investment on debts | - | 152,428 | - | 152,428 |
| Other equity instrument investment | 326 | 1 | 2,265 | 2,592 |
| Total | 2,047 | 828,112 | 4,084 | 834,243 |
| Financial liabilities: | | | | |
| Financial liabilities held for trading | 11,923 | 31,498 | - | 43,421 |
| Derivative financial liabilities | - | 31,092 | - | 31,092 |
| Total | 11,923 | 62,590 | - | 74,513 |

As at 31 December 2021, the Bank's assets measured at fair value on a recurring basis by the above three levels were analyzed below:

| | The Bank | | | Total |
|---|---|---|---|----------------|
| | 31 December 2021 | | | |
| | Quoted prices in active markets ("Level 1") | Valuation technique - observable market variables ("Level 2") | Valuation technique - unobservable market variables ("Level 3") | |
| Financial assets: | | | | |
| Placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income | - | 11,228 | - | 11,228 |
| Financial assets held for trading | 658 | 384,469 | 1,819 | 386,946 |
| Derivative financial assets | - | 30,238 | - | 30,238 |
| Loans and advances to customers designated at fair value and changes included into other comprehensive income | - | 248,054 | - | 248,054 |
| Other investment on debts | - | 151,426 | - | 151,426 |
| Other equity instrument investment | 326 | 1 | 2,265 | 2,592 |
| Total | 984 | 825,416 | 4,084 | 830,484 |
| Financial liabilities: | | | | |
| Financial liabilities held for trading | 11,923 | 31,498 | - | 43,421 |
| Derivative financial liabilities | - | 31,092 | - | 31,092 |
| Total | 11,923 | 62,590 | - | 74,513 |

The Group and the Bank take the date on which events causing the transfers between the levels take place as the timing specific for recognizing the transfers. For the year ended 31 December 2022, the Group and the Bank had no transfer between Level 1 and Level 2.

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of those not traded in an active market is determined by the Group and the Bank using valuation techniques.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

4.Fair value of financial instruments(Continued)

4.1 Financial assets and liabilities measured at fair value on a recurring basis(Continued)

Financial instruments classified to Level 2 are mainly investments in bonds, derivatives, inter-bank borrowings, loans and advances to customers designated at fair value and changes included into other comprehensive income, etc. The fair value of RMB denominated bonds is determined based on the valuation result from the China Central Depository & Clearing Co., Ltd. while the fair value of the foreign currency denominated bonds is determined based on the valuation results published by Bloomberg. Derivative financial instruments are mainly evaluated using the discounted cash flow method and the Black-Scholes Model, etc. Inter-bank borrowings as well as loans and advances to customers designated at fair value and changes included into other comprehensive income are evaluated using the discounted cash flow method. All significant parameters used valuation techniques which was observable market information.

Financial instruments classified to Level 3 are mainly private equity. The valuation methods used mainly comprise market method. The unobservable parameters used mainly include discount rate and liquidity discount, etc.

The Group and the Bank had no financial assets or liabilities that were not measured at fair value on a recurring basis as at 31 December 2022 and 31 December 2021.

The changes in Level 3 financial assets are analyzed below:

| | 2022 | |
|--|-----------------------------------|---------------------------------------|
| | The Group and the Bank | |
| | Financial assets held for trading | Other equity in-instrument investment |
| 1 January 2022 | 1,819 | 2,265 |
| Increase | 135 | 334 |
| Decrease | (16) | - |
| Gains recognized in profit or loss | (20) | - |
| Gains recognized in other comprehensive income | - | (334) |
| 31 December 2022 | 1,918 | 2,265 |

4.2 Financial assets and liabilities not measured at fair value

Financial assets and liabilities that are not measured at fair value include: balances with the Central Bank, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions measured at amortized cost, financial assets held under resale agreements, loans and advances to customers measured at amortized cost, investment on debts, borrowings from the Central Bank, deposits from banks and other financial institutions, placements from banks and other financial institutions, proceeds from financial assets sold under repurchase agreements, deposits from customers, debt securities issued, etc.

The following table summarizes the carrying amount and fair value of the investment on debts and debt securities issued that are not measured or disclosed at fair value:

| The Group | | | | | |
|------------------------|------------|---------|---------|-------|---------|
| 31 December 2022 | | | | | |
| Carrying amount | Fair value | | | Total | |
| | Level 1 | Level 2 | Level 3 | | |
| Investment on debts | 731,850 | - | 743,946 | - | 743,946 |
| Debt securities issued | 692,075 | - | 689,459 | - | 689,459 |

| The Bank | | | | | |
|------------------------|------------|---------|---------|-------|---------|
| 31 December 2022 | | | | | |
| Carrying amount | Fair value | | | Total | |
| | Level 1 | Level 2 | Level 3 | | |
| Investment on debts | 731,753 | - | 743,846 | - | 743,846 |
| Debt securities issued | 692,075 | - | 689,459 | - | 689,459 |

| The Group | | | | | |
|------------------------|------------|---------|---------|-------|---------|
| 31 December 2021 | | | | | |
| Carrying amount | Fair value | | | Total | |
| | Level 1 | Level 2 | Level 3 | | |
| Investment on debts | 738,166 | - | 748,524 | 1,027 | 749,551 |
| Debt securities issued | 823,934 | - | 823,946 | - | 823,946 |

| The Bank | | | | | |
|------------------------|------------|---------|---------|-------|---------|
| 31 December 2021 | | | | | |
| Carrying amount | Fair value | | | Total | |
| | Level 1 | Level 2 | Level 3 | | |
| Investment on debts | 737,139 | - | 748,524 | - | 748,524 |
| Debt securities issued | 823,934 | - | 823,946 | - | 823,946 |

(1) If the fair value of investment on debts is determined based on quoted market prices, it is presented in Level 1. If relevant market information cannot be obtained for investment on debts, discounted cash flow model is used to carry on the valuation, or where applicable, the quoted price with similar credit risk, maturity and yield is used, the fair value is presented in Level 2 and Level 3.

(2) If the fair value of debt securities issued is determined based on quoted market prices, it is presented in Level 1. If all the significant inputs in calculating the fair value of debt securities issued are observable, the fair value is presented in Level 2.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

4.Fair value of financial instruments(Continued)

4.2 Financial assets and liabilities not measured at fair value(Continued)

Discounted future cash flow method is used to determine the financial assets and financial liabilities that are not measured at fair value other than the above. As the periods for these financial instruments are short or their interest rates float based on the market interest rate, there are no significant differences between their carrying amounts and fair values:

| <u>Assets</u> | <u>Liabilities</u> |
|--|--|
| Balances with the Central Bank | Borrowings from the Central Bank |
| Deposits with banks and other financial institutions | Deposits from banks and other financial institutions |
| Placements with and loans to banks and other financial institutions measured at amortized cost | Placements from banks and other financial institutions |
| Financial assets held under resale agreements | Financial assets sold under repurchase agreements |
| Loans and advances to customers measured at amortized cost | Deposits from customers |
| Other financial assets | Other financial liabilities |

IX. Related party relationship and transactions

1. Major related party relationship

(1) The parent company:

| Name | Place of registration | Percentage of equity interest held | |
|--|-----------------------|------------------------------------|------------------|
| | | 31 December 2022 | 31 December 2021 |
| Ping An Insurance (Group) Company of China, Ltd. | Shen-zhen, PRC | 58% | 58% |

Ping An Insurance (Group) Company of China, Ltd. (hereafter referred to as "China Ping An") was established in Shenzhen, the People's Republic of China on 21 March 1988. The business scope of China Ping An includes investment in insurance business; supervision and management of various domestic and international businesses of investment holding enterprises; management of insurance funds; conducting of domestic and international insurance businesses with the approval; conducting of other businesses approved by the China Insurance Regulatory Commission and the relevant state departments.

As at 31 December 2022 and 31 December 2021, China Ping An and its subsidiary, Ping An Life Insurance Company of China, Ltd. (hereinafter referred to as "Ping An Life Insurance") owned 58% of the Bank totally. Specifically, China Ping An and Ping An Life Insurance owned 49.56% and 8.44% of the Bank respectively.

(2) Subsidiaries:

For the subsidiaries, please refer to Note IV 11.

(3) Other major shareholders:

| Name | Relationship with the Group |
|---|--|
| China Electronics Investment Shenzhen Company | Shareholder that holds less than 5% of the equity interests of the Group and dispatches directors to the Group |
| Shenzhen Yingzhongtai Invest-ment Co., Ltd. | Shareholder that holds less than 5% of the equity interests of the Group and dispatches supervisors to the Group |

The transactions between the Group and its parent company and related parties, other major shareholders and their related parties are processed according to the normal commercial terms and business procedures. The above related parties mainly refer to subsidiaries, associates, joint ventures, key management personnel, etc. Key management personnel refer to the personnel that have the authority and responsibility to plan, direct and control business activities, including directors, supervisors and senior management of the Group.

Notes to the Financial Statements

For the year ended 31 December 2022
(All amounts in RMB million unless otherwise stated)

IX. Related party relationships and transactions (Continued)

2. Major transactions between the Group and China Ping An and its related parties during the year are as follows:

| Balance at the end of the year | 31 December 2022 | 31 December 2021 |
|--|------------------|------------------|
| Derivative financial assets | 120 | 383 |
| Loans and advances to customers | 15,728 | 15,843 |
| Investment on debts | 3,226 | 2,674 |
| Right-of-use assets | 1,343 | 1,034 |
| Other assets | 734 | 198 |
| Deposits from banks and other financial institutions | 22,186 | 24,735 |
| Derivative financial liabilities | 637 | 333 |
| Deposits from customers | 63,626 | 75,844 |
| Lease liabilities | 1,407 | 1,024 |
| Other liabilities | 1,738 | 1,161 |
| Letters of guarantee issued | 1,500 | 1,980 |
| Letters of guarantee under comprehensive financial business (Note 1) | 8,000 | 8,000 |
| Other equity instruments (Note 2) | 11,589 | 11,589 |

| Transactions during the year | 2022 | 2021 |
|---|-------|-------|
| Interest income from loans and advances to customers | 624 | 589 |
| Agency service fee income | 2,525 | 2,350 |
| Asset custody service fee income | 95 | 86 |
| Investment income | (11) | 186 |
| Interest expenses on deposits from banks and other financial institutions | 577 | 563 |
| Interest expenses for transactions between financial enterprises | 50 | 118 |
| Interest expenses of deposits from customers | 1,073 | 927 |
| Interest expenses of lease liabilities | 105 | 62 |
| Service fee expenditure (Note 3) | 7,010 | 8,595 |
| Depreciation expenses of right-of-use assets | 518 | 334 |
| Gains or losses on changes in fair value | (201) | 3 |
| Exchange gains or losses | (342) | 66 |

Note 1: For the purpose of letters of guarantee under comprehensive financial business, Ping An Group raises funds to establish debt investment plans in order to loan to the client for investing certain projects, where the Group issues financing guarantee, and Ping An Group acts as beneficiaries. The Group provides letters of guarantee based on credit granting to the borrowers, whose credit granting risk control measures are primarily based on the guarantee provided by the borrowers.

Note 2: On 7 March 2016, the Group issued 200 million preference shares at par, with a total amount of RMB20 billion. The net amount of raised money excluding issuance expenses amounted to RMB19,953 million. Ping An Group subscribed to RMB11.6 billion of the total amount, and the actual subscription amount excluding issuance expenses amounted to RMB11,589 million. On 7 March 2022, the Group distributed a total amount of dividends on preference shares amounting to RMB507 million to Ping An Group, and the nominal dividend rate was 4.37%.

Note 3: Service fee expenditure is mainly arising from the use of Ping An Group's Wanlitong credit card reward platform service, network platform service fee, the use of communication service, etc.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

IX. Related party relationships and transactions (Continued)

3. Major transactions with its controlling subsidiaries during the year are listed below:

| Balance at the end of the year | 31 December 2022 | 31 December 2021 |
|--|------------------|------------------|
| Deposits from banks and other financial institutions | 327 | 1,094 |
| Deposits from customers | 4 | 4 |
| Other liabilities | 1,919 | 975 |

| Transactions during the year | 2022 | 2021 |
|---|-------|-------|
| Interest expenses on deposits from banks and other financial institutions | 16 | 7 |
| Fee and commission expenses | 2,196 | 2,181 |

4. Major transactions between the Group and other major shareholders and their related parties during the year are as follows:

| Balance at the end of the year | 31 December 2022 | 31 December 2021 |
|--------------------------------|------------------|------------------|
| Deposits from customers | 3 | 5 |

5. Major transactions with the key management personnel during the year are listed below:

| Loans | 2022 | 2021 |
|--------------------------------------|------|------|
| Balance at the beginning of the year | 3 | 21 |
| Increase in the current year | - | - |
| Decrease in the current year | - | (18) |
| Balance at the end of the year | 3 | 3 |

As at 31 December 2022, the annual interest rate of these loan transactions was from 1.13% to 3.08% (31 December 2021: from 1.13% to 4.02%).

| Deposits | 2022 | 2021 |
|--------------------------------------|-------|-------|
| Balance at the beginning of the year | 21 | 24 |
| Increase in the current year | 621 | 290 |
| Decrease in the current year | (590) | (293) |
| Balance at the end of the year | 52 | 21 |

The above deposit transactions were processed according to the normal commercial terms and business procedures.

6.Details of the compensation for key management personnel are as follows:

| | 2022 | 2021 |
|---|------|------|
| Salaries and other short-term employee benefits | 30 | 33 |
| Post-employment benefits | 1 | 1 |
| Total | 31 | 34 |

As at 31 December 2022, the Group did not authorize a balance of total credit facility for entities which are controlled, jointly controlled or significantly influenced relating to the key management personnel of the Group or their close family members (31 December 2021: Nil); there were no utilized credit limit and no balance of loans and advances to customers (31 December 2021: no utilized credit limit and no balance of loans and advances to customers). As at 31 December 2022, the Group took a deposit amounting to RMB5,309 million from the above associates (31 December 2021: RMB7,663 million). The above do not include related party transactions between the Group and China Ping An and its related parties.

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

X. Events after the balance sheet date

As at 25 February 2023, the Bank issued the interest on perpetual bonds amounting to RMB1,155 million at 3.85%, the bond interest rate for the calculation period as determined by the terms of the first tranche of non-fixed term capital bonds in 2020.

As approved by the 5th meeting of the 12th session of the Board of Directors of the Bank on 27 February 2023, the Bank distributed RMB4.37 (inclusive of tax) per preference share as dividends based on the amount of issued preference shares of 200 million (with a face value of RMB100 per share), and calculated with a nominal dividend rate of 4.37%. The calculation period for the dividends on preference shares was from 7 March 2022 to 6 March 2023. The dividends date was 7 March 2023. The total amount of the dividends distributed was RMB874 million (inclusive of tax). The Bank distributed dividends directly to preference shareholders.

As approved by the 6th meeting of the 12th session of the Board of Directors of the Bank on 8 March 2023, the Bank proposed to distribute a cash dividend of RMB2.85 (inclusive of tax) for every 10 shares based on the total share capital of 19,406 million shares as at 31 December 2022 after the appropriation to general reserve. The cash dividends proposed to distribute totaled RMB5,531 million. The above dividend distribution scheme was pending for approval by the general meeting of shareholders.

XI. Comparative information

To conform to the presentation of these financial statements, the Group has adjusted the presentation of certain comparative figures.

XII. Other significant items

Assets and liabilities measured at fair value

| | The Group | | | |
|---|-------------------|---|---|---------------------|
| | 2022 | | | |
| | 1 January 2022 | Gains or losses on changes in fair value during the year | Changes in fair value charged to other compre- hensive income | 31 December 2022 |
| Assets: | | | | |
| Precious metals | 17,820 | 3,463 | - | 16,555 |
| Placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income | 11,228 | - | 2 | 2,777 |
| Financial assets held for trading | 389,703 | 746 | - | 446,133 |
| Derivative financial assets | 30,238 | (2,690) | - | 27,553 |
| Loans and advances to customers designated at fair value and changes included into other comprehensive income | 248,054 | - | - | 331,880 |
| Other investment on debts | 152,428 | - | (357) | 172,233 |
| Other equity instrument investment | 2,592 | - | (803) | 6,380 |
| Total | 852,063 | 1,519 | (1,158) | 1,003,511 |
| Liabilities: | | | | |
| Financial liabilities held for trading | 43,421 | 71 | - | 69,054 |
| Derivative financial liabilities | 31,092 | 5,025 | - | 36,525 |
| Total | 74,513 | 5,096 | - | 105,579 |

Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

XII. Other significant items (Continued)

Assets and liabilities measured at fair value (Continued)

| | The Bank | | | 31 December 2022 |
|---|----------------|--|---|------------------|
| | 1 January 2022 | Gains or losses on changes in fair value during the year | Changes in fair value charged to other comprehensive income | |
| Assets: | | | | |
| Precious metals | 17,820 | 3,463 | - | 16,555 |
| Placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income | 11,228 | - | 2 | 2,777 |
| Financial assets held for trading | 386,946 | 903 | - | 442,792 |
| Derivative financial assets | 30,238 | (2,690) | - | 27,553 |
| Loans and advances to customers designated at fair value and changes included into other comprehensive income | 248,054 | - | - | 331,880 |
| Other investment on debts | 151,426 | - | (352) | 169,368 |
| Other equity instrument investment | 2,592 | - | (803) | 6,380 |
| Total | 848,304 | 1,676 | (1,153) | 997,305 |
| Liabilities: | | | | |
| Financial liabilities held for trading | 43,421 | 71 | - | 69,054 |
| Derivative financial liabilities | 31,092 | 5,025 | - | 36,525 |
| Total | 74,513 | 5,096 | - | 105,579 |

Supplementary Information to Financial Statements

Year ended 31 December 2022

(All amounts in RMB million unless otherwise stated)

Appendix: Supplementary information to financial statements

Return on net assets and earnings per share

| 2022 | Return on net assets | Earnings per share (RMB/share) | |
|--|----------------------|--------------------------------|---------|
| | Weighted average | Basic | Diluted |
| Net profit attributable to ordinary shareholders of the Bank | 12.36% | 2.20 | 2.20 |
| Net profit attributable to ordinary shareholders of the Bank after deduction of non-recurring profit or loss | 12.33% | 2.19 | 2.19 |

| 2021 | Return on net assets | Earnings per share (RMB/share) | |
|--|----------------------|--------------------------------|---------|
| | Weighted average | Basic | Diluted |
| Net profit attributable to ordinary shareholders of the Bank | 10.85% | 1.73 | 1.73 |
| Net profit attributable to ordinary shareholders of the Bank after deduction of non-recurring profit or loss | 10.82% | 1.72 | 1.72 |

Including net profit attributable to the equity holders excluding non-recurring profit or loss:

| | 2022 | 2021 |
|--|---------|---------|
| Net profit for the current year attributable to shareholders of the Bank | 45,516 | 36,336 |
| Less: Dividends on preference shares declared by the Bank | (874) | (874) |
| Interest on perpetual bonds of the Bank | (1,975) | (1,975) |
| Net profit attributable to ordinary shareholders of the Bank | 42,667 | 33,487 |
| Add/(Less): Non-recurring gains or losses | | |
| Net gains or losses from disposal of non-current assets | (152) | (16) |
| Gains/losses on contingencies | 75 | 9 |
| Other net gains or losses | (68) | (127) |
| Income tax effect | 36 | 28 |
| Net profit attributable to ordinary shareholders of the Bank after deduction of non-recurring profit or loss | 42,558 | 33,381 |

The above return on net assets and earnings per share are calculated in accordance with the rules stipulated in the Regulation on Information Disclosure of Public Companies No. 9 as revised by the China Securities Regulatory Commission on 11 January 2010. The non-recurring gains or losses are calculated in accordance with the rules stipulated in the CSRC Announcement [2008] No. 43 Interpretation of Information Disclosure of Public Companies No. 1 - Non-recurring Gains or Losses, effective from 1 December 2008.

The gains or losses on changes in fair value of financial assets and liabilities held for trading in the Group's ordinary course of business, and investment income arising from disposal of investment on debts, other investment on debts, non-equity investment in financial assets held for trading and financial liabilities held for trading are not disclosed as non-recurring gains or losses.

List of Documents Available for Inspection

1. The accounting statements sealed and signed by the Chairman, President, Vice President and CFO, and the person in charge of the accounting institution.
2. The original copy of the audit report sealed by the accounting firm and sealed and signed by the certified public accountants.
3. The originals of the Bank's documents and announcements which have been publicly disclosed during the reporting period.

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