



**东莞农村商业银行**  
**DRC Bank**

**東莞農村商業銀行股份有限公司**  
**Dongguan Rural Commercial Bank Co., Ltd.**

(A joint stock company incorporated in the People's Republic of China with limited liability)  
Stock Code: 9889

# 2022

## Annual Report

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\* Dongguan Rural Commercial Bank Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and/or deposit-taking business in Hong Kong.

# Important Notice



The Board of Directors, the Board of Supervisors and the Directors, Supervisors and senior management of the Bank hereby confirm the truthfulness, accuracy and completeness of the contents of this annual report and that there are no false representations, misleading statements or material omissions, and jointly and severally assume liability for the information hereof.

On March 29, 2023, the 65th meeting of the fourth session of the Board of Directors of the Bank was held at the conference room of Dongguan Rural Commercial Bank Building. It considered and approved the Motion on Approving the 2022 Annual Report of Dongguan Rural Commercial Bank Co., Ltd. 17 Directors were eligible for attending the meeting and 16 were present in person and one Director was present by proxy. One Supervisors attended the meeting. The convening of the meeting is in compliance with relevant requirements of the Company Law of the People's Republic of China and the Articles of Association of Dongguan Rural Commercial Bank Co., Ltd. This annual report was considered and approved by the Audit Committee of the Board of Directors of the Bank.

The 2022 annual financial report prepared in accordance with International Financial Reporting Standards has been audited by our auditor KPMG, who has issued a standard auditor's report with unqualified opinion.

Mr. Wang Yaoqiu, the legal representative and chairman of the Bank, Mr. Fu Qiang, the president, Mr. Zhong Guobo, the person-in-charge of accounting, and Ms. Zhong Xuemei, the head of the accounting department, hereby declare and assure the truthfulness, accuracy, and completeness of the financial reports in this Report.

The Bank proposed to (i) provide 10% or RMB586 million of the audited net profit of the Bank for the year of 2022 as statutory surplus reserve, (ii) provide 10% or RMB586 million of the net profit as general reserve and (iii) based on total share capital, cash dividends of RMB0.29 per share (tax inclusive). Remaining undistributed profit will be carried forward to next year. The implementation of the above profit distribution plan is subject to consideration and approval at the 2022 annual general meeting. The dividend, if approved by the Shareholders at the 2022 annual general meeting, is expected to be paid on or before June 30, 2023. Further details in relation to the distribution of the final dividend and the book closure arrangement will be announced in the circular of 2022 annual general meeting of the Bank.

The forward-looking statements included in this Report are based on current plans, estimates and projections. Although the Board of Directors believes that the expectations reflected in these forward-looking statements are reasonable, the Board of Directors gives no assurance that these expectations will be realized or proved to be correct and these statements should not be considered as commitment of the Group. Investors and persons concerned should be fully aware of the risks and understand the difference among plans, estimates and commitments.

During the Reporting Period, the Bank was not aware of any material risk that would adversely affect its future development strategies and business targets. Details of the major risks to which the Bank was exposed in its operations and management and the corresponding measures adopted by the Bank are described in this Report. Please refer to the information in the "Risk Management" section in the "Management Discussion and Analysis" chapter of this Report.

Under different circumstances, this Report discloses relevant information on Group basis or at level of the Bank only. Therefore, there exists inconsistency between the data of the "Group" and the "Bank" and such inconsistency is not due to data error, but due to the difference in the scope of the data. Unless otherwise specified, the financial information set out in this Report represents the consolidated data from the financial statements of the Bank together with its subsidiaries, namely Huizhou Zhongkai Dongying County Bank Company Limited, Yunfu Xinxing Dongying County Bank Company Limited, Dongguan Dalang Dongying County Bank Company Limited, Hezhou Babu Dongying County Bank Company Limited, Zhanjiang Rural Commercial Bank Co., Ltd. and Guangdong Chaoyang Rural Commercial Bank Co., Ltd.

There may be discrepancies between the arithmetic sum of certain breakdowns and the corresponding total amount, which is due to rounding rather than data error. To conform with the presentation of the financial statements of 2022, the Group has made reclassification adjustments to certain figures for the comparative period.

This Report is prepared in Chinese and English. If there is any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

# Definitions



## Definitions of commonly used terms in this Report

“133” project	the Dongguan Rural Commercial Bank “133” project on rural revitalization financial services, that is, focusing on the goal of the rural revitalization strategy, to promote high-quality and efficient agriculture, promote rural livability and industry, and promote the prosperity of farmers, and fully implement the three dispatch systems of dispatching rural revitalization financial instructors, party building and co-construction liaisons, and inclusive financial service personnel
“1+12348” strategic plan	the Outline of the Second Three-Year Development Plan for the Third Transformation of Dongguan Rural Commercial Bank Co., Ltd. (2021-2023), which is, with “leading high-quality development with high-quality Party building” as one guidance, building a “regional modern rural commercial bank group” as one goal; implementation of digitalization and grouping as the two major starting points; implementation of technology, talent and capital as three major drivers; building a core competitiveness system of “four beams and eight pillars (四樑八柱)”, including a core customer management system based on “grid + scenario”, the core business system based on “market share + profitability”, the comprehensive risk management system based on “compliance operation + risk management and control” and the organizational management system based on “incentive and restraint + corporate culture”
“1+3+N”	the marketing model of “1” core enterprise, project or platform as the entry point, extending financial services to its “Three-chain” of industrial chain, supply chain and value chain and the “Three circles” of family circle, business circle, and friends circle of individual customers such as enterprise owners and major shareholders, as well as the “N” relates to small and micro enterprises and retail banking customers on their chains
“Articles of Association” or “Articles” or “Articles of Association of the Bank”	unless otherwise indicated in the context, the articles of association of the Bank currently in force
“Bank” or “our Bank” or “Dongguan Rural Commercial Bank”	Dongguan Rural Commercial Bank Co., Ltd. (東莞農村商業銀行股份有限公司), a joint stock company established on December 22, 2009 through restructuring in the PRC with limited liability, and includes its predecessor, branches and sub-branches (for the avoidance of doubt, excluding its subsidiaries)
“Board of Directors”	the board of Directors of our Bank
“Board of Supervisors”	the board of Supervisors of our Bank
“CBIRC”	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)

## Definitions

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“CBRC”	the China Banking Regulatory Commission (中國銀行業監督管理委員會), which has merged with China Insurance Regulatory Commission to establish the CBIRC in accordance with the Notice of the State Council on the Setup of Institutions (Guo Fa [2018] No. 6) (國務院關於機構設置的通知(國發[2018]6號)) issued by the State Council on March 24, 2018
“Chaoyang Rural Commercial Bank” or “Chaoyang RCB”	Guangdong Chaoyang Rural Commercial Bank Co., Ltd. (廣東潮陽農村商業銀行股份有限公司), a joint stock company incorporated on December 27, 2020 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank
“Puning Rural Commercial Bank” or “Puning RCB”	Guangdong Puning Rural Commercial Bank Co., Ltd. (廣東普寧農村商業銀行股份有限公司), an institution that the Bank is entrusted by the Dongguan Municipal Government to oversee
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules, as current in force
“Director(s)”	the director(s) of our Bank
“Domestic Share(s)”	ordinary share(s) issued by our Bank in the mainland of the PRC
“Domestic Shareholder(s)”	holder(s) of Domestic Share(s)
“Dongguan Dalang Dongying County Bank”	Dongguan Dalang Dongying County Bank Company Limited (東莞大朗東盈村鎮銀行股份有限公司), a company incorporated on June 25, 2012 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank
“Global Offering”	the offering of a total of 1,148,091,000 H Shares as described in the prospectus of the Bank dated September 16, 2021
“Group” or “we” or “us”	the Bank and its subsidiaries
“H Share(s)”	ordinary share(s) issued by our Bank in Hong Kong, PRC
“H Shareholder(s)”	holder(s) of H Share(s)
“Hezhou Babu Dongying County Bank”	Hezhou Babu Dongying County Bank Company Limited (賀州八步東盈村鎮銀行股份有限公司), a company incorporated on August 8, 2012 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

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“Huizhou Zhongkai Dongying County Bank”	Huizhou Zhongkai Dongying County Bank Company Limited (惠州仲愷東盈村鎮銀行股份有限公司), a joint stock company incorporated on December 13, 2010 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise amended from time to time
“Latest Practicable Date”	March 28, 2023, being the latest practicable date prior to the printing of this annual report for ascertaining certain information contained herein
“Model Code”	the Model Code for Securities Transaction by Directors of Listed Issuers set forth in Appendix 10 to the Listing Rules
“Non-performing loan(s)” or “NPL(s)”	loans classified as substandard, doubtful and loss under our five-level loan classification system, with reference to the Guidelines of Risk-based Classification of Loans issued by CBRC in 2007
“One Core with Two Wings”	refers to the strategic layout where Guangdong-Hong Kong-Macao Greater Bay Area is regarded as the core, and east and west of Guangdong as the two wings of the Bank, forming a new pattern of regional group operation that takes root in Dongguan, serves the Guangdong-Hong Kong-Macao Greater Bay Area, and radiates across Guangdong Province
“PBoC” or “Central Bank”	The People’s Bank of China, the central bank of the PRC
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Reporting Period”	the year ended December 31, 2022
“Sannong”	the Chinese acronym of, collectively, nongye (agriculture), nongcun (rural areas) and nongmin (farmers)
“SFO”	unless otherwise indicated in the context, the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) currently in force
“Share(s)”	ordinary share(s) of the Bank, including Domestic Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of Share(s), including Domestic Shareholder(s) and H Shareholder(s)
“SME(s)”	collectively, small and micro enterprise(s) by number of employees, operating revenue, total assets and other indicators in accordance with the 2017 Measures for Classification of Large, Medium, SMEs for the Purpose of Statistics (《統計上大中小微型企業劃分辦法(2017)》) issued by the National Bureau of Statistics of China

## Definitions

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“Supervisor(s)”	the supervisor(s) of our Bank
“Report” or “this Report”	2022 Annual Report of Dongguan Rural Commercial Bank Co., Ltd.
“Three-chain”	the customer groups of industrial chain, supply chain and value chain of modern manufacturing enterprises
“Three-innovation”	the customer groups of start-up entrepreneurs, innovative research and development institutions, and advanced technology manufacturer
“Three major personnel” stationing system	refers to the grass-root work system that Dongguan Rural Commercial Bank uses to provide rural revitalization financial services, in which branches of the Bank dispatch service personnel to all administrative villages and communities within their jurisdiction, to serve as revitalization financial instructors, party building and co-construction liaisons, and inclusive financial service personnel
“three threes (三個三)”	refers to the management system of core customer groups, including the modern “Sannong”, the “Three-chain” of modern manufacturing, and the “Three-innovation” of SMEs
“Yunfu Xinxing Dongying County Bank”	Yunfu Xinxing Dongying County Bank Company Limited (雲浮新興東盈村鎮銀行股份有限公司), a joint stock company incorporated on December 23, 2011 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank
“Zhanjiang Rural Commercial Bank” or “Zhanjiang RCB”	Zhanjiang Rural Commercial Bank Co., Ltd. (湛江農村商業銀行股份有限公司), a joint stock company incorporated on October 26, 2019 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank

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# Chairman's Statement



### EMBARKING ON A NEW JOURNEY FOR HIGH-QUALITY DEVELOPMENT WITH GREAT DETERMINATION

2022 was truly extraordinary and valuable. We embraced the success of the 20th National Congress of the Communist Party of China, which began our new journey with honor and dream in a new era. Furthermore, in the first year following its listing, the Bank made breakthroughs in its push for reform and development on a new track featuring the new system for the Group's development and the new system for listed banks (the "Double New"). We stayed true to the mission of serving the real economy with great determination for maximizing value for customers. We were always on track for high-quality development and sustained the balance between quality and scale effect. In 2022, we refreshed our drive in transformation for development on the back of government support, the guidance of regulators, the trust of customers, and the expectations of shareholders. These together encouraged us to move towards high-quality development.

**During the year, we kept going on the way for better performance.** The total assets of the Group steadily increased to RMB657.690 billion, the balance of deposits amounted to RMB459.163 billion, and the balance of loans amounted to RMB331.998 billion, maintaining the forefront of the industry; the net profit was RMB6.083 billion, representing an increase of 6.66%, with ROA and ROE of 0.97% and 11.72% respectively, indicating a pickup in operating benefits and on-the-rise profitability; the Group's non-performing loan ratio was 0.90% and the provision coverage rate was 373.83%. This proved that asset quality remained excellent, and the risk was controllable overall. Meanwhile, the Bank ranked 215th in global banking and 39th in China, and ranked among the "Hurun China 500 Most Valuable Private Companies 2022" and the "Forbes 2022 Global 2000", and the brand value of the Bank was therefore further enhanced. In addition, the Bank has been honored with titles issued by governmental departments, regulators and authoritative media, making it more influential in the brand and the industry.

**During the year, we forged ahead on innovation and made greater achievement.** The group-based development ushered in a higher level. The overseeing authority of the Bank was changed to the local government. We was entrusted to assist in overseeing Puning RCB. We strove to ensure the robust operation of all our subsidiaries. The operation pattern for regional modern rural commercial banks has been taking shape, with widely-recognized value potential and prospects. The digital transformation witnessed further vitality. We set up a professional data management department to accelerate digital transformation by data management and empowerment. That meant offering caring services to customer groups, empowering business innovation, and deepening branch transformation digitally. This is how we can steadily enhance the capacity for data management, coordinating innovation awareness and the efficiency of bank services.

**During the year, we shouldered the responsibility for serving the real economy.** Standing at the new starting point on the "Double New" track as a "Double 10,000 (雙萬)", we strove to serve the real economy. Specifically, the balance of loans granted by the Bank to the manufacturing industry and relevant industries was over RMB48.3 billion, representing an increase of 22.84% from the beginning of the year. For years, the loans granted to the manufacturing industry continued to rank first in terms of loans granted to various industries issued by the Bank, financing the big picture of province-wide high-quality development and Dongguan's drive for manufacturing as its pillar industry. The Bank further deepened the implementation of the "133" project of rural revitalization financial services. The balance of loans to "Sannong" was RMB66.7 billion, up 18.51% from the beginning of the year, and the balance of the inclusive loans to micro and small-sized enterprises was RMB32.9 billion, up 23.96% from the beginning of the year. We were committed to the "last meter" for the delivery of financial services to factories and villages. We contributed our great effort on supporting economic

recovery and business development, and have earmarked RMB80.0 billion for bailing out enterprises and individuals in need in the past three years. This is how we can stay true to the mission of financing the public by serving the real economy.

At the very beginning of 2023, we embraced the first year of implementing the guiding principles of the 20th National Congress of the Communist Party of China, and the final year for the Outline of the Second Three-Year Development Plan for the Third Transformation of the Group. We stayed committed to the mission of serving the real economy and shouldered the responsibility for supporting agriculture, small businesses and industries, and the public. We prioritized high-quality development through a solid beginning.

**We focused on serving the real economy by empowering manufacturing as a pillar industry.** To further vitalize the high-quality development of the real economy, we will focus on the major industries and contribute to the big picture. We will launch the integrated financial service plan for the major industries featuring “technology innovation + advanced manufacturing”, and provide support for the strategic emerging industries and the “specialized, refinement, differential, innovation” enterprises, industrial parks and urban upgrading projects. In addition, we will optimize the full-life-cycle services for the industry cluster enterprises to support the efforts in a modern industrial system. This will better drive the high-quality development in Guangdong and underpin the industry in Dongguan with manufacturing at its very core. We will commit ourselves to the push for quality and efficiency through precise empowerment. To make it happen, we will bail out micro, small and medium-sized enterprises in financing by reducing interest rates and extending repayment of the principal and interest. Meanwhile, we will visit villages, streets and alleys, factories and shops to serve village groups (communities). The efforts will optimize the process and innovate products, helping micro and small-sized enterprises with their steady operation and development for the maximum value of inclusive finance.

**We will ground our efforts in serving modern “Sannong” to fully support rural revitalization.** “The High-Quality Development Project Covering Every County, Every Town and Every Village”, as the project of top priority for high-quality development in Guangdong Province, is in full implementation. As a main force of financial service in relation to modern “Sannong”, we will bear in mind the country’s most fundamental interests, the province’s major programs, and the city’s important matters, stick to our main business positioning of supporting the agriculture sector, small businesses, and the real economy, and continue to promote the implementation of the “133” Project for rural revitalization financial services. We will strive to create more special products to support the agriculture sector and help and benefit farmers, grant more support for local agriculture-related industries, and help revitalize the collective economy of villages and groups. We will spare no effort to promote the efficiency and quality of the agricultural sector, make rural areas suitable to live and work in, and ensure that farmers are affluent and well-off. We will take on new responsibilities and excel in The High-Quality Development Project Covering Every County, Every Town and Every Village, strive to create an innovative model of finance serving the rural revitalization, and strive to be the front-runner in serving modern “Sannong”.

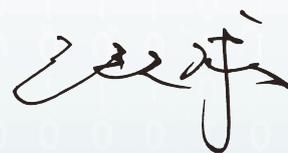
## Chairman's Statement

**We will devote ourselves to the boom of digital economy and accelerate the digital transformation.** The development upsurge of digital currency and ChatGPT technology highlights an unstoppable wave of new-generation technological innovation, and the digital transformation of the banking industry is a matter of urgency. We will follow the direction we have set, actively explore and steadily move forward, and focus on the requirement of customers, the capability of technologies, and the trend of the future. We will focus on improving the three major digital capabilities of data analysis, precision marketing and intelligent risk control, strive to build scenario-based customer ecological platforms, digital customer service channels and online customer service products, embed digitalization into the whole life cycle of customer services, and spare no effort to promote the deep integration of technology and business. We will be committed to building a “new form” of organization, laying out a “new ecology” of openness, building a “new base” of data, and penetrating a “new process” of operation. We will take great strides in digital transformation and accelerate the creation of a “smart digital bank”.

**We will inspire greater momentum for the development in the bay area and devote great energy to promote the high-quality economic development of the Guangdong-Hong Kong-Macao Greater Bay Area.** Today, the Guangdong-Hong Kong-Macao Greater Bay Area is accelerating towards the goal of building an international first-class bay area and a world-class city cluster. As a bank listed in Hong Kong, we will take root in the local soil and face the bay area. Giving full play to the advantages of our system and mechanism and following the provincial and municipal requirements in foreign trade, foreign investment, foreign outsourcing, foreign economy, and foreign talent, we will provide greater support for the cross-border financial services, and continue to improve foreign trade and foreign investment financial services. We will deeply match the financial needs of foreign trade enterprises, fully assist in promoting the stability, scale, and structure of foreign trade, expedite the stock stabilization and increment expansion of foreign investment, and fully support the development of Dongguan's export-oriented economy. We will optimize and upgrade the comprehensive financial services program of the Greater Bay Area to provide a full range of financial services for infrastructure construction, industrial transformation and upgrading, and improvement of people's livelihood and well-being in the Greater Bay Area. We will support Dongguan to strengthen the connection and docking with the other cities in the Greater Bay Area, make every effort to build an advanced manufacturing center in the Greater Bay Area, further promote the deep integration of Guangdong, Hong Kong and Macao, and comprehensively assist the high-quality economic development of the Greater Bay Area.

The flower of dreams will blossom in Spring; we will sail out for our journey ahead. Starting from the Spring, we will keep our rock-solid original intention, and take every step of high-quality development steadily and effectively; Forging ahead to the future, we will be determined to look further, and keep on striving with boundless energy for a long march. In the journey to the future, we are looking forward to continuing to work with you to draw a new picture of high-quality development in this new era with dreams as ink and diligence as a brush.

**Dongguan Rural Commercial Bank Co., Ltd.**  
**Chairman:**





Wang Yaoqiu  
Chairman of Dongguan  
Rural Commercial Bank



Fu Qiang  
President of Dongguan  
Rural Commercial Bank

# Chapter I Company Profile and Business Overview



## I. GENERAL INFORMATION

Chinese legal name	東莞農村商業銀行股份有限公司
Abbreviation of Chinese name	東莞農商銀行
English legal name	Dongguan Rural Commercial Bank Co., Ltd.
Abbreviation of English name	DRC Bank or DRCB
Legal representative	Wang Yaoqiu
Authorized representatives under the Listing Rules	Ye Jianguang, Wong Wai Chiu
Authorised representative under the Hong Kong Companies Ordinance	Wong Wai Chiu
Secretary to the Board of Directors	Ye Jianguang
Joint company secretaries	Ye Jianguang, Wong Wai Chiu
Registered address	No. 2, Hongfu East Road, Dongcheng Street, Dongguan City, Guangdong Province, the PRC
Postal code	523123
Company's Website	www.drcbank.com
Customer service hotline	(86) 769-961122
Principal place of business in Hong Kong	40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong
Listed stock exchange	The Stock Exchange of Hong Kong Limited
Stock short name and code	DRCB, 9889.HK
H Shares Registrar	Computershare Hong Kong Investor Services Limited
Domestic Shares Depository	China Securities Depository and Clearing Corporation Limited
Domestic auditors	Pan-China Certified Public Accountants LLP
International auditors	KPMG
PRC legal advisor	C&T Partners
Hong Kong legal advisor	King & Wood Mallesons
Compliance advisor	ICBC International Capital Limited
Designated information disclosure websites	Website of the Hong Kong Stock Exchange (www.hkexnews.hk) Website of the Bank (www.drcbank.com)
Place for inspection of information disclosure	Office of the Board of Directors of the Bank
Date of establishment as joint stock company	December 22, 2009
Registered capital	RMB6,888,545,510
Unified Social Credit Code	914419007829859746
Financial license number	B1054H344190001

## II. COMPANY PROFILE

Dongguan Rural Commercial Bank, as an independent legal entity, is a headquarter-level local joint stock commercial bank. Our development history can be traced back to 1952 and our predecessor is Dongguan Rural Credit Cooperatives Association. The Bank completed the reform as unified legal person in 2005, completed the reform as joint-stock company in 2009, and successfully listed on the Hong Kong Stock Exchange in September 29, 2021 (stock code: 9889.HK), making it become the 13th listed rural commercial bank and the 4th H-share listed rural commercial Bank in PRC, and the first listed local legal financial institution in Dongguan.

Since the reformation from rural credit cooperative to rural commercial bank in 2009, the Bank has been growing rapidly. In particular, since the promotion of the third transformation in 2016, the Bank has achieved sustained and coordinated development of quality, scale and efficiency, and the assets scale has reached a higher level. As of the end of December 2022, the total assets of our Group amounted to RMB657.690 billion, the balance of deposits was RMB459.163 billion, and the balance of loans was RMB331.998 billion.

According to the statistics of the international authoritative journal "The Banker" in 2022, in terms of tier-one capital as of December 31, 2021, the Bank ranked 215th in the global banking industry, among the top 300 in the global banking industry. The Bank ranked 39th in the "Top 100 Banks in China of 2022" released by China Banking Association in terms of net core tier-one capital and other statistical indicators as of December 31, 2021, and 6th among rural commercial banks in the PRC. As the only Dongguan-based entity listed in the "2022 Global 2000 by Forbes", the Bank ranked 1,278th. The Bank ranked 292nd in the "Hurun China 500 Most Valuable Private Companies 2022" with a valuation of RMB44.5 billion, indicating that its brand influence and industry reputation have reached a higher level. In terms of brand honor, the Bank was honored with the "Dongguan City Government Quality Award", the "Dongguan City Benefit Contribution Award" and the "Dongguan Civilized Unit" issued by the Dongguan Municipal Party Committee and Municipal Government. The Bank was awarded as the "National Role Model Bank of Rural Commercial Bank" by the CBIRC, "China Top 500 Private Enterprises" by All-China Federation of Industry and Commerce. In the banking awards initiated and organized by domestic authoritative media, the Bank was honored with various awards, including the "Best Rural Commercial Bank of the Year" and the "Annual Special Contribution Award for Supporting Local Economic Development", etc. According to CCICR, the Bank's corporate credit rating has remained at AAA since October 2017, the highest credit rating of corporates in China, and the rating outlook maintained stable.

As of the end of December 2022, the Bank has established a total of 505 business outlets (including the headquarters), including 39 tier-one branches and sub-branches, 200 tier-two sub-branches and 265 offices, and has provided a variety of onsite and offsite financial services such as 7\*24-hour telephone banking, online banking, mobile banking, WeChat banking and direct sales banking. In addition, the Bank has been boosting financial cultural innovation. The Dongguan Numismatic Museum (東莞市錢幣博物館), elaborately built by the Bank, has nearly 20,000 pieces (sets) in its collection, and has been awarded as the "National Grade III Museum", "Top Ten Folk Collections in Guangdong Province", the "First Batch of Financial Education Demonstration Bases in Guangdong Province" and the "Dongguan Patriotism Education Base". The Bank has also built the bank heritage museum that inherits its nearly 70 years of development history, demonstrating the charm of local finance.

## Chapter I Company Profile and Business Overview

In recent years, the Bank has further developed into a regional group. The Bank established four branches outside Dongguan including Nansha branch in Guangdong Pilot Free Trade Zone, Hengqin branch in Guangdong Pilot Free Trade Zone, Huizhou sub-branch and Qingxin sub-branch, as well as four county banks in Huizhou Zhongkai, Yunfu Xinxing, Dongguan Dalang and Hezhou Babu, and strategically became the controlling shareholder of Zhanjiang RCB and Chaoyang RCB, and invested in Guangdong Shunde Rural Commercial Bank Co. Ltd., Guangdong Xuwen Rural Commercial Bank Co Ltd., Guangdong Lechang Rural Commercial Bank Co. Ltd. and Yaan Rural Commercial Bank Co. Ltd., which has preliminarily formed a new regional group development pattern of “One Core with Two Wings” with Dongguan as center, Guangdong-Hong Kong-Macao Greater Bay Area as the core, and East Guangdong and West Guangdong as two complements. The Bank radiated financial services to customer groups in the Greater Bay Area, built customer ecosystem in the Greater Bay Area, and fully contributed to the construction of the Guangdong-Hong Kong-Macao Greater Bay Area and the integrated development of Guangdong, Hong Kong and Macao.

Looking to the future, the Bank will continue adhering to the business philosophy of “customers are our greatest wealth”, implementing the principle of “rule-based governance”, focusing on the two key drivers: digitalization and collectivization, and sparing no effort to promote the five core business, i.e. retail finance, industry finance, SME finance, interbank finance and digital finance, with a view to building a modern rural commercial bank group with further capital marketization, more significant digital transformation, and more distinctive group operation.

### III. DEVELOPMENT STRATEGY, INVESTMENT VALUE AND CORE COMPETITIVENESS

#### Development Vision:

**Build a regional modern rural commercial banking group**

#### Strategic Plan:

**Initiate the “1+12348” strategic deployment, and further advance “transformation and value enhancement” mission in the third transformation.**

“**One Guidance**” refers to leading high-quality development with high-quality Party building, to unify the Party leadership with corporate governance, the Party building with operation and management of the Bank as well as Party’s discipline with cadres’ requirements through focusing on enhancing spirit construction, organization construction, discipline construction and team construction.

“**1 Goal**” means building a modern rural commercial bank with further capital marketization, more significant digital transformation, and more distinctive group operation under the environment of Guangdong-Hong Kong-Macao Greater Bay Area as the core, with East Guangdong and West Guangdong as the two complements.

“**2 Starting points**” refers to (1) focusing on “digitalization”, to reshape our business logic, profit model, operation system, risk control model and organizational system with digital mindset to accelerate the building of a smart digital bank; and (2) focusing on “collectivization”, to explore the construction of a new rural commercial bank model that is compatible with the development of the Guangdong-Hong Kong-Macao Greater Bay Area, and to implement a coordinated development strategy so as to achieve full customer coverage, comprehensive services, and full linkage of risk control.

“**3 Major drivers**” refers to (1) adhering to technology-driven, empowering value creation with technology, and deepening the integration of technology and business, so as to gradually realize the transformation from technology-supported to technology-driven; (2) insisting on talent-driven, exerting great effort to build a talent-driven organization, forming an endless talent generating, training and incentivizing mechanism, and giving full play to human capital advantage; and (3) insisting on capital-driven, fully integrating capital management into business management, improving capital utilization, and improving the return on capital of subsidiaries to maximize capital value.

“**4 Beams of foundation**” refers to (1) focusing on core customers, that is, focusing on the modern “Sannong” customer group, the “Three-chain” customer group in advanced manufacturing, and the “three-innovation” customer group of medium, small and micro enterprises, so to create a dynamic customer ecology; (2) focusing on core businesses, promoting the comprehensive development of corporate finance, retail finance, SME finance, interbank finance and digital finance to create business segments with competitive advantage; (3) focusing on risk management, adhering to the management principles of “rule-based management”, improving the construction of a comprehensive risk management platform, and promoting the integration of risk culture with business and management; and (4) focusing on organizational management, building an empowering commercial bank, and realizing the transformation from organizational control to organizational empowerment.

“**8 Pillars of support**” refers to (1) building the dual pillars of “grid + scenario”, creating a comprehensive core customer service management system, and creating value for customers; (2) building the dual pillars of “market share + rate of return”, creating a market-leading core business system, and comprehensively serving the real economy; (3) building the dual pillars of “compliance operation + risk management and control”, creating a modern comprehensive risk management system to strike the balance between risk management and value creation; and (4) building the dual pillars of “incentive and restraint + corporate culture”, creating a high-quality organizational management system, stimulating the initiative of the team, and enhancing the unity of the team.

3rd Transformation and Upgrading  
2nd Three-year  
Development Planning

“1+12348”

One Guidance

High-quality development led by  
high-quality Party building

One Goal

Creating a regional modern  
rural commercial bank group

Two Starting Points

Digital and group-based

Three Major Drivers

Driven by technology, talent and capital

Core Customers

Grid-based

Core Businesses

Scenario-based

Market share

Yield

Risk Management

Compliance  
operation

Risk management  
and control

Organizational  
Management

Incentive  
and constraint

Corporate  
culture

## Investment Value and Competitive Advantages:

**Prosperous operating area, unique strategic opportunities.** The Group has deeply cultivated the Dongguan market, developed based on the Greater Bay Area, seized the opportunity to develop the two provincial sub-centers in Shantou and Zhanjiang, stabilized the main structure of “One Core with Two Wings”, with the market share in terms of deposits and loans ranked first in the Dongguan banking industry for consecutive years. The strong economic strength, complete industrial infrastructure and abundant market vitality of Dongguan and the Guangdong-Hong Kong-Macao Greater Bay Area have laid important foundation and secured the performance improvement and sustainable development of the Group. The national strategy of “Guangdong-Hong Kong-Macao Greater Bay Area”, the location advantage of “overlapping three districts”<sup>(1)</sup> and the new local starting point of “double 10,000 (雙萬)”<sup>(2)</sup> have also provided broad potential customer base and development prospect for the Group.

**Clear and firm development strategy, balancing scale, quality and effectiveness.** The Group adheres to strategy-led development, clearly defines the development vision of building a regional modern rural commercial bank group, initiates the “1+12348” strategic plan, maintains strategic focus, effectively responds to complex economic cyclical fluctuation, and insists on the road of coordinated development of quality, scale and effectiveness. The operating scale of the Group grows steadily and enters the rank of medium-sized banks, with the asset quality continues to be optimized, non-performing loan ratio remains at a low level in the industry, profitability rises steadily which continues to create value for Shareholders, and return on assets and return on capital rank among the first echelon of Hong Kong-listed domestic banks.

**Origin-focused service structure, quality and effective business development.** The Group always adheres to the main responsibility and main business of “supporting agriculture, supporting SMEs and supporting real economy”, with traditional business alongside emerging business focusing on customers, centering on transformation, being supported by technology and being driven by innovation, and strives to achieve a comprehensive improvement in market share acquisition ability, innovation and development ability, product coverage ability and professional operation ability, and provides customers with efficient and comprehensive financial services, gradually forming a situation of general development of core businesses with “excellent and strong” corporate finance, “comprehensive and strong” retail finance, “solid and strong” SMEs finance, “flexible and strong” interbank finance as well as “fine and strong” digital finance.

**Coordinated development of organization and management, flexible and efficient operating mechanism.** The Group effectively leverages the advantages as a regional small and medium-sized bank, adheres to market-oriented operation, deepens organizational reform, and continues to promote empowerment for tier-1 cities. The Group makes quick decisions on business deployment, responds quickly to customer needs, identifies risks quickly, and achieves high operational efficiency. The Group makes full use of networks and geographical advantages, implements the “133” project of rural revitalization financial services according to local conditions, and innovatively builds the “1+3+N” grid marketing model. The Group focuses on serving the core customer groups of the “three threes (三個三)”, and further promotes inclusive financial services to maintain strong market competitiveness.

### Notes:

- (1) “Overlapping three districts” refers to the Guangdong-Hong Kong-Macao Greater Bay Area, the construction of Shenzhen as a pilot demonstration zone for socialism with Chinese characteristics, and the construction of Dongguan as a provincial manufacturing supply-side structural reform and innovation experimental zone.
- (2) “double 10,000 (雙萬)” refers to GDP of trillions and a population of 10 million in Dongguan.

## Chapter I Company Profile and Business Overview

**Solid risk management and continued excellent asset quality.** The Group adheres to the operating principle of seeking progress while maintaining stability, and emphasizes the mutual promotion and coordinated development of “steady growth” and “risk prevention”. The Group implements the principle of “rule-based management”, builds a full-coverage risk management and control system, applies full process risk control technology and creates a risk control culture in which all employees participate, enhances the digitalization of risk management, and effectively prevents and mitigates various risks, maintaining asset quality at an excellent level, escorting the sustainable development of business operation.

**Technology-driven development, full power acceleration of digital development.** With the strategy of “running in small steps and winning locally”, and through the empowerment of financial technology (“fintech”) innovation, the Group continuously improves the top-level design of digital transformation, strengthens the training of fintech talents, establishes digital mindset, reshapes operation mechanism and strengthens data governance. The Group also enhances the organizational coordination capabilities, deepens the implementation of digital application, promotes the close integration of technology and business, strives to create a new model of digital finance, and accelerates the creation of “smart digital bank”.

**Professional and solid corporate governance with realistic and pragmatic corporate culture.** The Group has established a sound governance structure of “the shareholders’ general meeting, the Board of Directors, the Board of Supervisors and senior management”, and formed a “diversified interests, coordination and checks and balances” shareholding structure with state-owned, private, foreign, natural person and employee shareholders through Listing; the senior management team has extensive experience in financial management with strong stability, which could affirm management ideas and team building. The Group creates good corporate culture, adheres to the business philosophy of “customers are our greatest wealth”, deeply roots the corporate atmosphere of “respecting superiors, loving inferiors, being sincere to others, and being truthful to facts”, insists on the enterprise motto of “accompanying, trusting and growing with each other”, and unites the entire Group for coordinated and common development with corporate culture.

## IV. MAJOR HONORS AND AWARDS DURING THE REPORTING PERIOD

2022	2023
<p>May <b>Ranking 1,278th in the 2022 Global 2,000</b> Forbes Magazine, a journal in the U.S.</p>	<p>January <b>2022 Interbank Market Charity Day Charity Organisation</b> Office of Designated Rural Vitalization Leading Group of PBOC</p>
<p>June <b>Ranking 39th in the “Top 100 Banks in China of 2022” (based on net core tier-one capital)</b> China Banking Association</p>	<p>China Foundation for Development of Financial Education China Foreign Exchange Trade System National Interbank Funding Center</p>
<p><b>The Most Beautiful Demeanor Award (Gold Award) in the “Most Beautiful Financial Consumer Rights Protector” event in the banking and insurance industry of Guangdong in 2022</b> Guangdong Bureau of CBIRC</p>	<p><b>Ranked 292nd in “Hurun China 500 Most Valuable Private Companies 2022” (based on enterprise valuation)</b> Hurun Research Institute</p>
<p>July <b>Ranking 215th in the “Global Top 1000 Banks” (based on tier-1 capital)</b> The Banker, a journal in the U.K.</p>	<p><b>Ranked 29th in 2022 Comprehensive Evaluation of the Internet Platform System of Member Institutions</b> NetsUnion Clearing Corporation</p>
<p><b>Excellent Case for Innovation in Corporate Party Building in 2022</b> China Enterprise News Group School of Marxism, Peking University Hongqi Press Party Building in Non-public Enterprises</p>	<p><b>“Top 100 Self-operated Settlement” of 2022 China Bond Member Business Development Quality Evaluation</b> China Central Depository &amp; Clearing Co., Ltd.</p>
<p>September <b>Top 10 for Transmissibility in County (City) Areas (Society) in the Third Internal Journal Selection in the Rural Credit Sector of China</b> China Rural Finance</p>	<p>February <b>Dongguan City Benefit Contribution Award 2022</b> Chinese Communist Party Dongguan Committee Dongguan Municipal People's Government</p>
<p>October <b>Third Prize of the 11th Guangdong Fintech Progress Award</b> Guangdong Fintech Progress Award Review Committee Guangdong Association of Fintech</p>	<p><b>Top 20 Enterprises in Dongguan by Principle Operating Income in 2022</b> Chinese Communist Party Dongguan Committee Dongguan Municipal People's Government</p>
<p>November <b>Golden Tripod Award Annual Supporting Local Economic Development Award</b> Daily Economic News</p>	
<p>December <b>2022 Regional Influence Bank Dimensity Award</b> Securities Times, Securities Trader China</p>	
<p><b>Top 50 Private Service Enterprises of Guangdong Province in 2022 (Ranking 47th)</b> Guangdong Federation of Industry and Commerce</p>	

# Chapter II

## Accounting Data and Financial Indicators Highlights



## Chapter II Accounting Data and Financial Indicators Highlights

(unit: RMB'000)

Operating results	For the year ended December 31,					Percentage increase/ (decrease) for the Reporting Period as compared to the previous year (%)
	2022	2021	2020	2019	2018	
Operating income	<b>13,235,957</b>	12,996,314	12,047,047	11,795,227	9,777,587	<b>1.84</b>
Profit before tax	<b>6,284,062</b>	5,989,651	5,372,109	5,700,774	5,034,228	<b>4.92</b>
Net profit	<b>6,082,525</b>	5,702,920	5,055,317	4,870,249	4,453,306	<b>6.66</b>
Net profit attributable to the shareholders of the Bank	<b>5,931,681</b>	5,589,700	4,856,926	4,935,856	4,482,351	<b>6.12</b>

(unit: RMB/share)

Per share	For the year ended December 31,/as at December 31,					Percentage increase/ (decrease) for the Reporting Period as compared to the previous year (%)
	2022	2021	2020	2019	2018	
Net asset per share attributable to the shareholders of the Bank	<b>7.42</b>	6.88	6.30	5.89	5.15	<b>7.85</b>
Basic earnings per share	<b>0.86</b>	0.93	0.85	0.86	0.78	<b>(7.53)</b>
Diluted earnings per share	<b>0.86</b>	0.93	0.85	0.86	0.78	<b>(7.53)</b>

## Chapter II Accounting Data and Financial Indicators Highlights

(unit: RMB'000)

Scale indicators	As at December 31,					Percentage increase/ (decrease) as at the end of the Reporting Period as compared to the end of the previous year (%)
	2022	2021	2020	2019	2018	
Total assets	<b>657,689,972</b>	593,361,093	548,401,956	461,208,802	407,904,652	<b>10.84</b>
Including: Gross loans and advances to customers (excluding accrued interest)	<b>331,997,701</b>	298,114,972	261,450,611	205,826,808	164,352,813	<b>11.37</b>
Allowance for expected credit loss/impairment provision for loans and advances to customers <sup>(1)</sup>	<b>10,988,260</b>	9,091,156	7,358,778	7,308,900	7,222,218	<b>20.87</b>
Total liabilities	<b>603,870,043</b>	543,378,980	509,759,142	425,737,021	378,070,079	<b>11.13</b>
Including: Total deposits from customers (excluding accrued interest)	<b>459,162,554</b>	413,961,013	372,589,791	309,918,540	261,509,568	<b>10.92</b>
Share capital	<b>6,888,546</b>	6,888,546	5,740,455	5,740,455	5,740,455	–
Shareholders' equity	<b>53,819,929</b>	49,982,113	38,642,814	35,471,781	29,834,573	<b>7.68</b>
Including: Equity attributable to shareholders of the Bank	<b>51,127,714</b>	47,378,632	36,145,627	33,814,404	29,588,480	<b>7.91</b>
Non-controlling interests	<b>2,692,215</b>	2,603,481	2,497,187	1,657,377	246,093	<b>3.41</b>

Note:

- (1) Including the impairment provision on loans and advances to customers measured at amortized costs and the impairment provision on loans and advances to customers at fair value through other comprehensive income.

(unit: %)

Profitability indicators	For the year ended December 31,					Percentage point increase/ (decrease) for the Reporting Period as compared to the previous year
	2022	2021	2020	2019	2018	
Return on average total assets <sup>(1)</sup>	<b>0.97</b>	1.00	1.00	1.12	1.14	<b>(0.03)</b>
Return on average equity <sup>(2)</sup>	<b>11.72</b>	12.87	13.64	14.92	16.42	<b>(1.15)</b>
Net interest spread <sup>(3)</sup>	<b>1.89</b>	1.90	2.10	2.10	1.98	<b>(0.01)</b>
Net interest margin <sup>(4)</sup>	<b>1.92</b>	1.96	2.16	2.18	2.05	<b>(0.04)</b>
Cost-to-income ratio <sup>(5)</sup>	<b>34.78</b>	34.18	31.51	28.84	29.98	<b>0.60</b>

Notes:

- (1) Rate of return was calculated by dividing the net profit for the year by the average balance of total assets at the beginning and the ending of the year.
- (2) Rate of return was calculated by dividing the net profit for the year by the average balance of total shareholders' equity at the beginning and the ending of the year.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost ratio of interest-bearing liabilities.
- (4) Calculated by dividing the net interest income by the average balance of total interest-earning assets.
- (5) Calculated by dividing the total operating expenses (excluding tax and surcharges) by total operating income.

(unit: %)

Capital adequacy indicators <sup>(1)</sup>	As at December 31,					Percentage point increase/ (decrease) as at the end of the Reporting Period as compared to the end of the previous year
	2022	2021	2020	2019	2018	
Core tier-one capital adequacy ratio <sup>(2)</sup>	<b>13.70</b>	13.90	11.54	12.63	12.08	<b>(0.20)</b>
Tier-one capital adequacy ratio <sup>(3)</sup>	<b>13.74</b>	13.94	11.57	12.65	12.09	<b>(0.20)</b>
Capital adequacy ratio <sup>(4)</sup>	<b>15.98</b>	16.29	14.00	15.30	14.84	<b>(0.31)</b>
Ratio of total equity to total assets	<b>8.18</b>	8.42	7.05	7.69	7.31	<b>(0.24)</b>

Notes:

- (1) Calculated in accordance with relevant requirements of the Administrative Measures for the Capital of Commercial Banks (Trial) (商業銀行資本管理辦法(試行)). The calculation scope of capital adequacy ratio comprises of all branches and financial institution subsidiaries in compliance with the requirements of the Administrative Measures for the Capital of Commercial Banks (Trial).
- (2) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by total risk-weighted assets.
- (3) Calculated by dividing tier-one capital, net of tier one capital deductions, by total risk-weighted assets.
- (4) Calculated by dividing total capital, net of capital deductions, by total risk-weighted assets.

## Chapter II Accounting Data and Financial Indicators Highlights

(unit: %)

Asset quality indicators	As at December 31,					Percentage Point increase/ (decrease) as at the end of the Reporting Period as compared to the end of the previous year
	2022	2021	2020	2019	2018	
Non-performing loan ratio <sup>(1)</sup>	<b>0.90</b>	0.84	0.82	1.00	1.27	<b>0.06</b>
Allowance coverage ratio <sup>(2)</sup>	<b>373.83</b>	375.34	375.13	389.57	345.74	<b>(1.51)</b>
Allowance to total loan ratio <sup>(3)</sup>	<b>3.37</b>	3.15	3.06	3.88	4.39	<b>0.22</b>

Notes:

- (1) Calculated by dividing the amount of non-performing loan (excluding accrued interest) by total amount of loans (excluding accrued interest), where the loans of Zhanjiang RCB and Chaoyang RCB, our subsidiaries, were calculated by gross carrying amount instead of purchase price (i.e. fair value at the acquisition date).
- (2) Calculated by dividing the balance of loan impairment provision by total non-performing loans (excluding accrued interest), where the balance of loan impairment provision does not include the balance of loan impairment provision recorded under loans in other comprehensive income and the loans of Zhanjiang RCB and Chaoyang RCB, our subsidiaries, were calculated by the original book value instead of purchase price (i.e. fair value at the acquisition date).
- (3) Calculated by dividing the balance of loan impairment provision by total loans (excluding accrued interest), where the balance of loan impairment provision does not include impairment allowances recorded under loans in other comprehensive income and the loans of Zhanjiang RCB and Chaoyang RCB, our subsidiaries, were calculated by the original book value instead of purchase price (i.e. fair value at the acquisition date).

(unit: %)

Other indicator	As at December 31,					Percentage Point Increase/ (decrease) as at the end of the Reporting Period as compared to the end of the previous year
	2022	2021	2020	2019	2018	
Loan-to-deposit ratio <sup>(1)</sup>	<b>72.37</b>	72.11	70.36	66.65	62.85	<b>0.26</b>

Note:

- (1) Calculated by dividing total loans to customers (excluding accrued interest) by total deposits (excluding accrued interest), where the deposits and loans of Zhanjiang RCB and Chaoyang RCB, our subsidiaries, were calculated at the original book value of the loans but not the fair value on the acquisition date.

# Chapter III Management Discussion and Analysis



## I. OPERATION OVERVIEW

In 2022, in accordance with the “1+12348” strategic plan of the Group, the Bank achieved high-quality development led by high-quality Party building, enhanced the core competitiveness of “four beams and eight pillars (四梁八柱)” in all respects, achieved its own sustained and coordinated development of efficiency, quality and scale, with main operating results maintaining a leading position in the banking industry in Dongguan.

**1. Steadily increased business scale.** As of the end of the Reporting Period, the total assets of the Group amounted to RMB657.690 billion, representing an increase of RMB64.329 billion or 10.84% as compared with the beginning of the year. The balance of deposits was RMB459.163 billion, representing an increase of RMB45.202 billion or 10.92% as compared with the beginning of the year. The balance of loans was RMB331.998 billion, representing an increase of RMB33.883 billion or 11.37% as compared with the beginning of the year. The Bank supplied more credit with more reasonable credit structure and continuous priority to the real economy. According to PBoC Dongguan Center Branch, as of December 31, 2022, the balances of RMB-denominated deposits and loans of our Bank accounted for approximately 18.81% and 18.35% of the balances of RMB-denominated deposits and loans of all the banking institutions in Dongguan as of the same date, respectively. Our Bank has ranked the first among banking institutions in Dongguan each year since 2005.

**2. Steadily improved development quality.** As of the end of the Reporting Period, the non-performing loan ratio of the Group was 0.90%, the provision coverage ratio was 373.83%, the capital adequacy ratio was 15.98%, and the tier 1 capital adequacy ratio was 13.74%. The capital adequacy ratios at all levels were higher than regulatory standards with asset quality maintained at an excellent level. The overall risks were stable and controllable, and the development quality was improved steadily.

**3. Steadily improved operating benefits.** During the Reporting Period, the Group realized a profit before tax of RMB6.284 billion and a net profit of RMB6.083 billion. The ROA and ROE was 0.97% and 11.72%, respectively. The Bank stood out of listed banks in terms of profitability.

## II. KEY OPERATING DATA

### (I) Income Statement Analysis

During the Reporting Period, the Group achieved operating income of RMB13.236 billion, representing an increase of 1.84% from the same period of last year, and realized net profit of RMB6.083 billion, representing an increase of RMB380 million or 6.66% from the same period of last year. This was mainly due to a year-on-year increase of 3.80% in net interest income as a result of the steady increase in the scale of interest-earning assets and interest-bearing liabilities.

The key items of the Group's income statement and the comparative changes are as follows:

(unit: RMB'000)

Item	For the year ended December 31,		Amount of increase/ (decrease)	Increase/ (decrease) percentage (%)
	2022	2021		
Net interest income	<b>10,933,275</b>	10,533,335	399,940	3.80
Net non-interest income	<b>2,302,682</b>	2,462,979	(160,297)	(6.51)
<b>Operating income</b>	<b>13,235,957</b>	12,996,314	239,643	1.84
Operating expense	<b>(4,747,924)</b>	(4,597,330)	(150,594)	3.28
Expected credit losses and asset losses	<b>(2,238,823)</b>	(2,443,167)	204,344	(8.36)
<b>Operating profit</b>	<b>6,249,210</b>	5,955,817	293,393	4.93
Share of profits of associates	<b>34,852</b>	33,834	1,018	3.01
Profit before tax	<b>6,284,062</b>	5,989,651	294,411	4.92
Income tax expense	<b>(201,537)</b>	(286,731)	85,194	(29.71)
<b>Net profit</b>	<b>6,082,525</b>	5,702,920	379,605	6.66
Net profit attributable to shareholders of the Bank	<b>5,931,681</b>	5,589,700	341,981	6.12
Net profit attributable to non-controlling interests	<b>150,844</b>	113,220	37,624	33.23

## Chapter III Management Discussion and Analysis

### 1. Net interest income

During the Reporting Period, the net interest income of the Bank amounted to RMB10.933 billion, representing a year-on-year increase of RMB0.4 billion or 3.80%, mainly due to the impact on increase in interest income resulting from the growth of interest-earning assets exceed the impact on the increase in net interest income resulting from the decline in net interest margin.

The following table sets forth the interest income, interest expense and net interest income of the Group during the periods indicated:

(unit: RMB'000)

Item	For the year ended December 31,		Amount of increase/ (decrease)	Increase/ (decrease) percentage (%)
	2022	2021		
Interest income	<b>22,780,191</b>	21,957,835	822,356	3.75
Interest expense	<b>(11,846,916)</b>	(11,424,500)	(422,416)	3.70
<b>Net interest income</b>	<b>10,933,275</b>	10,533,335	399,940	3.80

#### (1) Net interest spread and net interest margin

During the Reporting Period, the average yield on interest-earning assets of the Group was 4.00%, representing a year-on-year decrease of 0.08 percentage point; the average cost ratio of interest-bearing liabilities was 2.12%, representing a year-on-year decrease of 0.06 percentage point; the net interest spread was 1.89%, representing a year-on-year decrease of 0.01 percentage point; the net interest margin was 1.92%, representing a year-on-year decrease of 0.04 percentage point.

During the Reporting Period, the decrease in the average yield on interest-earning assets of the Group as compared to the same period of the previous year was mainly due to: firstly, the continuous impact of loan interest rate re-pricing and policies supporting the real economy; secondly, the impact of the continued decline in market interest rates on bond investment income.

During the Reporting Period, the decrease in the average cost ratio of interest bearing liabilities of the Group as compared to the same period of the previous year was mainly due to the optimization of the cost control of interbank liabilities and the control of the average daily size of higher-cost borrowings from central banks, as well as the decrease in the cost of interbank liabilities and debt securities issued due to the decline in market interest rates.

The following table sets forth the average balances of our interest-earning assets and interest-bearing liabilities, the related interest income or expense and the related average yields on assets or related average costs of liabilities for the periods indicated:

(unit: RMB'000)

Item	For the year ended December 31,					
	2022			2021		
	Average balance	Interest income/expense	Average yield/cost <sup>(1)</sup> (%)	Average balance	Interest income/expense	Average yield/cost <sup>(1)</sup> (%)
<b>Interest-earning assets</b>						
Loans and advances to customers	316,503,816	16,079,018	5.08	279,489,714	14,634,694	5.24
Financial investments <sup>(2)</sup>	190,095,109	5,797,084	3.05	195,180,139	6,420,779	3.29
Deposits with Central Bank	30,746,316	441,450	1.44	32,896,611	480,594	1.46
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	31,820,198	462,639	1.45	30,735,156	421,768	1.37
<b>Total</b>	<b>569,165,439</b>	<b>22,780,191</b>	<b>4.00</b>	<b>538,301,620</b>	<b>21,957,835</b>	<b>4.08</b>
<b>Interest-bearing liabilities</b>						
Deposits from customers	426,749,223	8,627,010	2.02	387,687,084	7,575,939	1.95
Bonds issued	60,014,706	1,625,905	2.71	57,039,060	1,807,963	3.17
Borrowings from Central Bank	18,773,628	483,765	2.58	26,266,576	749,669	2.85
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	53,712,928	1,092,150	2.03	51,965,359	1,268,225	2.44
Leasing liability	457,598	18,086	3.95	454,970	22,704	4.99
<b>Total</b>	<b>559,708,083</b>	<b>11,846,916</b>	<b>2.12</b>	<b>523,413,049</b>	<b>11,424,500</b>	<b>2.18</b>
<b>Net interest income</b>		<b>10,933,275</b>			<b>10,533,335</b>	
<b>Net interest spread<sup>(3)</sup></b>			<b>1.89</b>			<b>1.90</b>
<b>Net interest margin<sup>(4)</sup></b>			<b>1.92</b>			<b>1.96</b>

Notes:

- (1) Calculated by dividing the interest income/expense by the average balance.
- (2) Mainly consisted of interest-earning financial assets at amortized cost and financial assets at fair value through other comprehensive income.
- (3) The arithmetic difference between the average yield of all interest-earning assets and the average cost of all interest-bearing liabilities.
- (4) Calculated by dividing the net interest income by the average balance of total interest-earning assets.

### Chapter III Management Discussion and Analysis

The following table sets forth the year-on-year changes in the Group's interest income and interest expense due to changes in volume and interest rates:

(unit: RMB'000)

Item	For the year ended December 31, 2022 as compared to 2021		
	Increase/(decrease) due to changes in		Net increase/ (decrease) <sup>(3)</sup>
	Volume <sup>(1)</sup>	Interest rate <sup>(2)</sup>	
<b>Interest-earning assets</b>			
Loans and advances to customers	1,938,140	(493,816)	1,444,324
Financial investments <sup>(4)</sup>	(167,281)	(456,414)	(623,695)
Deposits with Central Bank <sup>(5)</sup>	(31,414)	(7,730)	(39,144)
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	14,890	25,981	40,871
<b>Changes in interest income</b>	<b>1,754,335</b>	<b>(931,979)</b>	<b>822,356</b>
<b>Interest-bearing liabilities</b>			
Deposits from customers	763,328	287,743	1,051,071
Bonds issued <sup>(6)</sup>	94,319	(276,377)	(182,058)
Borrowings from Central Bank	(213,855)	(52,049)	(265,904)
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	42,650	(218,725)	(176,075)
Leasing liability	131	(4,749)	(4,618)
<b>Changes in interest expense</b>	<b>686,573</b>	<b>(264,157)</b>	<b>422,416</b>
<b>Changes in net interest income</b>	<b>1,067,762</b>	<b>(667,822)</b>	<b>399,940</b>

Notes:

- (1) Refers to average balance of the period minus average balance of the previous period, multiplied by average yield/cost rate of the previous period.
- (2) Refers to average yield/cost rate of the period minus average yield/cost rate of the previous period, multiplied by the average balance of the period.
- (3) Represents interest income/expense of the period minus interest income/expense of the previous period.
- (4) Mainly consisted of interest-earning financial assets at amortized cost and financial assets at fair value through other comprehensive income.
- (5) Mainly consisted of statutory deposit reserves and surplus deposit reserves.
- (6) Mainly consisted of interbank certificates of deposits, tier-two capital bonds, green financial debt securities, special financial bonds of Sannong and SME financial bonds.

During the Reporting Period, the increase in interest income was mainly due to the increase in interest-earning assets, which was partially offset by the decrease in yield; the increase in interest expenses was mainly due to the increase in interest-bearing liabilities and the increase of the cost on deposits.

(2) *Interest income*

During the Reporting Period, interest income amounted to RMB22.78 billion, representing a year-on-year increase of RMB0.822 billion or 3.75%. The following table sets forth the composition of the Group's interest income, the respective proportion and average yield during the indicated periods:

(unit: RMB'000)

Item	For the year ended December 31,					
	2022			2021		
	Amount	Percentage of total (%)	Average yield (%)	Amount	Percentage of total (%)	Average yield (%)
Loans and advances to customers	16,079,018	70.58	5.08	14,634,694	66.65	5.24
Financial investments	5,797,084	25.45	3.05	6,420,779	29.24	3.29
Deposits with Central Bank	441,450	1.94	1.44	480,594	2.19	1.46
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	462,639	2.03	1.45	421,768	1.92	1.37
<b>Total interest income</b>	<b>22,780,191</b>	<b>100.00</b>	<b>4.00</b>	<b>21,957,835</b>	<b>100.00</b>	<b>4.08</b>

(i) *Interest income from loans and advances to customers*

Interest income from loans and advances to customers accounted for 66.65% and 70.58% of our interest income for the year ended December 31, 2021 and 2022, respectively. The following table sets forth the average balance, interest income and average yield for each component of our loans and advances to customers for the periods indicated:

(unit: RMB'000)

Item	For the year ended December 31,					
	2022			2021		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances	179,785,455	9,787,905	5.44	172,126,716	9,112,615	5.29
Personal loans and advances	109,936,529	5,781,193	5.26	83,787,142	4,867,530	5.81
Discounted bills	26,781,832	509,920	1.90	23,575,856	654,549	2.78
<b>Total</b>	<b>316,503,816</b>	<b>16,079,018</b>	<b>5.08</b>	<b>279,489,714</b>	<b>14,634,694</b>	<b>5.24</b>

During the Reporting Period, interest income from loans and advances to customers amounted to RMB16.079 billion, representing an increase of RMB1.444 billion or 9.87% over the corresponding period last year. The increase in interest income was mainly due to the increase in the scale of loans as a result of the increase in relief efforts and the support for real economy, which contributed to the increase in corporate loans, and the increase in support for small and micro business owners and individual business proprietors.

### Chapter III Management Discussion and Analysis

#### (ii) Financial investment interest income

For the year ended December 31, 2021 and 2022, financial investment interest income accounted for 29.24% and 25.45% of total interest income, respectively. The majority of interest income from financial investments is derived from interest income from investments in bonds.

During the Reporting Period, the Group achieved interest income from financial investments of RMB5.797 billion, representing a decrease of RMB0.624 billion or 9.71% from the corresponding period last year. The decrease of interest income was mainly due to the decrease in average yield. The average yield of interest income from financial investments decreased 0.24 percentage point as compared with the same period of the previous year, which was mainly due to the impact of the bond market turmoil and the decrease in investment yields.

#### (iii) Interest income from financial assets held under resale agreements and deposits and placements with banks and other financial institutions

The following table sets out the average balance, interest income and average rate of return of each component of the Group's financial assets held under resale agreements and deposits and placements with banks and other financial institutions for the periods indicated:

(unit: RMB'000)

Item	For the year ended					
	December 31,					
	2022			2021		
Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)	
Financial assets held under resale agreements	17,926,760	296,628	1.65	16,731,181	329,599	1.97
Deposits and placements with banks and other financial institutions	13,893,438	166,011	1.19	14,003,975	92,169	0.66
<b>Total</b>	<b>31,820,198</b>	<b>462,639</b>	<b>1.45</b>	<b>30,735,156</b>	<b>421,768</b>	<b>1.37</b>

During the Reporting Period, interest income from financial assets held under resale agreements and deposits and placements with banks and other financial institutions amounted to RMB463 million, representing an increase of 9.69% as compared with the same period of last year, which was due to the increase in interest rates of foreign currency lending and borrowing due to the increase in interest rates of the U.S. dollar, and the increase in interest income due to the slight extension of the maturity of new borrowings and lending funds.

(3) *Interest expense*

During the Reporting Period, interest expense of the Group amounted to RMB11.847 billion, representing a year-on-year increase of RMB422 million or 3.70%. The following table sets forth the composition of the Group's interest expenses and their corresponding proportion and average cost for the periods indicated:

(unit: RMB'000)

Item	For the year ended December 31,					
	2022			2021		
	Amount	Percentage of total (%)	Average cost (%)	Amount	Percentage of total (%)	Average cost (%)
Deposits from customers	8,627,010	72.82	2.02	7,575,939	66.31	1.95
Bonds issued	1,625,905	13.72	2.71	1,807,963	15.83	3.17
Borrowings from Central Bank	483,765	4.08	2.58	749,669	6.56	2.85
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	1,092,150	9.22	2.03	1,268,225	11.10	2.44
Leasing liabilities	18,086	0.16	3.95	22,704	0.20	4.99
<b>Total interest expense</b>	<b>11,846,916</b>	<b>100.00</b>	<b>2.12</b>	<b>11,424,500</b>	<b>100.00</b>	<b>2.18</b>

(i) *Interest expense on customer deposits*

For the year ended December 31, 2022 and 2021, interest expenses on customer deposits accounted for 72.82% and 66.31% of total interest expenses, respectively.

### Chapter III Management Discussion and Analysis

The following table sets forth the average balance, interest expense and average cost rate of each component of the Group's customer deposits during the period indicated:

(unit: RMB'000)

Item	For the year ended December 31,					
	2022			2021		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
<b>Corporate deposits</b>						
Demand	92,913,508	878,814	0.95	85,546,822	657,082	0.77
Time	82,838,738	2,962,948	3.58	75,402,671	2,803,813	3.72
<b>Sub-total</b>	<b>175,752,246</b>	<b>3,841,762</b>	<b>2.19</b>	160,949,493	3,460,895	2.15
<b>Personal deposits</b>						
Demand	111,952,507	595,476	0.53	111,259,837	620,562	0.56
Time	139,044,470	4,189,772	3.01	115,477,754	3,494,482	3.03
<b>Sub-total</b>	<b>250,996,977</b>	<b>4,785,248</b>	<b>1.91</b>	226,737,591	4,115,044	1.81
<b>Total</b>	<b>426,749,223</b>	<b>8,627,010</b>	<b>2.02</b>	387,687,084	7,575,939	1.95

During the Reporting Period, the Group's interest expense on customer deposits was RMB8.627 billion, representing an increase of RMB1,051 million or 13.87% year on year. The increase in interest expense on customer deposits was primarily due to increases in both volume and cost. Firstly, the Bank continued to maintain the leading position in Dongguan's deposit market share, and the steady growth of deposits promoted the growth of volume; Secondly, the increase in overall interest rate was due to the effect of reducing the cost rate of time deposits through effective measures, which was partially offset by the increase in the proportion of time deposits scale.

#### (ii) Interest expense on Bonds issued

During the Reporting Period, interest expense on bonds issued of the Group amounted to RMB1.626 billion, representing a decrease of RMB182 million year-on-year, mainly due to the decrease in interest payment as the result of the decrease in interbank certificates of deposit issuance costs in line with the decrease in market interest rates.

#### (iii) Interest expense on borrowing from the Central Bank

During the Reporting Period, the Group's interest expense on borrowings from the Central Bank amounted to RMB484 million, representing a decrease of RMB266 million or 35.47% year on year, which was mainly due to flexible debt management, reducing the average daily size of MLF and strengthening debt cost control.

- (iv) Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions

The following table sets out the average balance, interest expense and average cost of components of the Group's financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions for the periods indicated:

(unit: RMB'000)

Item	For the year ended December 31,					
	2022			2021		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Financial assets sold under repurchase agreements	<b>24,518,334</b>	<b>412,259</b>	<b>1.68</b>	22,925,444	490,824	2.14
Deposits and placements from banks and other financial institutions	<b>29,194,594</b>	<b>679,891</b>	<b>2.33</b>	29,039,915	777,401	2.68
<b>Total</b>	<b>53,712,928</b>	<b>1,092,150</b>	<b>2.03</b>	51,965,359	1,268,225	2.44

During the Reporting Period, the interest expense payable to banks and other financial institutions by the Group amounted to RMB1.092 billion, representing a decrease of RMB176 million or 13.88% year-on-year, mainly due to the decline in market interest rates, which resulted in a decrease in the average cost.

## 2. Net non-interest income

During the Reporting Period, net non-interest income of the Group amounted to RMB2.303 billion, representing a year-on-year decrease of RMB160 million or 6.51%. The following table sets forth the composition of net non-interest income and the changes of the Group for the periods indicated:

(unit: RMB'000)

Item	For the year ended December 31,		Amount of increase/ (decrease)	Increase/ (decrease) percentage (%)
	2022	2021		
Net fee and commission income	<b>685,978</b>	792,309	(106,331)	(13.42)
Net trading gains	<b>1,293,856</b>	1,057,806	236,050	22.32
Net gains on financial investments	<b>75,349</b>	520,932	(445,583)	(85.54)
Other operating income	<b>247,499</b>	91,932	155,567	169.22
<b>Total</b>	<b>2,302,682</b>	2,462,979	(160,297)	(6.51)

## Chapter III Management Discussion and Analysis

### (1) Net fee and commission income

During the Reporting Period, the net fee and commission income of the Group amounted to RMB686 million, representing a year-on-year decrease of RMB106 million, mainly due to the rapid growth in fee and commission expenses during the year, including: (i) the significant increase in the fee expenses of comprehensive acquiring business as a result of the transaction volume of comprehensive acquiring merchants increased significantly; (ii) an increase in technical service fee expenses as a result of the rapid increase in the scale of super-quick loan business in 2022.

The following table sets forth the details of net fee and commission income of the Group for the periods indicated:

(unit: RMB'000)

Item	For the year ended December 31,			
	2022		2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Fee income from settlement business	87,368	12.74	76,801	9.69
Bank card fee income	246,638	35.95	245,961	31.04
Fee income from trust and fiduciary activities	307,922	44.89	263,291	33.23
Income from wealth management business	298,181	43.47	359,832	45.42
Income from other businesses	81,409	11.87	44,940	5.67
<b>Fee and commission income</b>	<b>1,021,518</b>	<b>148.92</b>	<b>990,825</b>	<b>125.05</b>
<b>Fee and commission expense</b>	<b>(335,540)</b>	<b>(48.92)</b>	<b>(198,516)</b>	<b>(25.05)</b>
<b>Net fee and commission income</b>	<b>685,978</b>	<b>100.00</b>	<b>792,309</b>	<b>100.00</b>

### (2) Net trading gains

During the Reporting Period, the Group's net trading gains amounted to RMB1.294 billion, representing a year-on-year increase of RMB236 million, mainly due to the year-on-year increase of the exchange profit and loss of Hong Kong dollar capital of the Bank with the rise of the exchange rate of Hong Kong dollar against RMB in 2022.

### (3) Net gains on financial investments

During the Reporting Period, the Group's net gains on financial investments amounted to RMB75 million, representing a year-on-year decrease of RMB446 million, mainly because the Bank participated in the use of special bonds to supplement the capital of Puning RCB, and should bear the shortfall of the discounted value of the future cash flow of the special bonds deducted by the value of the underlying assets of beneficiary rights and the value of the underlying shares and therefore recognized a loss. For details of net gains on financial investments, please refer to Note 7 "Net gains on financial investments" to the consolidated financial statements in the "Financial Report" section of this Report.

### (4) Other operating income

During the Reporting Period, other operating income of the Group amounted to RMB247 million, representing a year-on-year increase of RMB156 million, mainly due to the increase in incentive funds income of Inclusive SMEs Loan Deferred Payment Tool.

### 3. Operating expense

During the Reporting Period, the Group's operating expenses amounted to RMB4.748 billion, representing an increase of RMB151 million or 3.28% year on year. The increase in operating expenses was mainly due to: on the one hand, the Bank has accelerated the digital transformation and increased investment in technology to promote the integration of technology and business; on the other hand, the Bank adhered to the principle of cost reduction and efficiency enhancement and strengthened the management of expense refinement. Under the combined influence of the two factors, the increase in operating expenses for the year was less than that of the same period last year.

The following table sets forth the main components and the changes of the Group's operating expenses for the periods indicated:

(unit: RMB'000)

Item	For the year ended December 31,		Amount of increase/ (decrease)	Increase/ (decrease) percentage (%)
	2022	2021		
Staff costs	<b>3,181,835</b>	3,195,543	(13,708)	(0.43)
Taxes and surcharges	<b>144,903</b>	155,407	(10,504)	(6.76)
General and administrative expenses	<b>986,028</b>	844,017	142,011	16.83
Depreciation and amortization	<b>423,121</b>	394,884	28,237	7.15
Others	<b>12,037</b>	7,479	4,558	60.94
<b>Total</b>	<b>4,747,924</b>	4,597,330	150,594	3.28

#### (1) Staff costs

Staff costs is the largest component of the Group's operating expenses, accounted for 67.02% and 69.51% of the operating expenses in 2022 and 2021 respectively.

The following table sets forth the main components and the changes of the Group's staff costs for the periods indicated:

(unit: RMB'000)

Item	For the year ended December 31,		Amount of increase/ (decrease)	Increase/ (decrease) percentage (%)
	2022	2021		
Salaries, bonuses, allowances and subsidies	<b>2,282,618</b>	2,410,693	(128,075)	(5.31)
Pension and other social benefits	<b>659,398</b>	592,537	66,861	11.28
Enterprise annuity scheme	<b>191,197</b>	142,216	48,981	34.44
Others	<b>48,622</b>	50,097	(1,475)	(2.94)
<b>Total</b>	<b>3,181,835</b>	3,195,543	(13,708)	(0.43)

During the Reporting Period, the Group's staff costs amounted to RMB3.182 billion, representing a decrease of RMB14 million or 0.43% year on year.

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### (2) Depreciation and amortization

During the Reporting Period, the Group's depreciation and amortization amounted to RMB423 million, representing an increase of RMB28 million year on year. The depreciation and amortization basically remained the same as that of the same period of the previous year, mainly due to the slight change in the scale of property and equipment.

### 4. Expected credit losses and asset losses

(unit: RMB'000)

Item	For the year ended December 31,		Amount of increase/ (decrease)	Increase/ (decrease) percentage (%)
	2022	2021		
Loans and advances to customers	<b>1,970,019</b>	1,990,554	(20,535)	(1.03)
Financial investments	<b>183,687</b>	378,200	(194,513)	(51.43)
Loan commitments and guarantee contracts	<b>58,485</b>	29,976	28,509	95.11
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	<b>(19,429)</b>	21,697	(41,126)	(189.55)
Other assets	<b>46,061</b>	22,740	23,321	102.55
<b>Total</b>	<b>2,238,823</b>	2,443,167	(204,344)	(8.36)

### (1) Loans and advances to customers

During the Reporting Period, the Group's provision for credit losses on loans and advances to customers was RMB1.970 billion, roughly the same as that of the same period of the previous year, which was mainly because the Group has adhered to the principle of prudence and maintained the intensity of loan impairment loss accrual to enhance its risk-absorbing ability.

### (2) Financial investments

During the Reporting Period, the Group's provision for credit losses on financial investments amounted to RMB184 million, representing a decrease of RMB195 million from the same period of the previous year, mainly due to the Group's continuous optimization of the investment structure of its financial assets in recent years, which resulted in the gradual compression of the stock of non-performing financial assets and the control of overall credit risk, resulting in a decrease in the impairment losses on credit assets required to be recorded.

## 5. Income tax expense

During the Reporting Period, the Group's income tax expense amounted to RMB202 million, representing a year-on-year decrease of RMB85 million or 29.71%. The effective income tax rate was 3.21%, representing a decrease of 1.58 percentage points from the same period of the previous year, mainly due to the increase in non-taxable income from investment in government bonds.

(unit: RMB'000)

Item	For the year ended December 31,		Amount of increase/ (decrease)	Increase/ (decrease) percentage (%)
	2022	2021		
Current income tax expense	<b>866,519</b>	775,806	90,713	11.69
Deferred income tax expense	<b>(664,982)</b>	(489,075)	(175,907)	35.97
<b>Total</b>	<b>201,537</b>	286,731	(85,194)	(29.71)

## (II) Balance Sheet Analysis

### 1. Assets

As at the end of the Reporting Period, the total assets of the Group was RMB657.690 billion, representing an increase of RMB64.329 billion or 10.84% over the end of last year, mainly due to the increase in asset scale driven by the steady growth of loans and financial investments.

The following table sets forth the balance of main components of the Group's total assets as of the dates indicated:

(unit: RMB'000)

Item	As at December 31, 2022		As at December 31, 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Net loans and advances to customers	<b>321,748,124</b>	<b>48.92</b>	289,684,534	48.82
Cash and balances with Central Bank	<b>40,024,836</b>	<b>6.09</b>	36,211,311	6.10
Financial investments <sup>(1)</sup>	<b>269,777,909</b>	<b>41.02</b>	242,261,644	40.83
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	<b>15,515,079</b>	<b>2.36</b>	15,772,779	2.66
Investment in associates	<b>480,421</b>	<b>0.07</b>	455,392	0.08
Goodwill	<b>520,521</b>	<b>0.08</b>	520,521	0.09
Property and equipment	<b>2,475,704</b>	<b>0.38</b>	2,546,928	0.43
Right-of-use assets	<b>934,118</b>	<b>0.14</b>	923,130	0.16
Deferred tax assets	<b>4,059,547</b>	<b>0.62</b>	3,331,121	0.56
Others <sup>(2)</sup>	<b>2,153,713</b>	<b>0.32</b>	1,653,733	0.27
<b>Total assets</b>	<b>657,689,972</b>	<b>100.00</b>	593,361,093	100.00

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Notes:

- (1) Financial investments include bonds, funds, beneficiary rights of credit assets, and unlisted equity investments.
- (2) Consisted of derivative financial assets, advances to suppliers, long-term deferred expenses, foreclosed assets, R&D expenses, clearing and settlement, and precious metal, etc.

### (1) Loans and advances to customers

As at the end of the Reporting Period, the Group's net loans and advances to customers amounted to RMB321.748 billion, representing an increase of RMB32.064 billion or 11.07% over the end of last year.

(unit: RMB'000)

Item	As at December 31, 2022	As at December 31, 2021	Amount of increase/ (decrease)	Increase/ (decrease) percentage (%)
<b>Total loans and advances to customers</b>	<b>331,997,701</b>	298,114,972	33,882,729	11.37
Add: accrued interest	<b>670,422</b>	598,457	71,965	12.03
Less: allowance for expected credit loss <sup>(1)</sup>	<b>10,919,999</b>	9,028,895	1,891,104	20.95
<b>Net loans and advances to customers</b>	<b>321,748,124</b>	289,684,534	32,063,590	11.07

Note:

- (1) Excluding provision for impairment of bills rediscounting and forfeiting, which is included in other comprehensive income.

The Group's loans and advances to customers mainly consisted of corporate loans, personal loans and discounted bills. For details of the Group's loans and advances to customers, please refer to the "Loan Quality Analysis" in this chapter.

### (2) Financial assets held under resale agreements and deposits and placements with banks and other financial institutions

As at the end of the Reporting Period, the amount of the financial assets held under resale agreements and deposits and placements with banks and other financial institutions was RMB15.515 billion, representing a decrease of 1.63% as compared with the end of the previous year, which remained roughly the same.

The following table sets forth the breakdown of financial assets held under resale agreements and deposits and placements with banks and other financial institutions as of the dates indicated:

(unit: RMB'000)

Item	As at December 31, 2022		As at December 31, 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Deposits with domestic banks and other financial institutions	5,759,262	37.04	4,638,314	29.30
Deposits with overseas banks and other financial institutions	658,713	4.24	4,724,001	29.84
Placements with domestic banks and other financial institutions	6,738,230	43.34	1,640,000	10.36
Financial assets held under resale agreements	2,390,500	15.38	4,826,568	30.50
<b>Sub-total</b>	<b>15,546,705</b>	<b>100.00</b>	15,828,883	100.00
Add: accrued interest	18,819	—	13,770	—
Less: impairment allowance	50,445	—	69,874	—
<b>Total</b>	<b>15,515,079</b>	—	15,772,779	—

(3) *Financial investments*

As at the end of the Reporting Period, the Group's financial investments mainly include bonds, beneficiary rights of credit assets, funds and unlisted equity investments. The Group's total financial investments were RMB269.778 billion, representing an increase of RMB27.516 billion or 11.36% over the end of last year.

The following table sets forth the composition of the Group's financial investments as of the dates indicated:

(unit: RMB'000)

Item	As at December 31, 2022		As at December 31, 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Financial assets at fair value through profit or loss	52,182,664	19.34	43,512,900	17.96
Financial investment at amortized cost	124,352,911	46.09	108,445,277	44.76
Financial assets at fair value through other comprehensive income	93,242,334	34.57	90,303,467	37.28
<b>Total</b>	<b>269,777,909</b>	<b>100.00</b>	242,261,644	100.00

### Chapter III Management Discussion and Analysis

In particular, the detailed distribution of the types and amounts of bonds held by the Group as of the dates indicated was as follows:

(unit: RMB'000)

Item	As at December 31, 2022		As at December 31, 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Debt securities issued by the central and local governments	166,323,926	69.12	141,643,926	65.57
Debt securities issued by financial institutions	64,268,087	26.71	52,520,073	24.31
Debt securities issued by enterprises	4,375,484	1.82	14,531,482	6.73
Interbank certificates of deposits	5,661,879	2.35	7,313,324	3.39
<b>Total</b>	<b>240,629,376</b>	<b>100.00</b>	<b>216,008,805</b>	<b>100.00</b>

In particular, the top ten bonds (based on nominal value) held by the Group are as follows:

(unit: RMB'000)

Name of bonds	Issuer	Nominal value	Coupon rates (%)	Maturity date
21 Interest-bearing treasury bond 09 (21付息國債09)	the Ministry of Finance of the PRC	7,700,000	3.02	2031-05-27
19 CDB bond 15 (19國開15)	China Development Bank	3,760,000	3.45	2029-09-20
20 Interest-bearing treasury bond 14 (20付息國債14)	the Ministry of Finance of the PRC	3,280,000	2.88	2023-11-05
22 Beijing bond 07 (22北京債07)	People's Government of Beijing Municipality	3,270,000	2.73	2027-01-20
19 Interest-bearing treasury bond 15 (19付息國債15)	the Ministry of Finance of the PRC	3,150,000	3.13	2029-11-21
22 discounted treasury bonds 75 (22貼現國債75)	the Ministry of Finance of the PRC	3,100,000	2.05	2023-03-20
21 Interest-bearing treasury bond 17 (21付息國債17)	the Ministry of Finance of the PRC	3,040,000	2.89	2031-11-18
22 discounted treasury bond 37 (22貼現國債37)	the Ministry of Finance of the PRC	3,000,000	1.58	2023-01-30
19 ADBC bond 06 (19農發06)	Agricultural Development Bank of China	2,820,000	3.74	2029-07-12
19 CDB bond 08 (19國開08)	China Development Bank	2,610,000	3.42	2024-07-02

## 2. Liabilities

As at the end of the Reporting Period, the total liabilities of the Group were RMB603.87 billion, representing an increase of RMB60.491 billion or 11.13% over the end of last year, which was mainly due to the increase in deposits from customers and borrowings from the central bank.

The following table sets forth the composition of the Group's total liabilities as of the dates indicated:

(unit: RMB'000)

Item	As at December 31, 2022		As at December 31, 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Deposits from customers	<b>465,688,801</b>	<b>77.12</b>	419,065,517	77.12
Debt securities issued	<b>64,053,467</b>	<b>10.61</b>	67,857,602	12.49
Borrowings from Central Bank	<b>23,351,892</b>	<b>3.87</b>	11,274,598	2.07
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	<b>44,404,451</b>	<b>7.35</b>	40,204,765	7.40
Leasing liability	<b>456,116</b>	<b>0.08</b>	459,079	0.08
Financial liabilities at fair value through profit or loss	<b>1,809,212</b>	<b>0.30</b>	492,648	0.09
Taxes payable	<b>457,304</b>	<b>0.08</b>	583,389	0.11
Other liabilities <sup>(1)</sup>	<b>3,648,800</b>	<b>0.59</b>	3,441,382	0.64
<b>Total liabilities</b>	<b>603,870,043</b>	<b>100.00</b>	543,378,980	100.00

Note:

(1) Mainly consisted of derivative financial liabilities and salaries payable.

### Chapter III Management Discussion and Analysis

#### (1) Deposits from customers

The following table sets forth the Group's deposits from customers by product category as at the dates indicated:

(unit: RMB'000)

Item	As at December 31, 2022		As at December 31, 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
<b>Corporate deposits</b>				
— Demand	101,798,785	22.17	96,481,862	23.31
— Time	79,565,638	17.33	72,505,963	17.52
<b>Sub-total</b>	<b>181,364,423</b>	<b>39.50</b>	168,987,825	40.83
<b>Personal deposits</b>				
— Demand	122,182,086	26.61	108,524,863	26.22
— Time	147,879,965	32.21	132,886,394	32.10
<b>Sub-total</b>	<b>270,062,051</b>	<b>58.82</b>	241,411,257	58.32
<b>Other deposits<sup>(1)</sup></b>	<b>7,736,080</b>	<b>1.68</b>	3,561,931	0.85
<b>Principal of customer deposits in total</b>	<b>459,162,554</b>	<b>100.00</b>	413,961,013	100.00
Add: accrued interest	6,526,247		5,104,504	
<b>Total deposits from customers</b>	<b>465,688,801</b>		419,065,517	

Note:

(1) Consisted of remittance outstanding and margin deposit.

As at the end of the Reporting Period, in respect of the structure of deposits from customers of the Group, personal deposits accounted for 58.82% with its balance increased by RMB28.651 billion or 11.87% as compared to the end of the previous year; and corporate deposits accounted for 39.50%, with its balance increased by RMB12.377 billion or 7.32% as compared to the end of the previous year. In terms of maturity structure, demand deposits accounted for 48.78%, representing a decrease of 0.75 percentage point as compared to the end of the previous year; and time deposits accounted for 49.54%, representing a decrease of 0.08 percentage point as compared to the end of the previous year.

(2) *Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions*

As at the end of the Reporting Period, the Group's financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions amounted to RMB44.404 billion, representing an increase of RMB4.20 billion, or 10.45% over the end of the previous year.

The following table sets forth the breakdown of financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions of the Group as at the dates indicated:

(unit: RMB'000)

Item	As at December 31, 2022		As at December 31, 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Deposits from domestic banks	7,009,437	15.79	8,983,021	22.34
Deposits from non-banking domestic financial institutions	5,881,907	13.25	16,111,478	40.07
Placements from domestic banks	2,000,000	4.50	1,100,000	2.74
Bonds sold under repurchase agreements	22,592,631	50.88	12,732,949	31.67
Notes sold under repurchase agreements	6,828,782	15.38	1,004,938	2.50
<b>Sub-total</b>	<b>44,312,757</b>	<b>99.80</b>	39,932,386	99.32
Add: accrued interest	91,694	0.20	272,379	0.68
<b>Total</b>	<b>44,404,451</b>	<b>100.00</b>	40,204,765	100.00

### 3. Shareholders' equity

As of the end of the Reporting Period, the total shareholders' equity of the Group was RMB53.820 billion, representing an increase of RMB3.838 billion or 7.68% from the end of the last year, mainly due to the undistributed profit increased by RMB2.761 billion.

The following table sets forth the composition of the shareholders' equity of the Group as at the dates indicated:

(unit: RMB'000)

Item	As at December 31, 2022		As at December 31, 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Share capital	6,888,546	12.80	6,888,546	13.78
Capital reserve	6,230,429	11.58	6,230,429	12.47
Surplus reserve	8,323,435	15.47	7,737,394	15.48
General reserve	6,915,566	12.85	6,329,025	12.66
Revaluation reserve	604,567	1.12	789,488	1.58
Undistributed profit	22,165,171	41.18	19,403,750	38.82
<b>Total equity attributable to shareholders of the Bank</b>	<b>51,127,714</b>	<b>95.00</b>	47,378,632	94.79
Non-controlling interests	2,692,215	5.00	2,603,481	5.21
<b>Total shareholders' equity</b>	<b>53,819,929</b>	<b>100.00</b>	49,982,113	100.00

As at the end of the Reporting Period, the Group's paid-in capital was RMB6.889 billion, the capital reserve was RMB6.230 billion, and the undistributed profit was RMB22.165 billion.

**4. Asset rights restrictions as of the end of the Reporting Period**

As at the end of the Reporting Period, certain assets of the Group were used as collateral for the repurchase business and the business of borrowing from the Central Bank. For details of the collateral assets, please refer to 39(e) “Collateral” to the consolidated financial statements in the “Financial Report” chapter in this Report. As at the end of the Reporting Period, the details of the fair value of the assets used as collateral are as follows:

(unit: RMB'000)

<b>Item</b>	<b>As at December 31, 2022</b>	<b>Reason for restriction</b>
Bonds	<b>21,530,939</b>	Repurchase business
Bills	<b>6,793,204</b>	Repurchase business
Bonds	<b>27,120,853</b>	Borrowing from the Central Bank
Loans	<b>126,700</b>	Borrowing from the Central Bank
Bills	<b>558,831</b>	Borrowing from the Central Bank
<b>Total</b>	<b>56,130,527</b>	

**(III) Cash Flow Statement Analysis**

During the Reporting Period, the Group's net cash inflow from operating activities amounted to RMB29,228 million, as compared to a net outflow of RMB16,021 million in the same period last year, mainly due to the increase in borrowings from the central bank during the Reporting Period, resulting in cash inflow; Net cash outflow from investing activities amounted to RMB20,028 million, representing an increase of RMB11,336 million as compared with the net outflow for the same period last year, mainly due to the increase in net outflow from investment in financial assets as compared with the same period last year; Net cash outflow from financing activities amounted to RMB7,699 million, as compared to a net inflow of RMB20,659 million for the same period last year, mainly due to the increase in outflow of RMB24,337 million as a result of repayment of principal and interest of debt securities issued during the Period.

(unit: RMB'000)

<b>Item</b>	<b>For the year ended December 31,</b>		<b>Amount of increase/ (decrease)</b>	<b>Increase/ (decrease) percentage (%)</b>
	<b>2022</b>	<b>2021</b>		
Net cash flow from operating activities	<b>29,227,516</b>	(16,020,597)	45,248,113	(282.44)
Net cash flow from investing activities	<b>(20,027,661)</b>	(8,691,589)	(11,336,072)	130.43
Net cash flow from financing activities	<b>(7,699,424)</b>	20,659,003	(28,358,427)	(137.27)

## (IV) Loan Quality Analysis

During the Reporting Period, affected by a series of unexpected factors at home and abroad, such as the tightening policy of the United States and the conflict between Russia and Ukraine, as well as the triple pressure of demand contraction, supply shock and weakening expectation on domestic economic development, the production and operation risks of enterprises has increased. The Group prudently assessed the assets quality in strict accordance with the regulatory requirements. As at the end of the Reporting Period, the balance of non-performing loans of the Group was RMB2.871 billion, representing an increase of RMB487 million from the end of last year, and the non-performing loan ratio was 0.90%.

### 1. Loan distribution by five-tier loan classification

(unit: RMB'000)

Item	As at December 31, 2022		As at December 31, 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Normal	324,632,095	97.79	289,987,437	97.27
Special mention	4,494,969	1.35	5,743,473	1.93
Substandard	711,789	0.21	673,300	0.23
Doubtful	2,006,939	0.60	1,591,004	0.53
Loss	151,909	0.05	119,758	0.04
<b>Total loans to customers</b>	<b>331,997,701</b>	<b>100.00</b>	298,114,972	100.00
<b>NPLs and NPL ratio<sup>(1)</sup></b>	<b>2,870,637</b>	<b>0.90</b>	2,384,062	0.84

Note:

- (1) Calculated by dividing the amount of NPL (excluding accrued interest) by total amount of loans (excluding accrued interest). For the purpose of NPL ratio calculation, the NPL ratio of Zhanjiang RCB and Chaoyang RCB, both our subsidiaries, was calculated based on the original book value of the loans as of December 31, 2022 and December 31, 2021 respectively, and not the fair value on the combination date.

As at the end of the Reporting Period, the Group's normal loans amounted to RMB324.632 billion, accounting for 97.79% of all loans, representing an increase of RMB34.645 billion from the end of last year, which was mainly as a result of normal business growth; special mention loans amounted to RMB4.495 billion, representing a decrease of RMB1.249 billion from the end of last year which was mainly due to risk resolution of certain special mention loans and the settlement and recovery of such loans, while several other special mention loans were downgraded to non-performing loans.

As at the end of the Reporting Period, the balance of non-performing loans of the Group was RMB2.871 billion, representing an increase of RMB487 million from the end of last year, which was mainly due to the non-performing loans formed by overdue interest on certain enterprises loans and certain personal mortgages, consumption and operating loans affected by the increasing downward pressure on the economy.

The Group calculated the migration ratio of loans pursuant to the Notice of the CBIRC for Amendments to the Definition and Calculation Formula of Off-site Regulation Basic Indicators of the Banking Industry (Yin Bao Jian Fa [2022] No.2). As at the end of the Reporting Period, the migration ratio of the Group's normal loans was 0.88%, and the normal loans maintained stable; the migration ratio of special mention loans was 27.11%, the migration ratio of substandard loans was 114.59%, and the migration ratio of doubtful loans was 44.30%.

## Chapter III Management Discussion and Analysis

### 2. Loans and non-performing loans by product type

(unit: RMB'000)

Item	As at December 31, 2022				As at December 31, 2021			
	Amount	Percentage of total (%)	NPL amount	NPL ratio <sup>(1)</sup> (%)	Amount	Percentage of total (%)	NPL amount	NPL ratio <sup>(1)</sup> (%)
<b>Corporate loans<sup>(2)</sup></b>								
Working capital loans	76,595,554	23.07	976,565	1.43	73,039,199	24.50	824,546	1.28
Fixed asset loans	107,090,426	32.26	356,985	0.33	85,547,457	28.70	452,304	0.53
Others	5,121,987	1.54	50,202	0.98	4,794,844	1.61	49,308	1.03
<b>Sub-total</b>	<b>188,807,967</b>	<b>56.87</b>	<b>1,383,752</b>	<b>0.79</b>	<b>163,381,500</b>	<b>54.81</b>	<b>1,326,158</b>	<b>0.88</b>
<b>Personal loans</b>								
Personal business loans	38,675,434	11.65	508,538	1.32	29,199,175	9.79	363,974	1.18
Property mortgages	38,939,465	11.73	519,264	1.34	40,260,382	13.50	356,414	0.89
Credit card overdrafts	6,760,399	2.04	152,117	2.25	6,663,366	2.24	117,995	1.77
Personal consumption loans	30,053,733	9.05	306,966	1.02	32,743,978	10.98	219,521	0.73
<b>Sub-total</b>	<b>114,429,031</b>	<b>34.47</b>	<b>1,486,885</b>	<b>1.30</b>	<b>108,866,901</b>	<b>36.51</b>	<b>1,057,904</b>	<b>0.98</b>
<b>Discounted bills<sup>(3)</sup></b>								
Bank acceptance bills	28,760,703	8.66	—	—	25,866,571	8.68	—	—
Trade acceptance draft	—	—	—	—	—	—	—	—
<b>Sub-total</b>	<b>28,760,703</b>	<b>8.66</b>	<b>—</b>	<b>—</b>	<b>25,866,571</b>	<b>8.68</b>	<b>—</b>	<b>—</b>
<b>Total</b>	<b>331,997,701</b>	<b>100.00</b>	<b>2,870,637</b>	<b>0.90</b>	<b>298,114,972</b>	<b>100.00</b>	<b>2,384,062</b>	<b>0.84</b>

Notes:

- (1) Calculated by dividing the amount of NPL (excluding accrued interest) by total amount of loans (excluding accrued interest). For the purpose of NPL ratio calculation, the NPL ratio of Zhanjiang RCB and Chaoyang RCB, both our subsidiaries, was calculated based on the original book value of the loans, and not the fair value on the combination date.
- (2) Forfeiting is included in corporate loans.
- (3) Mainly includes discounted and re-discounted bills.

As at the end of the Reporting Period, the non-performing loan ratio of corporate loans (excluding discounted bills) was 0.79%, decreased by 0.09 percentage point as compared with the end of last year; the non-performing loan ratio of personal loans was 1.30%, increased by 0.32 percentage point as compared with the end of previous year, which was mainly due to the decrease in individual and household income as a result of the macro environmental impact and the increase in debt pressure.

### 3. Loans and non-performing loans by industry

(unit: RMB'000)

Industry <sup>(1)</sup>	As at December 31, 2022				As at December 31, 2021			
	Amount	Percentage of total (%)	NPL amount	NPL ratio <sup>(2)</sup> (%)	Amount	Percentage of total (%)	NPL amount	NPL ratio <sup>(2)</sup> (%)
<b>Corporate loans and advances</b>	<b>188,807,967</b>	<b>56.87</b>	<b>1,383,752</b>	<b>0.79</b>	163,381,500	54.81	1,326,158	0.88
Wholesale and retail	34,040,491	10.26	571,444	1.68	31,115,441	10.44	474,198	1.61
Leasing and commercial services	36,083,880	10.87	186,933	0.67	29,905,756	10.03	212,131	0.90
Manufacturing	45,816,489	13.80	240,622	0.66	37,262,640	12.50	140,177	0.38
Construction	24,374,877	7.34	135,113	0.55	20,653,224	6.93	205,588	0.99
Real estate	16,165,084	4.87	—	—	14,443,949	4.85	16,500	0.12
Finance	5,579,271	1.68	—	—	5,848,025	1.96	—	—
Production and supply of power, gas and water	6,287,897	1.89	2,390	0.04	5,414,406	1.82	—	—
Transportation, logistics and postal services	4,610,215	1.39	5,043	0.11	3,163,288	1.06	—	—
Water, environment and public utilities management	3,043,119	0.92	224,100	7.36	2,843,796	0.95	243,944	9.37
Health, social security and welfare	2,294,669	0.69	—	—	2,877,962	0.97	—	—
Education	3,921,894	1.18	—	—	3,143,938	1.05	—	—
Information transmission, software and information technology services	937,076	0.28	—	—	1,438,604	0.48	—	—
Accommodations and catering industries	2,540,995	0.77	—	—	2,302,218	0.77	13,537	0.59
Agriculture, forestry, animal husbandry and fishery	2,002,141	0.60	18,107	0.90	2,152,266	0.72	20,083	0.96
Residential services and other services	227,719	0.07	—	—	199,430	0.07	—	—
Culture, sports, and entertainment	114,998	0.03	—	—	134,320	0.05	—	—
Scientific research and technical services, and geological prospecting	759,252	0.23	—	—	432,899	0.15	—	—
Mining	7,900	0.00	—	—	13,300	0.00	—	—
Public management and social organizations	—	—	—	—	36,038	0.01	—	—
<b>Discounted bills</b>	<b>28,760,703</b>	<b>8.66</b>	<b>—</b>	<b>—</b>	25,866,571	8.68	—	—
<b>Personal loans</b>	<b>114,429,031</b>	<b>34.47</b>	<b>1,486,885</b>	<b>1.30</b>	108,866,901	36.51	1,057,904	0.98
<b>Total</b>	<b>331,997,701</b>	<b>100.00</b>	<b>2,870,637</b>	<b>0.90</b>	298,114,972	100.00	2,384,062	0.84

Notes:

- (1) Classified based on the Industrial Classification for National Economic Activities (《國民經濟行業分類》) issued by the Standardization Administration of China on June 30, 2017.
- (2) Calculated by dividing the amount of NPL (excluding accrued interest) by total amount of loans (excluding accrued interest). For the purpose of NPL ratio calculation, the NPL ratio of Zhanjiang RCB and Chaoyang RCB, both our subsidiaries, was calculated based on the original book value of the loans, and not the fair value on the combination date.

### Chapter III Management Discussion and Analysis

As of the end of the Reporting Period, the non-performing loans of the Group's corporate loans were mainly concentrated in wholesale and retail, manufacturing, with the non-performing loan ratios of 1.68% and 0.66%, respectively. Among them, the balance of NPLs in the wholesale and retail industry was RMB571 million, representing an increase of RMB97 million as compared to the beginning of the year; the balance of NPLs in the manufacturing industry was RMB241 million, representing an increase of RMB100 million, as compared to the beginning of the year. It was mainly due to the difficulties in production and operation of certain enterprises, and the number of overdue days exceeding 60 days, which led to non-performing loans.

#### 4. Loans and non-performing loans classified by types of guarantees

(unit: RMB'000)

Guarantee method	As at December 31, 2022				As at December 31, 2021			
	Amount	Percentage of total (%)	NPL amount	NPL ratio (%)	Amount	Percentage of total (%)	NPL amount	NPL ratio (%)
Collateralized loans	170,426,153	51.33	1,369,837	0.83	156,304,340	52.43	1,142,849	0.79
Pledged loans	41,939,301	12.63	485,818	1.16	41,152,064	13.80	255,163	0.62
Guaranteed loans	84,448,418	25.44	416,864	0.53	68,643,992	23.03	546,734	0.85
Unsecured loans	35,183,829	10.60	598,118	2.01	32,014,576	10.74	439,316	1.37
<b>Total</b>	<b>331,997,701</b>	<b>100.00</b>	<b>2,870,637</b>	<b>0.90</b>	<b>298,114,972</b>	<b>100.00</b>	<b>2,384,062</b>	<b>0.84</b>

#### 5. Loans classified by region

(unit: RMB'000)

Region	As at December 31, 2022		As at December 31, 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Dongguan	264,363,531	79.63	236,567,843	79.35
Outside Dongguan	67,634,170	20.37	61,547,129	20.65
<b>Total</b>	<b>331,997,701</b>	<b>100.00</b>	<b>298,114,972</b>	<b>100.00</b>

Based on the objective to develop into a banking group, the Group has established its foothold in Dongguan market, and radiated the customers of East Guangdong and West Guangdong, as well as the Greater Bay Area. The Group has gradually established a new regional group development pattern of "One Core with Two Wings". Most of the loans were distributed in Dongguan, and the coordinated development of each region. The balance of loans in Dongguan was RMB264.364 billion, accounted for 79.63%. The balance of loans outside Dongguan was RMB67.634 billion, accounted for 20.37%, which was basically the same as that at the beginning of the year.

## 6. Loan to top ten single borrowers

As at the end of the Reporting Period, the Group's loan balance to any single borrower did not exceed 10% of the Group's net capital. The following table sets forth the Group's loan balance to the top ten single borrowers (excluding group borrowers) as of the end of the Reporting Period, none of which was non-performing loan:

(unit: RMB'000)

Borrower	Industry	As at December 31, 2022		
		Balance of loans	Percentage of total loans (%)	Percentage of net capital (%)
Customer A	Leasing and commercial services	2,959,840	0.89	4.92
Customer B	Construction	1,865,045	0.56	3.10
Customer C	Leasing and commercial services	1,748,500	0.53	2.91
Customer D	Real estate	1,341,000	0.40	2.23
Customer E	Leasing and commercial services	1,300,000	0.39	2.16
Customer F	Water, environment and public utilities management	1,016,750	0.31	1.69
Customer G	Construction	984,000	0.30	1.64
Customer H	Construction	960,000	0.29	1.60
Customer I	Construction	942,341	0.28	1.57
Customer J	Leasing and commercial services	931,800	0.28	1.55
<b>Total</b>		<b>14,049,276</b>	<b>4.23</b>	<b>23.37</b>

As at the end of the Reporting Period, the total loans to the largest single borrower of the Group was RMB2.96 billion, accounting for 4.92% of the net capital of the Group. The total loans to top ten single borrowers was RMB14.049 billion, accounting for 23.37% of the net capital of the Group and 4.23% of the total loans of the Group.

The following table sets forth the concentration indicators of the Group during the indicated periods:

Concentration indicators	As at December 31, 2022	As at December 31, 2021	Regulatory Requirements
Percentage of loans to the largest single customer to net capital	4.92	5.33	10%
Percentage of credits to a single group customer to net capital	8.16	10.13	15%
Percentage of loans to top ten customers to net capital	23.37	25.25	—

As at the end of the Reporting Period, the balance of loans to any single borrower granted by the Bank did not exceed 10% of the net capital of the Bank.

7. **Loans overdue**

(unit: RMB'000)

Type	As at December 31, 2022		As at December 31, 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
<b>Current loans</b>	<b>326,461,966</b>	<b>98.13</b>	295,597,638	98.95
<b>Loans past due</b>	<b>6,206,157</b>	<b>1.87</b>	3,115,791	1.05
— Within 3 months	<b>3,884,230</b>	<b>1.17</b>	1,190,617	0.40
— From 3 months to 1 year	<b>750,148</b>	<b>0.23</b>	1,272,800	0.43
— More than 1 year to less than 3 years	<b>1,431,058</b>	<b>0.43</b>	470,835	0.16
— More than 3 years	<b>140,721</b>	<b>0.04</b>	181,539	0.06
<b>Total loans and advances to customers<sup>(1)</sup></b>	<b>332,668,123</b>	<b>100.00</b>	298,713,429	100.00
Less: allowance for expected credit loss	<b>10,919,999</b>		9,028,895	
<b>Net loans and advances to customers</b>	<b>321,748,124</b>		289,684,534	

Note:

- (1) Total loans and advances to customers represent the credit risk exposure including the loan principal amount and accrued interest balance.

As at the end of the Reporting Period, the balance of overdue loan principal of the Group was RMB6.20 billion, accounting for 1.87% of all loans, with an increase of RMB3.084 billion over the end of last year. Among which, the balance of loans past due within 3 months amounted to RMB3.877 billion, with an increase of RMB2.686 billion over the end of last year, mainly due to the new overdue interest payment of individual loan customers. The balance of loans past due for 3 months to 1 year amounted to RMB748 million, representing a decrease of RMB524 million over the end of last year. The balance of loans past due for more than 1 year to less than 3 years amounted to RMB1.447 billion, representing an increase of RMB977 million over the end of last year, mainly due to certain loan customers failed to repay the principal and interest, and the overdue time further increased to more than 1 year to less than 3 years; the balance of loans past due for more than 3 years amounted to RMB128 million, representing a decrease of RMB54 million over the end of last year.

### 8. Restructured loans

A restructured loan is a loan for which contractual terms have been renegotiated due to changes in the borrower, guarantee, or repayment. During the Reporting Period, the Group proactively negotiated with borrowers for disposal and restructuring of loans, and partial existing restructured loans were settled in full. The following table sets forth the balance and proportion of the Group's restructured loans as at the dates indicated:

(unit: RMB'000)

Type	As at December 31, 2022		As at December 31, 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Restructured loans	57,784	0.02	145,013	0.05

### 9. Foreclosed assets

The following table sets forth the foreclosed assets of the Group during the period indicated:

(unit: RMB'000)

Type	As at December 31, 2022	As at December 31, 2021
Property and equipment	274,986	265,210
Land use rights	107,461	119,596
<b>Sub-total</b>	<b>382,447</b>	384,806
Less: Provision for impairment losses	296,137	277,023
<b>Total</b>	<b>86,310</b>	107,783

### 10. Disposal of non-performing assets

As of the end of the Reporting Period, the balance of the Group's non-performing loans was RMB2.871 billion, representing an increase of RMB487 million from the end of the previous year, and the non-performing loan ratio was 0.90%, with a small increase of 0.06 percentage point from the end of the previous year. In 2022, a total of RMB2.038 billion of non-performing loans has been resolved, including cash settlement of RMB1.016 billion, debt transfer of RMB7 million, debt restructuring of RMB69 million, write-off of bad debts of RMB620 million and quality upward adjustment of RMB325 million.

### 11. Changes in provision for impairment of loans and advances to customers

During the Reporting Period, the Bank made provision for credit losses of RMB1.97 billion, with RMB1.964 billion provided for loans and advances to customers measured at amortized cost, and RMB6 million of provision for loans and advances to customers measured at fair value through other comprehensive income. RMB620 million of non-performing loans was written off, while RMB456 million of written-off loans were recovered. As at the end of the Reporting Period, the balance of provision for expected credit losses of loans was RMB10.988 billion, of which the balance of impairment on loans and advances to customers measured at amortized cost was RMB10.92 billion and the changes in provision for expected credit losses are as follows:

(unit: RMB'000)

	For the year ended December 31,	
	2022	2021
Balance as at the end of last period	9,028,895	7,340,817
Current provision	1,669,690	1,512,997
Derecognition or settlement for the period	(3,522,610)	(3,224,559)
Write off for the period	(620,495)	(817,941)
Re-measurement	4,364,519	4,217,581
<b>Closing balance</b>	<b>10,919,999</b>	9,028,895

In addition, the balance of impairment of loans and advances to customers measured at fair value through other comprehensive income (rediscounted bills and forfeiting) amounted to RMB68 million as of the end of the Reporting Period.

### (V) Capital Management

As at the end of the Reporting Period, the Group's capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 15.98%, 13.74%, and 13.70%, respectively, all of which meet the regulatory requirements. During the Reporting Period, the Group's profit maintained steady growth, and achieved endogenous capital growth. and capital adequacy ratio maintained at a robust level.

The Group continued to strengthen capital management: firstly, strengthened the management on capital planning, optimized capital allocation strategies based on capital planning guidelines and realized the effective transmission from capital planning to capital budgeting and capital allocation; secondly, optimized the asset allocation structure on and off the balance sheet to improve the efficiency of capital utilization gradually; and thirdly, continue to optimize the capital structure, adhere to the principle of giving priority to endogenous accumulation and supplementing from external sources, and broaden the channels for capital replenishment.

### 1. Capital adequacy ratios analysis

The Group calculates and discloses the capital adequacy ratio in accordance with the relevant provisions of the Administrative Measures for Capital Management of Commercial Banks (Trial) (with effect from January 1, 2013). The scope of capital adequacy ratio calculation includes all branches of the Bank as well as financial institution-type subsidiaries that fall within the provisions of the Administrative Measures for Capital Management of Commercial Banks (Trial).

(unit: RMB'000)

Item	As at December 31, 2022	As at December 31, 2021
Core tier-one capital	<b>52,125,369</b>	48,302,837
Core tier-one capital deductions	<b>566,056</b>	614,169
<b>Net core tier-one capital</b>	<b>51,559,313</b>	47,688,668
Other tier-one capital	<b>133,021</b>	123,227
<b>Net tier-one capital</b>	<b>51,692,334</b>	47,811,895
Tier-two capital	<b>8,432,236</b>	8,058,585
<b>Net capital</b>	<b>60,124,570</b>	55,870,480
<b>Total risk-weighted assets</b>	<b>376,335,100</b>	342,993,018
Including: Credit risk-weighted assets <sup>(1)</sup>	<b>337,577,911</b>	308,782,560
Market risk-weighted assets <sup>(2)</sup>	<b>14,832,615</b>	10,719,015
Operational risk-weighted assets <sup>(3)</sup>	<b>23,924,574</b>	23,491,443
<b>Core tier-one capital adequacy ratio (%)<sup>(4)</sup></b>	<b>13.70</b>	13.90
<b>Tier-one capital adequacy ratio (%)<sup>(5)</sup></b>	<b>13.74</b>	13.94
<b>Capital adequacy ratio (%)<sup>(6)</sup></b>	<b>15.98</b>	16.29

Notes:

- (1) Credit risk is measured under weighted method.
- (2) Market risk is measured under standardized method.
- (3) Operational risk is measured under basic indicator method.
- (4) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by total risk-weighted assets.
- (5) Calculated by dividing tier-one capital, net of tier-one capital deductions, by total risk-weighted assets.
- (6) Calculated by dividing total capital, net of capital deductions, by total risk-weighted assets.

In accordance with the Regulatory Requirements on the Information Disclosure Regarding the Capital Composition of the Commercial Banks (《關於商業銀行資本構成信息披露的監管要求》), information on capital composition, explanation and breakdown of relevant items and the main characteristics of the capital instruments of the Group will be further disclosed subsequently in the “Investor Relations” — “Information Disclosure” — “Regulatory Capital” section on the Chinese version website of the Bank ([www.drcbank.com](http://www.drcbank.com)).

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### 2. Leverage ratio

The leverage ratio was calculated and disclosed by the Group in accordance with the relevant provisions under the Administrative Measures on the Leverage Ratio of Commercial Banks (Revision) (《商業銀行槓桿率管理辦法(修訂)》).

(unit: RMB'000)

Item	As at December 31, 2022	As at December 31, 2021
Net tier-one capital	51,692,334	47,811,895
Adjusted balance of on-and off-balance sheet assets <sup>(1)</sup>	668,518,886	590,189,128
Leverage ratio <sup>(2)</sup> (%)	7.73	8.10

Notes:

- (1) Calculated by dividing the net Tier 1 capital by the adjusted balance of on- and off-balance sheet assets.
- (2) The leverage ratios of the Group at the end of the third quarter of 2022, the end of second quarter of 2022 and the end of the first quarter of 2022 were 8.06%, 7.77% and 8.05%, respectively, among which the leverage ratios at the end of the third quarter of 2022 and the end of the first quarter of 2022 were based on the standards adopted under the off-site supervision statement of the CBIRC on a Group consolidated basis.

For more details on leverage ratio, please refer to the “Information on Leverage Ratio” in the supplementary information in the “Financial Report” chapter of this Report.

### (VI) Segment Operating Results

Our principal business activities include corporate banking, retail banking and treasury business. The following table sets forth our operating income of principal business segment for the periods indicated:

(unit: RMB'000)

Item	For the year ended December 31,			
	2022		2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate banking	7,321,522	55.32	6,228,244	47.92
Retail banking	5,306,338	40.09	5,254,789	40.43
Treasury business	1,570,267	11.86	1,375,659	10.58
Others	(962,170)	(7.27)	137,622	1.07
<b>Total operating income</b>	<b>13,235,957</b>	<b>100.00</b>	12,996,314	100.00

## (VII) Off-balance Sheet Items Analysis

Off-balance sheet items subject to the Group's credit risk mainly include letter of credit, letter of guarantee, bank acceptance bills and unused limit of credit card. As at the end of the Reporting Period, the balances of letter of credit, letter of guarantee, bank acceptance bills and unused limit of credit card was RMB634 million, RMB3.873 billion, RMB6.838 billion and RMB9.594 billion, respectively.

In particular, commitments include financial guarantees and other credit commitments and capital commitments, and the distribution of which is as follows:

### 1. Credit commitments

(unit: RMB'000)

Item	As at December 31, 2022	As at December 31, 2021	Increase/ (decrease) as at the end of the Reporting Period as compared to the end of the previous year (%)
Letter of credit	634,248	299,112	112.04
Letter of guarantee	3,873,420	3,088,837	25.40
Bank acceptance bills	6,838,020	2,897,495	136.00
Unused limit of credit card	9,594,259	10,562,244	(9.16)
<b>Total</b>	<b>20,939,947</b>	<b>16,847,688</b>	<b>24.29</b>

### 2. Capital commitments

(unit: RMB'000)

Item	Contract amount at the end of the period	Contract amount at the beginning of the period
Property and equipment	603,106	705,405

As of the end of the Reporting Period, the Group had no major contingent liabilities.

For details of off-balance sheet commitments, please refer to Note 39(c) "Capital commitments" to the consolidated financial statements in the "Financial Report" chapter in this Report.

## **(VIII) Other Financial Information Disclosed in accordance with Regulatory Requirements**

### **1. Contingent liabilities and pledged assets**

For details of our contingent liabilities and pledged assets as at the end of the Reporting Period, please refer to Note 39 “Contingent Liabilities and Commitments” to the consolidated financial statements in the “Financial Report” chapter in this Report.

### **2. Overdue debts**

The Group had no overdue debts during the Reporting Period.

### **3. Analysis of investment**

The Group had no new investment in equity during the Reporting Period.

### **4. Disposal of major assets and equity interests**

The Group had no major disposals of asset and equity interests during the Reporting Period.

### **5. Structured entities controlled by the Bank**

As of the end of the Reporting Period, the scale of structured entities that the Group have issued, managed, invested and included in the scope of the consolidated financial statements was RMB7.702 billion.

## **III. THE IMPLEMENTATION OF BUSINESS DEVELOPMENT STRATEGY**

In 2022, the Group continued to implement the “1+12348” strategic plan, focused on the two major starting points: digital transformation and group operation, and promoted the Bank to make new progress in building a regional modern rural commercial bank group on the “Double New” track of developing the new system of Group’s development and the new mechanism of listed banks. In addition, the Group adhere to its original mission of serving the real economy, and with a view to building a “century-old brand”, focused on building the core system of “four beams and eight pillars”, continuously strengthened the improvement of its core competitiveness in terms of core customers, core business, risk management and organizational management, and forges ahead towards the goal of high-quality development.

**1. Strengthening group management and fully promoting group development.** In 2022, in order to implement the overall deployment of the institutional reform of small and medium-sized financial institutions in rural villages in Guangdong Province, build a high-quality rural commercial bank group with a leading position in Guangdong Province with national influence in accordance with the principles of marketization and legalization, with the consent of the People's Government of Guangdong Province, the power of oversee the Bank was transferred from Guangdong Province Rural Credit Cooperatives Association\* (廣東省農村信用社聯合社) to Dongguan Municipal Government, marking the Bank's entry into the "Double New" track of the new system of group management and the new mechanism of listed banks. With the guidance and support of Guangdong Provincial Government and Dongguan Municipal Government, and regulatory authorities, the Bank further improved the management mechanism for subsidiaries such as Zhanjiang RCB and Chaoyang RCB as well as Puning RCB entrusted by the Dongguan Municipal Government, and further standardized the organizational management system of subsidiaries and management institutions by sending high caliber senior management teams and business backbones to consolidate the management foundation of the Group; through the formulation of various management systems of its subsidiaries and the establishment of a basic management and business coordination mechanism, the Group further optimized its resource allocation and strengthened its resource support to its subsidiaries and management institutions. At the same time, the Bank established an audit center for its subsidiaries, formulated and implemented vertical management measures in various important areas such as comprehensive risk management, large credit granting and large financial expenses, and guided its subsidiaries and management institutions to strengthen liquidity risk management and carry out risk disposal work in a timely manner, so as to further enhance the contribution to the development of the Group.

**2. Strengthening data empowerment and accelerating digital transformation.** In 2022, the Bank scientifically planned the implementation of digital transformation, established the Professional Data Management Service of the Head Office, set up a cross-departmental data empowerment project team, strengthened the unified management of bank-wide data, and created an internal innovation collaboration network to comprehensively lay a solid foundation for data governance. As an effort to continuously drive the construction of data platform, the Bank planned and designed the blueprint of data center and six capability centers covering outline design and requirement framework of 25 sub-systems, and defined the four major construction paths for the data center. The Bank made breakthrough innovation from 0 to 1 by conducting 16 data empowerment projects together with Head Office departments and branches and built 20 self-researched machine learning algorithm models. At the same time, we deepened risk control management, introduced the "D-key" risk control system and strengthened the support of the intelligent risk control platform. We promoted the intelligence oriented upgrading of credit management, of which the intelligent pre-loan due diligence project won the "Third Prize of Guangdong Province Financial Science and Technology Progress Award".

**3. Focusing on inclusive finance and fully carrying out financial assistance and relief services to enterprises and people.** In 2022, the Bank introduced the “New Ten Measures to Help Enterprises and Benefit the People” (助企惠民紓困新十條) and “Twenty Measures to Relieve Customers’ stress” (緩解客戶壓力二十條), earmarked a special relief fund of RMB60 billion to effectively solve the most pressing difficulties of great concern to the enterprises and people. The Bank released RMB92.1 billion full-caliber SMEs loans in 2022 to support more than 34,000 small and micro enterprises in production resumption, and granted more than RMB39 billion medium-and long-term loans to small and micro enterprises, to continuously enhance the support and coverage of inclusive finance. In 2022, the balance of full-caliber SMEs loans of the Bank was RMB147.651 billion, a net increase of 23.27% as compared with the beginning of the year. The interest rate of newly issued inclusive SMEs loans was 4.75%, down by 0.77 percentage point year on year; the balance of inclusive SMEs loans was RMB32.973 billion, up by 23.96% year on year, so as to fully support SMEs in reducing repayment pressure and financing costs, and fully performing the requirement of people-oriented finance.

**4. Focusing on the decisive role of manufacturing industry and fully strengthening industrial financial services.** Focusing on Dongguan’s goal of “playing the decisive role of the manufacturing industry in promoting high-quality development of the real economy”, the Bank has developed a comprehensive financial service plan centering the key industries of “science and technology innovation + advanced manufacturing”, and made every effort to increase targeted financial support for advanced manufacturing and science and technology innovation enterprises, of which loans to the manufacturing industry continued to rank first in terms of loans granted to various industries of the Bank. The balance of loans granted to the manufacturing industry and related industries reached RMB48.374 billion in 2022, representing an increase of 22.84% as compared with the beginning of the year; the loans for supporting science and technology reached RMB10.846 billion, representing an increase of 15.75% as compared with the beginning of the year. This greatly supported the manufacturing industry to stabilize the industrial chain and supply chain, as well as the technological transformation, innovation and capacity expansion of enterprises, and injected strong energy into promoting the creation of the city characteristics of “science and technology innovation + advanced manufacturing” and the realization of “decisive role of the manufacturing industry” in Dongguan.

**5. Focusing on rural revitalization strategy and increasing financial services for Sannong.** We continuously and deeply implemented the “133” project of rural revitalization financial services, changed business focus, focused on the goal of fully promoting high-quality and efficient agriculture, rural livability and industry, and prosperity of farmers, launched innovative products and platforms such as “Fumin Loan(富民貸)” and “Haoyi Rent(好易租)” housing rental management platform, deeply promoted the “giving credit limit to whole village” activities, delivered financial “living water” to precisely revitalize the “modern Sannong” and fully support the development of modern agriculture, modern countryside and modern farmers. In 2022, the Bank’s total loan balance for “modern Sannong” customers amounted to RMB66.734 billion, accounting for approximately 23.71% of the general loans of the Bank. In addition, the Bank reached cooperation intention of “giving credit limit to whole village” activity with a total of 592 village groups in Dongguan with a coverage ratio of 100%; the credit limit reached over RMB15.044 billion, the loan balance was RMB8.990 billion, and over 47,000 villagers were supported.

## IV. BUSINESS OPERATION

### (I) Five Major Business Sectors

#### 1. Retail financial business

The Bank's retail finance business focused on customers, leveraged its advantages in outlets, channels and customer bases, relied on service modes and service scenarios such as digital transformation of innovative products, channels and teams, promoted the construction of customer ecological system, deepened the retail transformation, and promoted the high-quality development of retail business services. As of December 31, 2022, the Group's individual deposits balance was RMB270.062 billion, representing a year-on-year increase of 11.87%, and the individual loan balance was RMB114.429 billion, representing a year-on-year increase of 5.11%; the balance of the Group's individual demand deposits amounted to RMB122.182 billion, accounting for 26.61% of the total deposits from customers as of the same date, which provided a stable, low-cost capital source for the Group.

##### (1) Retail customer base assets under management

During the Reporting Period, the Bank actively expanded the target customer groups such as young retail customers and new citizen customer groups to inject new vitality into the customer ecosystem; the Bank deeply operated existing retail customers, continued to increase customer stickiness and continuously improved customer contribution by actively innovating products and actively optimizing services. As of the end of the Reporting Period, the Bank had 19,988,000 retail customers (including debit and credit card customers), representing an increase of 420,200 or 2.15% from the beginning of the year. The assets under management (AUM) of average daily retail customer base per annum reached RMB260.415 billion on a year-on-year basis, representing an increase of RMB28.725 billion or 12.40% from the beginning of the year.

##### (2) Wealth management business

During the Reporting Period, the Bank promoted the innovation and development of wealth management business through technology empowerment, continued to promote wealth management business transformation, and constantly improved its system for products. As of the end of the Reporting Period, the total wealth management scale of the Bank reached RMB43.282 billion, of which personal wealth management accounted for 91.57%; the sales of agency insurance products amounted to RMB1.807 billion, representing a year-on-year increase of 5.63%, which led to a year-on-year increase of 36.35% in fee income; the agency fund business retained a scale of RMB8.77 billion; and sales of saving treasury bonds amounted to RMB889 million, the national comprehensive ranking increased by 15 places on a year-on-year basis and ranking 15th among the 40 national underwriting syndicate members of saving treasury bonds from 2021 to 2023. The annual fee income of agency precious metals business amounted to RMB4,962,800. The sales of precious metal business amounted to RMB121 million, the sales of precious metal business increased by 77.20% year-on-year.

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### (3) Private banking business

With the goals of increasing customer value, increasing the number of customers, and deepening product penetration, the Bank's private banking business provided customers with a full range of asset allocation services by building a full-life-cycle agency asset management product system and promoting the family trust business. Through the "1+3+N" grid business model, the Bank has deeply managed the business circle, family circle and circle of friends of private banking customers, and built a dynamic customer ecosystem. Through the establishment of the distinctive "Dongguan Enterprise Club" (莞企荟) brand, we have created a service of "people — family — enterprises" for private banking customers. By focusing on the inheritance line, we have cultivated a new generation of young private banking customers. As of the end of the Reporting Period, the number of private banking customers reached 7,334, with an increase of 18.10% over the end of the previous year; the asset management scale (AUM) of private banking customers reached RMB51.207 billion, with an increase of 18.40% over the end of the previous year.

### (4) Consumer finance and credit card business

Upholding the operation philosophy of "customer-oriented" and the management concept of "expanding customer bases, improving operation", the Bank's consumer finance and credit card business focused on operation and management related with rural revitalization, product iteration, system upgrade, and risk prevention and control, thereby achieving steady growth in loan scale as well as keeping the asset quality stable. As of the end of the Reporting Period, the balance of the Bank's consumer finance loans reached RMB17.549 billion, increased by RMB1.998 billion year on year. The Bank launched the "X version" of the Rural Revitalization Card for young customers and achieved a cumulative issuance of 619,000 credit cards, with an increase of 6.14% over the end of last year, and the assets of consumer finance and credit card amounted to RMB24.843 billion as of the end of the Reporting Period. The overall non-performing ratio of consumer finance business was 1.11%, remaining at a relatively low level.

## 2. Corporate financial business

Committed to the strategy of "industrial finance only has 'upgrades', but no 'final edition'", the Bank continuously optimizes and upgrades the product system of transaction banking, empowers and upgrades industrial finance services with technology and keeps deepening the "1+3+N" grid service model, so as to achieve the coordinated development of the quality of service, scale and efficiency of the company. As of the end of the Reporting Period, the balance of corporate deposits of the Group achieved RMB181.364 billion, representing a year-on-year increase of 7.32%, and the balance of corporate loans (including direct discounted and rediscounted bills) achieved RMB217.569 billion, representing a year-on-year increase of 14.96%, which maintains a good growth trend.

The Bank proactively developed the "commercial bank + investment banking" model, with the balance of the investment banking business being RMB5.062 billion as of the end of the Reporting Period. During the Reporting Period, the Bank's international business settlement volume reached USD11.349 billion, foreign exchange settlement and sales on behalf of customers reached USD6.653 billion, and the balance of trade financing was equivalent to RMB5.113 billion. Cross-border financial services were increasingly improved.

Following the national policies, the Bank focused on strengthening financial support for the advanced manufacturing industry, emerging sectors of strategic importance, SRDI enterprises, green finance, urban renewal and other areas, which led to an expanded increment in corporate loans and made a big contribution to revenues. As of the end of the Reporting Period, the Bank's balance of manufacturing loans was RMB48.374 billion, with an increase of RMB8.995 billion over the end of last year; green credit balance was RMB9.923 billion, with an increase of RMB2.589 billion over last year.

The Bank actively promoted "1+3+N" grid-based marketing and supported to improve the quality and efficiency of real economy and local finance. We actively cooperated with the Dongguan Municipal Government's special debt work, and vigorously supported major construction projects and livelihood projects in Dongguan. We supported the city's water supply "one network" project. As of the end of the Reporting Period, 23 township water supply operators have successfully set up special accounts with the Bank. The Bank assisted in the digital transformation of Dongguan's "Parking One Network" livelihood project, realized intelligent parking fees, innovated intelligent parking scene finance, and empowered the management of parking fee accounts in the city's 29 towns and streets. The Bank set up scenario-based financial services, deeply dug the multiple business area of state-owned enterprises with public-private linkages, and provided state-owned enterprise group with comprehensive and integrated financial financing services covering industrial zones, mortgage projects, and credit cards, etc.

Along with the implementation of the national rural revitalization strategy, Dongguan City has been promoting high-quality rural revitalization and adhering to "project-oriented in the entire region". In this context, the rural revitalization financial service center of the Bank continuously increased its support for "modern Sannong", considerably supported the project construction in villages through specific credit schemes such as preferential interest rates, simplified guarantee types and sufficient credit lines, and provided financial services in rural areas. As of the end of the Reporting Period, the Bank granted loans to "modern Sannong" customers with a balance of RMB66.734 billion, and the balance of agriculture-related loans reached RMB33.999 billion.

### **3. Small and micro finance business**

The Bank implemented the business strategy of "Full Services for All SMEs". With a focus on the theme of high-quality development of small and micro enterprises, the Bank made every effort to speed up the pace of digital transformation, optimized the business approval process and created a green financing channel for SMEs. As of the end of the Reporting Period, the number of SMEs was 21,500, to which loans have been granted, the balance of the Bank's loans to SMEs (full caliber of the CBIRC) reached RMB147.651 billion, up by 23.27% from the beginning of the year, among which, the balance of inclusive loans to SMEs with no more than RMB10 million credit line each (excluding discounted bills) was RMB32.973 billion, representing an increase of 23.96% from the beginning of the year, which was 13.41 percentage points higher than the growth rate of all kinds of loans of the Bank.

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The Bank has actively facilitated innovations in small and micro financial services, and promoted the grid-based marketing of “walking through the streets and alleys, going into factories and stores”. The Bank formed a professional SMEs service team linked by the headquarter and branches, established a diversified, multi-category, full-coverage small and micro product system, innovatively launched special products such as “Qingchuang Loan (青創貸)”, “Fumin Loan (富民貸)” and “Litchi Loan (荔枝貸)”, and made great efforts to significantly improve the quality and efficiency of the SME financial supply. In the year of the Reporting Period, the weighted interest rate of inclusive SME loans was 4.75%, representing a decrease of 0.77 percentage point compared to that of the previous year; the non-performing ratio of inclusive SME loans was 1.15%, which was controlled within 3 percentage points of the non-performing loan ratio. The Group has steadily promoted the “transactional volume increment and business expansion, quality improvement and cost reduction” of SME financial services.

The Bank implemented the decisions and arrangements, made every effort to aid enterprises, and supported the local economy in speeding up the recovery process. During the Reporting Period, the Bank implemented the service of “renewing loans without repayment of principal” for SMEs with a total amount of RMB2.629 billion; and granted small-amount business loans with a total amount of RMB209 million, providing interest-free small-amount business loans for start-up businesses. The Bank launched the interest rate preferential activities of “relief for the benefit of people” and the “inclusive interest rate reduction” to provide subsidies for people, successfully reducing the interest rates of customers’ loans and effectively guaranteeing customers’ stable capital.

#### **4. Interbank financial business**

The Group adhered to the general strategy of “seeking progress while maintaining stability” for the inter-bank financial business. The Group has closely followed the pace of the Group’s strategic development, proactively adapted to the requirements of the new situation, enhanced its synergy capability, enhanced its swing trading capability, strengthened technological empowerment, optimized its strategy research and risk management and control system, effectively consolidated the distinctive advantages of the inter-bank financial business, maintained stable profitability, and continued to enhance its market influence. During the Reporting Period, the online business transaction volume of the Bank in the interbank market exceeded RMB10 trillion, and market transactions were active.

In terms of interbank assets, the Group conducted in-depth research and evaluation of interest rate trends, and carried out asset allocation at the right time, continuously adjusted and optimized property structure. Meanwhile, the Group seized the historic opportunity of the US Federal Reserve’s rate-rise cycle, landed the first Chinese-funded foreign currency debt business of USD45 million, and actively broadened inter-bank financial income channels. In terms of inter-bank liabilities, the Group has strengthened the refined management of liabilities and effectively reduced the cost of liabilities. During the Reporting Period, the Bank’s issuance scale of inter-bank certificates of deposits totaled RMB80.3 billion, and the issuance interest rate was at a relatively low level among banks of the same level.

In terms of intermediary business, the Group practiced the concept of “customers are our greatest wealth”, actively explored its customer base, increased the depth and coverage of cooperation with inter-bank customers and increased income from intermediary businesses through bond underwriting and distributing, securities lending, gold leasing and other businesses. During the Reporting Period, the Bank’s bond underwriting scale exceeds RMB60 billion, achieving a year-on-year increase of 29% in fee income.

## 5. *Digital finance business*

The Bank's digital finance business aims to deepen the comprehensive operation of customers through the integration of digital, ecological and online and offline services in accordance with the rhythm of "planning in the whole area, highlighting key points, running in small steps, and quickly winning in local areas", with platform operation and business empowerment as the starting point, and through the construction of digital finance ecosystem. By promoting the integration of new retail transformation channel services, carrying out cross-channel linkage product innovation, enriching the scenario system of financial and non-financial products, deepening differentiated development of specific sub-scenarios, and reshaping the journey of key transaction customers, the platform operation capability and comprehensive customer service level were further improved. As of the end of the Reporting Period, the number of personal mobile banking users of the Bank reached 4,018,200, with an increase of 19.43% over the beginning of the Reporting Period. The average monthly active users (MAU) increased by 13.77% year on year. The number of bound accounts on WeChat Bank reached 1,123,600, with an increase of 23.31% over the beginning of the Reporting Period. The number of card-acceptance merchants was 45,091 and the transaction volume reached RMB33.055 billion during the Reporting Period, with a year-on-year increase of 64.81%.

### (II) **Distribution Channels**

#### 1. *Physical distribution channel*

As of the end of the Reporting Period, the Bank had 504 branches and sub-branches (excluding the headquarters), including 500 in Dongguan and 4 in other cities within the province. Our number of bank branches in Dongguan ranks first in terms of the number of bank branches in Dongguan. The Bank has 2 branches outside Dongguan in Guangzhou and Zhuhai, and 2 sub-branches outside Dongguan in Huizhou and Qingyuan.

In addition, the Bank established four county banks with third parties in Dongguan, Huizhou and Yunfu in Guangdong Province, and Hezhou in Guangxi Zhuang Autonomous Region, and established two rural commercial banks with third parties in Zhanjiang City and Shantou City in Guangdong Province.

#### 2. *Self-service banking channel*

As of the end of the Reporting Period, the Bank had 1,283 automatic teller machines (ATMs), self-service inquiry terminals, self-service card issuing terminals and intelligent service terminals; among them, there are 851 automatic teller machines (ATMs), 29 self-service inquiry terminals, 12 self-service card issuing terminals and 391 intelligent service terminals.

#### 3. *E-banking channel*

During the Reporting Period, the Bank continued to optimize the customer experience of e-banking channels, continuously deepened the construction of financial and non-financial ecosystems, further enhanced the digital operation capabilities of online channels and improved the channel business system. The electronic channels of the Bank mainly include mobile banking, online banking, WeChat banking, telephone banking, etc. As of the end of the Reporting Period, the Bank's comprehensive counter replacement rate of electronic channels reached 97.70%, representing an increase of 0.52% over the end of the previous year.

## **V. RISK MANAGEMENT**

The Bank further established a comprehensive risk management governance framework and the organizational structure of comprehensive risk management. Accordingly, the Board of Directors, the Board of Supervisors and the senior management assumed the ultimate responsibility for comprehensive risk management, supervisory responsibility and implementation responsibility respectively. The Chief Risk Officer maintained full independence in respect of overall risk management. The Bank implemented the comprehensive risk management model of “overall management of the comprehensive risk, taking the lead in classification risk management”, and continuously optimized the “three lines of defense” of risk management consisting of business departments, risks under centralized management by specialized departments and audit and supervision departments, and further improved the organizational system and working mechanism for risk prevention and control.

During the Reporting Period, the Bank adhered to prudent and steady risk appetite, upheld the overall risk management principles of “seeking balance among capital, risk and income”, and promoted the establishment of a comprehensive risk management system in line with its strategic objectives, to ensure that the Bank’s risk tolerance is compatible with its capital adequacy level, and is committed to maximizing risk returns. During the Reporting Period, facing more complicated international and domestic environments, the Bank continuously optimized its risk management policies and procedures, strengthened the effective identification, reliable measurement, accurate monitoring and comprehensive control of major risks, and actively addressed and prevented various risks.

## **(I) Credit Risk Management**

Credit risk refers to the risk of economic loss caused by the failure of the Bank's counterparties in performing their relevant obligations according to the agreed conditions.

The Bank has established and implemented standardized credit review and extensive management policies and procedures, and continuously improved the procedures, systems and methods related with credit risk management to identify, measure, supervise, reduce and control risks caused by credit business. In terms of credit risk management policies and procedures, the Bank has continuously improved its credit risk management system, and it has formulated and introduced relevant business management systems based on actual business development. During the Reporting Period, the Bank has formulated/revised the "Implementation Rules for Collateral Management of Dongguan Rural Commercial Bank Co., Ltd. (2022 Version)", "Implementation Rules for Batch Transfer of Non-performing Assets of Dongguan Rural Commercial Bank Co., Ltd. (2022 Version)", and "Measures for Management in Writing off Loss of Assets of Dongguan Rural Commercial Bank Co., Ltd. (2022 Version)" and other systems, which further strengthened the Bank's credit risk management. In terms of the organizational structure and responsibilities of credit risk management, at the head office level, the Bank has established a comprehensive risk management department, which is a dedicated risk management department independent of other business departments that undertakes credit risk management functions. At the branch level, the Bank has established the risk compliance department, which is responsible for the risk management of the branches' credit business, and it has achieved vertical credit risk management. In terms of the methods of asset risk classification, the Bank has adopted a series of standards derived from the guidelines of the CBIRC to establish a classification mechanism, and categorized loans into five categories based on the overall risk level of loans, namely normal, special mention, substandard, doubtful and loss. Through the continuous supervision and analysis of the borrower's financial risks, non-financial risks, cash flow, guarantees and other factors, it can accurately reflect the borrower's ability to repay, willingness to repay and risk fluctuations in each specific period. In terms of the construction of the credit risk management system, the risk data pool and credit risk alert system of the Bank have been operating normally, and are comprehensively used in the entire process from pre-disbursement, disbursement to post-disbursement of loans. During the Reporting Period, the Bank completed the construction and launch of the pre-loan investigation system, which further improved the quality and efficiency of pre-loan investigation and moved forward the threshold of risk management and control.

As of the end of 2022, the credit risk of the Group was generally controllable, and the non-performing loan ratio of the Group was within the control target.

For more details on the risk management, please see Note 42.1 "Credit risk" to the Consolidated Financial Statements in the section headed "Financial Report" in this Report.

## **(II) Liquidity Risk Management**

Liquidity risk refers to the risk that a commercial bank cannot obtain sufficient funds in a timely manner at a reasonable cost to repay debts due, perform other payment obligations and meet other capital needs for normal business operations.

The Bank adopted a prudent liquidity risk management strategy. On the basis of meeting regulatory requirements, the Bank properly balanced the levels of income and liquidity, maintained moderate liquidity, and controlled liquidity risk within a reasonable range to ensure the safe operation of the Bank. The Board of Directors of the Bank assumes the ultimate responsibility for liquidity risk management. Assets and Liabilities Management Committee of the senior management is responsible for the effective organization and implementation of the Bank's liquidity risk management system. The assets and liabilities management department and the financial market department are jointly responsible for the daily management of liquidity risk. All departments of each business line and branches cooperate to carry out active liquidity risk management.

During the Reporting Period, the Bank measured liquidity risk based on the structural allocation of assets and liabilities, with a number of indicators, including liquidity ratio, RMB excess reserve ratio, liquidity gap ratio, liquidity coverage ratio and net stable funding ratio. Through stress testing scenarios combining mild, moderate and severe stress, the Bank analyzed the ability to withstand liquidity events or liquidity crises, and reasonably allocated sufficient liquidity reserve assets to cope with liquidity risks. The Bank has established a limit management and alert monitoring mechanism to ensure that the liquidity risk is controlled within an acceptable and reasonable range by regulating the daily asset-liability portfolio. The Bank has formulated specific emergency plans and organized emergency drills regularly to improve emergency response capabilities.

During the Reporting Period, the Bank's liquidity risk was generally controllable, and no major liquidity risk events occurred. The main liquidity risk regulatory indicators have met the standard monthly. The stress test results also showed that the Bank has sufficient risk mitigation capability under stressful scenarios to cope with the crises.

### **1. Liquidity coverage ratio**

The Group calculates and discloses the liquidity coverage ratio in accordance with the relevant provisions of the Measures for Information Disclosure of Liquidity Coverage Ratio of Commercial Banks (《商業銀行流動性覆蓋率信息披露辦法》) as follows:

(unit: RMB'000)

<b>Item</b>	<b>As at December 31, 2022</b>	As at December 31, 2021	Minimum Regulatory Requirement
Liquidity ratio	<b>77.07%</b>	80.63%	≥25%
Qualified high-quality liquid assets	<b>137,082,938.30</b>	143,477,150.30	—
Net cash outflows	<b>58,655,719.30</b>	63,109,398.10	—
Liquidity coverage ratio	<b>233.71%</b>	227.35%	≥100%

*Note:* The data in the above table are all based on the standards adopted under the off-site regulatory report of the CBIRC on a group consolidated basis.

## 2. Net stable funding ratio

The Group calculates and discloses the net stable funding ratio in accordance with the relevant provisions of the Measures for Information Disclosure of Net Stable Funding Ratio of Commercial Banks (《商業銀行淨穩定資金比例信息披露辦法》) as follows:

(unit: RMB'000)

Item	As at December 31, 2022	As at September 30, 2022	As at December 31, 2021
Available stable funding	458,443,597.31	442,897,898.56	413,234,980.79
Required stable funding	317,199,790.23	317,461,874.91	286,481,650.55
Net stable funding ratio	144.53%	139.51%	144.24%

Note: The data in the above table are all based on the standards adopted under the off-site regulatory report of the CBIRC on a group consolidated basis.

For more details on liquidity risk management, please see Note 42.3 “Liquidity risk” to the consolidated financial statements in the section headed “Financial Report” in this Report.

## (III) Market Risk Management

Market risks include interest rate risk, exchange rate risk (including gold), stock price risk and commodity price risk, which refer to the risk of losses in on-and off-balance sheet businesses from adverse changes in market prices (interest rate, exchange rate, stock prices and commodity prices). The market risks faced by the Bank include interest rate risk and exchange rate risk. The Bank has established and continued to improve its market risk management policy, which clearly defines the responsibilities of the Board of Directors, the Board of Supervisors and the senior management, relevant risk management and business departments in the process of market risk identification, measurement, monitoring and reporting, so as to ensure the effectiveness of market risk management.

During the Reporting Period, the Bank followed the principle of prudent market risk management, maintained a prudent market risk appetite, and took measures such as limit management, duration control, sensitivity analysis, scenario simulation and stress testing to measure, monitor and manage interest rate risks in the trading accounts and banking book, and exchange rate risk, respectively, to ensure that market risks can be controlled within a reasonable range.

In accordance with the provisions of the Capital Management Measures for Commercial Banks (Trial) (《商業銀行資本管理辦法(試行)》), the Bank adopts the standard method to measure market risk capital. As of the end of 2022, the Bank’s market risk-weighted assets were RMB14.480 billion. The capital provision was made in a prudent way and fully covered market risks. The stress test of interest rate risk and exchange rate risk showed that the impact of interest rate and exchange rate changes on the Bank was controllable, and the overall market risk was at a manageable level.

## Chapter III Management Discussion and Analysis

### 1. Interest rate risk management

Interest rate risk management refers to the process of identifying, measuring, monitoring and controlling interest rate risk.

The objectives of the Bank's interest rate risk management include establishing a sound interest rate risk management system, controlling fluctuations in income and economic value, ensuring that the Bank operates within an acceptable interest rate risk range, balancing interest rate risk and income, and ultimately maximizing risk returns.

In terms of the trading accounts, the Bank strengthened the interest risk measurement and limit the management of trading accounts. The Bank conducted measurement management of the interest rate risk of trading accounts by adopting various methods including change in fair value through profit and loss and floating profit and loss monitoring, gap analysis, value-at-risk (VaR), and interest rate sensitivity analysis (PVBP and duration). The Bank further optimized the interest rate risk limit management system of trading accounts, continued to monitor interest rate risk limits, and reported and alerted risks in a timely manner. The Bank continued to conduct stress tests on interest rate risk, including bond valuation stress tests and derivatives stress tests and examined the impact of changes of market returns on the valuation of bond holdings and of revenue curves on the economic value of derivative portfolios. During the Reporting Period, the Bank has adopted a prudent investment management strategy in general, and dynamically adjusted risk exposures based on market changes using bond transactions, derivative instruments hedging and other methods. All trading book interest rate risk indicators were remained within the target range.

In terms of the banking book, the Bank has mainly adopted gap analysis, duration analysis, scenario simulation, stress testing and other methods to measure interest rate risk in the banking book, and regularly evaluated the impact of different interest rate change scenarios on net interest income and economic value. During the Reporting Period, the Bank adhered to the principles of prudence, comprehensiveness and independence, paid close attention to external policies and interest rate changes in markets. With the main goal of stabilizing the net interest margin, the Bank initiatively adjusted the pricing of its businesses, as well as the management strategy of assets and liabilities, and optimized the repricing methods of floating-rate loans. In addition, in combination with the relevant provisions of the Measures for the Quality Management of Liabilities of Commercial Banks (《商業銀行負債質量管理辦法》) and the Measures for the Supervision and Rating of Commercial Banks (《商業銀行監管評級辦法》) issued by the CBIRC, the Bank improved its interest rate risk indicator system of banking book. As of the end of 2022, all interest rate risk limit indicators for the banking book have remained within the target range.

### 2. Exchange rate risk management

In 2022, the exchange rate volatility of the RMB has increased. Affected by various factors such as the Russian-Ukrainian war and the Sino-US interest rate spread, the RMB exchange rate has generally declined. During the Reporting Period, the Bank took the control of foreign exchange exposure as the main means of exchange rate risk management, and adopted the management strategy of maintaining low exposure to reduce the risk losses caused to the Bank by drastic exchange rate fluctuations. As of the end of 2022, the Bank's cumulative foreign exchange exposure ratio was 0.52%, which decreased by 2.33% from the beginning of the year, far below the regulatory bottom line of equal to or less than 20%, the exchange rate risk level was low, and the overall exchange rate risk was controllable.

For more details on market risk management, please see 42.2 “Market risk” to the Consolidated Financial Statements in the section headed “Financial Report” in this Report.

#### **(IV) Off-balance Sheet Business Risk Management**

Off-balance sheet businesses refer to the businesses engaged by commercial banks which are not included in the balance sheet and do not constitute actual assets and liabilities according to the current enterprise accounting standards for business enterprises, but may cause changes in profit or loss. Because of off-balance sheet businesses’ characteristics such as contingency, concealment, high leverage and hysteresis, off balance-sheet risks may transfer to on-balance sheet risks and seriously affect the operating activities and earning position of commercial banks under the influence of an uncertain factor at some time in the future. Off-balance sheet business risks faced by the Bank mainly come from businesses involving commitment and guarantee, providing investment and financing services as an agent, and financial derivatives.

##### **1. Commitment and guarantee**

Commitment and guarantee business is a business with which the Bank is entrusted by its customers to undertake responsibilities for third parties, and it is a business that the Bank is exposed to credit risks associated with commitment and guarantee and may be required to provide funds if the Bank’s customer fails to fulfill its obligations. At present, the Bank’s commitment and guarantee business mainly includes acceptance bills, letters of credit and letters of guarantee.

The Bank formulated the Operating Instruction for the Acceptance Business of E-Banking Acceptance Bills of Dongguan Rural Commercial Bank Co., Ltd. (2022 Edition), Operating Procedures for Lending Business under Domestic Letter of Credit of Dongguan Rural Commercial Bank Co., Ltd. (2022 Edition), Operating Procedures for Import Letter of Credit Business of Dongguan Rural Commercial Bank Co., Ltd. (2020 Edition), Measures for the Management of Letter of Guarantee Business of Dongguan Rural Commercial Bank Co., Ltd. (2021 Edition) and other systems in accordance with laws, regulations and rules, so as to accept the acceptance bills, letters of credit and letters of guarantee in compliance with laws. The acceptance bill business was included in the Group’s unified credit management.

##### **2. Providing investment and financing services as an agent**

The business of providing investment and financing services as an agent refers to the business with which commercial banks are entrusted to provide investment and financing services to customers according to the agreement, with no responsibility for repayment on behalf of customers. At present, the Bank’s investment and financing services mainly include entrusted loans, wealth management for customers and bond underwriting.

In terms of entrusted loan business, the Bank adopted a series of credit safety precautions to strengthen loan management for principals, for example, the issuance, use and recovery of entrusted loans, provided that as a trustee, the Bank shall just receive service fee, and shall not bear any credit risk or make any advance payment.

## Chapter III

### Management Discussion and Analysis

As for the business of wealth management for customers, the Bank formulated corresponding management systems and business management procedures from the asset end and liability end respectively, incorporated the wealth management investment business into the unified credit granting system of the Bank. The Bank implemented a list management system for partners in the wealth management investment business and conducted regular follow-up evaluations. The Bank regularly conducted stress tests on wealth management products to strengthen the risk management of wealth management assets and liabilities, and regularly disclose fully information on wealth management products, investment targets of funds, the net value of products, the liquidity risk analysis of the investment portfolios and other information to investors. During the Reporting Period, the Bank's investment banking and wealth management business had no risks and legal proceedings.

In terms of bond underwriting, the Bank has established a bond underwriting and distributing team, who shall be responsible for the underwriting and distribution of bonds such as interest rate bonds (mainly referring to book-entry treasury bonds and policy financial bonds), local government bonds, ordinary financial bonds. The Bank formulated corresponding management systems and business procedures, and conducted business within the risk limit set by the senior management. In order to prevent risks caused by counterparties, the Bank established a blacklist of bond underwriting and distributing bidders and the investors in the blacklist are prohibited from bond distributing. During the Reporting Period, the bond underwriting and distributing business of the Bank's financial marketing department had no risks and legal proceedings.

### **3. Financial derivatives**

The financial market department was established as the front office department for proprietary trading of local and foreign currency derivatives. Derivatives trading strictly followed the principles of separation of front, middle and back stages and the businesses were developed in an orderly manner according to the requirements of internal control and risk management system.

Before entering into derivatives transactions, the Bank shall had determine the credit lines of counterparties by analyzing the financial data, business position, ratings by external credit rating agencies, shareholders' background and other information of counterparties, on the basis of the risk preference and the risk characteristics of each business. The Bank monitored and managed the risks of the derivatives business through risk limit, value at risk reports, exposure position statements and capital flow statement analysis and other measures. The Bank regularly conducted stress tests on the derivatives business, improved policies and procedures of market risk management based on the test results, and inspected the design and results of stress tests, so as to continuously improve the testing procedures. The derivatives business was incorporated into the liquidity risk management system and monitored through the liquidity risk management system. And the factors of the derivatives business were considered in the liquidity stress tests based on the actual situation.

## **(V) Compliance Risk Management**

Compliance risks refer to the risks of possible legal sanctions, regulatory penalties, significant financial loss or loss of reputation due to failure to comply with laws, rules and guidelines and internal rules and regulations.

During the Reporting Period, the Bank insisted on operating in compliance with laws and regulations, steadily carried out various tasks, and strictly prevented and controlled compliance risks. In line with the regulatory requirements, the Bank continued to implement the “establishment, revision and abolition” of the system, thereby ensuring the compliance and applicability of the system. In addition, the Bank strictly verified the compliance of new products and new businesses, and put compliance risk control at the front. The Bank carried out “consolidating the rectification of chaotic practices, deepening the construction of internal control and compliance management” activities and implemented compliance risk assessment to establish a sound internal control and compliance system. The Bank formulated a compliance reporting mechanism and the construction plan for “Top Five” compliance culture to enhance employees’ awareness of performing duties in accordance with regulations and improve the level of compliance risk prevention and control. During the Reporting Period, the Bank did not have any major compliance risk events.

## **(VI) Operational Risk Management**

Operational risks refer to the risks of losses resulting from inadequate or faulty internal procedures, staff and IT systems, and external events.

During the Reporting Period, the Bank established a sound organizational structure and a sound management system of operational risks to ensure that business operations are in compliance with laws and regulations, which provided a healthy internal operating environment for business development. The Bank actively introduced and promoted the application of core operational risk management tools, established an effective operational risk identification system, and formulated the procedures and methods for operational risk identification, measurement, monitoring and control. The Bank enhanced the compliance of employees’ behaviors and business operations by strengthening business supervision and inspection, risk screening, employees’ behavior management, accountability for breaches and other aspects, reducing the occurrence of operational risk events caused by employees. During the Reporting Period, the Bank did not have any major operational risk events.

### **(VII) Large-scale Risk Exposure Management**

Pursuant to the Management Measures for Large-scale Risk Exposure of Commercial Banks (《商業銀行大額風險暴露管理辦法》) issued by the CBIRC (Order No. 1 of CBIRC in 2018), large-scale risk exposure refers to the credit risk exposure to a single customer or a group of related customers of a commercial bank that exceeds 2.5% of its net tier one capital.

The Bank actively established and improved the organizational structure and management system for large-scale risk exposure management, incorporated large-scale risk exposure management into a comprehensive risk management system, and actively promoted the system construction related to the large-scale risk exposure management, so as to strictly prevent concentration risks. As of the end of the Reporting Period, the Group's large-scale risk exposure indicators for non-interbank single customers, non-interbank group customers, interbank single customers and interbank group customers complied with regulatory requirements.

### **(VIII) Reputational Risk Management**

Reputational risks refer to the risks that may be caused by negative evaluations on the Group and the Bank by stakeholders, the public, the media and others due to the operation and management of the Group and the Bank, the behaviors of employees or external events, thereby damaging the brand value of the Group and the Bank, affecting the normal operations of the Group and the Bank, and even affecting market stability and social stability. Reputational events refer to relevant acts or activities that cause significant damage to the Group's and the Bank's reputation.

The Bank has established an effective reputational risk pre-assessment mechanism to promote the reputational risk control in advance. By making full use of the intelligent reputation monitoring system, implementing 24/7 hours omni-channel public opinion monitoring and strengthening manual monitoring, the Bank has created the intelligent reputation monitoring mechanism of "technical defense + manual defense". Also, the Bank conducted regular reputational risk management training, continuously improving the media public relations literacy and reputational risk response capabilities of relevant business personnel of various branches.

During the Reporting Period, the Bank further strengthened the quarterly reputational risk screening of each branch, and regularly investigated major customer complaints as well as improper marketing and publicity behaviors that occurred in branches each quarter which may cause widespread public concern, etc. The Bank also investigated and identified potential reputational risks, and promptly released reputational risk warnings. During the Reporting Period, the overall reputation of the Bank was stable and good, and no major reputational events occurred.

### **(IX) Information Technology Risk Management**

Information technology risks refer to risks arising from natural factors, human factors, technology loopholes and management defects during the course of the application of information technology by the Bank, including operation, legal and reputation risks.

The Bank established an organizational structure with three lines of defense for information technology risk management with a clear division of responsibilities. It covers the control and management of information technology risk management before, during and after the event. The Bank established a complete policy and institutional system for information security, information technology risk management and business continuity management, and realized monitoring and early warning of key information technology risk indicators. The Bank regularly organized and carried out technology risk assessments, information security inspections and business continuity emergency drills. During the Reporting Period, the Bank further strengthened information technology risk investigation, identified potential information technology risks in a timely manner, and continued to improve information technology risk prevention and control capabilities through a number of measures such as upgrading technology infrastructure, optimizing technical architecture, standardizing working process, strengthening process control, and improving emergency plans. During the Reporting Period, no major information technology risk events occurred.

### **(X) Strategic Risk Management**

Strategic risk refers to the risk where the strategic goal deviates from expected due to the failure of strategic behavior to effectively maintain the match between the enterprise and the environment.

The Bank continued to pay attention to strategic risks. We have established a strategic risk management organizational system with the Board of Directors, the Board of Supervisors and senior management as the core, to ensure the implementation of the overall development plan, to evaluate the implementation of the development plan on a regular basis and to identify the main risk factors for achieving strategic goal. For relevant risk factors, we have formulated necessary measures and continuously tracked the risk factors, and carried out dynamic management of strategic objectives with reference to internal and external environments.

During the Reporting Period, the Bank deepened the implementation and monitoring mechanism of the “Outline of the Second Three-Year Development Plan for the Third Transformation of Dongguan Rural Commercial Bank Co., Ltd. (Group) (2021–2023)”. By improving the breakdown of different tasks in the plan, the Bank refines the annual work tasks of the development plan, regularly collects information on the implementation of the development plan, and continuously monitors the progress of achieving the strategic objectives to ensure that the development strategy is in line with the internal and external environment, and continue to play a strategic leading role. During the Reporting Period, the Bank’s progress of achieving the strategic objectives was generally in line with expectations.

### **(XI) Anti-Money Laundering Management**

According to the definition of “money laundering risk” by the Financial Action Task Force on Money Laundering (FATF), money laundering risks refer to the possibility of money laundering activities caused by the external threat of money laundering against the weak procedures of countries (or systems).

During the Reporting Period, the Bank strengthened its governance of anti-money laundering compliance risks and further improved its money laundering risk management. Taking inspection comments given by regulatory authorities as guidance, the Bank continuously improved the construction of internal control mechanisms by enhancing the coherence of anti-money laundering internal control systems, strengthening supervision, guidance and incentives, and enhancing the training of talents. Adhering to the goal of enhancing the performance of anti-money laundering duties, the Bank improved the compliance of anti-money laundering management by such measures as continuously strengthening the management of customer due diligence, perfecting the mechanism for keeping customer identification data and transaction records, and optimizing the monitoring model for reporting large-value and suspicious transactions. By virtue of strengthened anti-money laundering risk management, the Bank adopted such measures as strengthening risk warning management, enhancing the assessment and application of institutions'/customers'/businesses' money laundering risks by classification, and improving the fine management of list monitoring, thereby enhancing the effectiveness of anti-money laundering management. During the Reporting Period, the Bank did not have any material money laundering risk events.

### **(XII) Internal Control**

During the Reporting Period, the Bank established a corporate governance structure with a reasonable division of labor, clear authority and responsibilities and checks and balances, as well as a multilevel internal control organizational structure. The Board of Directors, the Board of Supervisors and senior management performed their respective duties and formed a scientific and effective division of responsibilities and checks and balances mechanism. Each department of the head office formulated a comprehensive, systematic and standardized work system based on the functions of the department, and clarified management requirements, job responsibilities, business standards, work procedures, practice standards and accountability to ensure that all business activities are carried out in an orderly manner. Meanwhile, the Bank established the system compliance review and follow-up evaluation mechanism to ensure the compliance, applicability and effectiveness of the system.

### **(XIII) Internal Audit**

The Bank implements an independent and vertical internal audit management system. The audit work is directly led by the chairman of the Board of Directors and is managed by the chairman of the Board of Supervisors. The Board of Directors assumed ultimate responsibility for the independence and effectiveness of internal audit, considered and approved internal audit rules, mid-and long-term audit plans and annual audit plans, etc., provided necessary safeguards for independent and objective internal audit work, and assessed the independence and effectiveness of internal audit. The Audit Committee of the Board of Directors is responsible for reviewing important systems and reports such as internal audit rules, considering and approving mid-and long-term audit plans and annual audit plans as well as guiding, assessing and evaluating internal audit. As at the end of 2022, the Bank set up new audit centers of subsidiaries under the Audit Department, forming an audit organization structure of “one department with six centers”. The Audit Department specifically undertook internal audit responsibilities, and was responsible for reviewing, evaluating and urging for improvements in the Bank’s business operation, risk management, internal control compliance and corporate governance to promote stable operation and value enhancement of the Bank.

During the Reporting Period, the Bank adhered to and strengthened the Party’s leadership over our audit work. Based on group-oriented development, the Bank focused on our main responsibilities and main business, adequately performed our audit supervision duties, and scientifically formulated the annual audit plan. By innovatively implementing the dual audit mechanism of “business review + data audit”, the Bank established audit liaison officers and seminars on audit projects and other working mechanisms, and strengthened the application of big data to audit, which covered audit projects in key areas of management, such as internal control evaluation, credit business, risk management, capital business, financial management, remuneration management, corporate governance and anti-money laundering, and audit projects in seven subsidiaries and management organizations. The Bank audited the economic responsibility of employees at key posts. By virtue of building an off-site data analysis center, promoting the performance of the portrait function for personnel in the system and strengthening the foundation of audit data application, the Bank deepened the results of data empowerment, initially built a digital audit model, improved audit efficiency, earnestly fulfilled its responsibilities as the third line of defense for risk prevention and control, and acted as the “escort” of high-quality development.

## **VI. KEY CONCERNS IN OPERATIONS**

### **(I) Digital transformation and financial technology development**

In 2022, the Bank’s digital transformation was closely connected with the “1+12348” strategic plan. Adhering to the goal of building a “intelligent and digital bank” and the strategy of “planning in the whole area, highlighting key points, running in small steps, and quickly winning in local areas”, the Bank made every effort to strengthen organizational innovation and coordination capabilities, actively invested in the construction of data governance systems, explored and practised digital innovation applications, created “Four New Projects” for digital transformation, so as to provide customers with smarter and more convenient financial services, and provide an important driving force in promoting high-quality economic and social development as well as sustainable development.

### Chapter III Management Discussion and Analysis

A “new form” of the organization was built from a high starting point. The Bank adjusted the organizational structure and functions of the Digital Transformation Office, established a data management team, and promoted the standardization and specialization of data management; The Bank continued to promote the construction of programs such as “G30 Training Camp” and “P100” business trainee cultivation, through which cultivated “theory + practice” compound talents, and accelerated the introduction of digital talents. And the Bank continued to promote the construction of fintech talent team. As of the end of the Reporting Period, the Group employed 714 scientific and technical personnel (including dispatched personnel).

A high-quality open “new ecology” was laid out. The Bank created six online scenarios such as the Rural Revitalization Special Zone and the New Citizen Special Zone for mobile banking, embedding inclusive financial services such as investment and wealth management, payment and settlement, and consumer financing, through which comprehensively responded to the financial service needs of different customer groups; The Bank continued to promote the transformation and upgrading of outlets. During the Reporting Period, the Bank carried out the construction of three 5G outlets, with replacement rate of intelligent equipment in outlets amounting to 66.21%, an increase of 16.4 percentage points from the end of last year; the Bank will accelerate the introduction of government and tax data, improve service scenarios of the open bank, upgrade the functions of online platforms such as industrial financial services and “Easy Village Payment (村繳易)”, and build a digital ecological model that closely integrates finance, industry and government affairs; the Bank will accelerate the creation of a new generation of customer relationship management system so as to promote the interoperability of customer data, and enhance the comprehensive capability of customer relationship management.

A “new base” of data was built with high standards. During the Reporting Period, the Bank continued to promote the construction of data governance system, improved the organizational and institutional safeguards for data governance, completed the planning and consultation for data center construction project, planned and designed the blueprint of data center and six capability centers, and formulated four major construction paths for data center; through the reconfiguration of the reporting data mart, the integration of data scheduling batches, the promotion of demand classification control and low-code development, the efficiency of data operation was effectively improved; applying digital technologies such as big data and machine learning, the Bank achieved breakthrough innovation in four major businesses namely precision marketing, intelligent risk control, customer management and channel operations by conducting 16 data empowerment projects together with Head Office departments and branches, building 20 self-researched machine learning algorithm models, and releasing 21 analysis reports.

The “new process” of operation were threaded through with high efficiency. During the Reporting Period, the Bank strengthened the intensive management of accounts, and achieved 62% and 38% improvement in account opening efficiency for corporate and individual customers, respectively; the Bank continuously promote the construction of ECIF system and account risk monitoring system to achieve efficient prevention and control of account risk; relying on intelligent customer service system and intelligent outbound call system, the Bank accelerated the construction of intelligent customer service and improved customer service efficiency in product marketing, risk warning, overdue collection and other scenarios, thus achieving cost reduction and efficiency improvement in customer operation.

The Group continued to increase investments in resources and organization of financial technology, deepened the innovative applications of financial technology, and empowered the businesses to boast high-quality development. During the Reporting Period, the Group made every effort to promote the construction of annual IT projects, quickly responded to the business requirements, and completed various regulatory and mandatory tasks on schedule while guaranteeing quality, launched new core consultation plans. Focusing on customer operation, intelligent risk control, and business innovation and other aspects, the Group promoted the combination of online and offline channels through the mode of “financial technology + business scenario”, improved the supply of financial products, upgraded the user experience, enhanced the quality and efficiency of financial services and increased financial technology’s support for businesses. As of the end of the Reporting Period, the Group invested in a total of RMB550.5937 million in financial technology all through the year.

## **(II) Concerns on group-oriented development**

In recent years, the Bank has further developed into a regional group. The Bank established four branches outside Dongguan including Nansha branch in Guangdong Pilot Free Trade Zone, Hengqin branch in Guangdong Pilot Free Trade Zone, Huizhou sub-branch and Qingxin sub-branch, as well as four county banks in Huizhou Zhongkai, Yunfu Xinxing, Dongguan Dalang and Hezhou Babu, and strategically became the controlling shareholder of Zhanjiang RCB and Chaoyang RCB, and invested in Guangdong Shunde Rural Commercial Bank Co., Ltd., Guangdong Xuwen Rural Commercial Bank Co., Ltd., Guangdong Lechang Rural Commercial Bank Co., Ltd. and Yaan Rural Commercial Bank Co., Ltd, to assist in managing Puning RCB. As at the end of the Reporting Period, the Bank has preliminarily formed a new regional group development pattern of “One Core with Two Wings” with Dongguan as center, Guangdong-Hong Kong-Macao Greater Bay Area as the core, and East Guangdong and West Guangdong as two complements. In order to further deepen the reform and development of subordinated institutions, Dongguan Rural Commercial Bank has also made positive changes and improvements at the group level, comprehensively built the group governance system, established an effective management and service mechanism for the parent and subsidiary banks. Firstly, the Group achieved orderly and efficient management. The Bank formulated a number of group-level management systems for unified credit granting, risk appetite and risk limits, liquidity risk and reputation risk, established the management system of subsidiaries, standardized group management principles and requirements, and gradually witnessed the effectiveness of vertical and professional management, and the group-level management was further improved. Secondly, promoted the coordinated development of the Group’s business. The Group gave full play to the synergy effect, strengthened resource sharing and business linkage within the group, provided strong support for the operation and development of subsidiaries, and effectively promoted the high-quality development of the Group. Thirdly, promoted the integration of the Group’s philosophy. The Bank took multiple measures to continuously “intelligence injection” and “system injection” to its subsidiaries institutions, lead the unification of the development direction, management mode, business philosophy and corporate culture of the parent and subsidiary banks, and promoted the realization of the whole group’s effort under the principle of “a shared heart at the same direction within the same institution for shared progress”.

### **(III) Concerns on asset quality**

In 2022, the Group continued to optimize credit structure while strengthening the control of asset quality, therefore the non-performing loan ratio remained low, provision coverage ratio was still at a high level, prudence for risk classification further was enhanced, and asset quality remained stable.

Firstly, the asset quality maintained good. As of the end of the Reporting Period, the Group's non-performing loan ratio was 0.90%; concerned loan ratio was 1.35%, with a decrease of 0.58 percentage points over the end of the previous year, with all indicators maintaining at a relatively better level among the peers. Secondly, the Group remained cautious about the risk classification. As of the end of the Reporting Period, the Group's overdue loan ratio was 1.87%. All of the Bank's loans overdue for more than 60 days were included in non-performing loans. The ratio of loans and non-performing loans overdue for more than 90 days and 60 days was 81.97% and 85.01%, respectively, among them, the ratio of loans overdue for more than 60 days to non-performing loans decreased by 3.24 percentage points compared with the end of the previous year, and the prudence of classification continued to enhance. Thirdly, the efforts to dispose of non-performing assets were enhanced continuously. The Group actively intensified its efforts to collect and dispose of non-performing assets, and a total of RMB2.038 billion of non-performing loans were resolved in 2022, of which cash settlement and written-off bad debts totaled RMB1.636 billion, with a year-on-year increase of 24.03%, and RMB325 million has its quality being improved. Fourthly, the impairment provision was sufficient. The Group has always adhered to prudent risk management. As of the end of the Reporting Period, the Group's provision coverage ratio was 373.83% and allowance to total loan ratio was 3.37%, which still maintained at a relatively high level and ranked top among the listed banks. Thus, its risk resistance ability was further enhanced. In addition, the Group maintained forward-looking provision. In 2022, the Group recorded provision for credit impairment losses of RMB2.239 billion.

In 2023, as the negative impact of the downward pressure on the economy gradually subsides, the business environment and personal employment environment of enterprises will improve, and the credit risk of enterprises and individual customers will be generally controllable. Considering that customers with risks arising from the impact of the macro environment and the real estate control policies in the early stage still need a certain period of time to resume normal operations and resolve risks, it is expected that the credit asset quality of the Bank will remain stable and improve steadily in 2023 as a whole. In the next stage, the Bank will adhere to the general principle of "seeking progress while maintaining stability". On the one hand, the Bank will reasonably control the pace of credit granting, consolidate the "three checks" of loans, focus on the field of credit granting, and ensure the quality of new loans; on the other hand, the Bank coordinated and promoted the disposal and resolution of the risks of existing loans, and accelerated the collection and disposal of non-performing loans with classified policies.

#### **(IV) Supporting “Technological Innovation + Advanced Manufacturing”**

Focusing on key industries of “technological innovation + advanced manufacturing”, the Bank made every effort to increase targeted financial support for advanced manufacturing and technological innovation enterprises. In 2022, the Bank’s loans to the manufacturing industry continued to rank first in terms of loans granted to various industries of the Bank, and the balance of loans to support the manufacturing industry and related industries reached RMB48.374 billion, representing an increase of RMB8.995 billion or 22.84% from the beginning of the year; technology loans were RMB10.846 billion, representing an increase of 15.75% from the beginning of the year; through targeted use of financial resources, the Bank supported the manufacturing industry to stabilise the industrial chain, supply chain and enterprise technology transformation, innovation and expansion of production capacity, and contributed to the development of manufacturing industry in Dongguan.

In 2023, a new round of industrial construction and investment attraction in Dongguan will bring new opportunities to the Bank’s business development. The Bank will continue to focus on the national and local industrial development strategies, and focus on supporting the development of pillar industries and high-quality enterprises in Dongguan. Firstly, the Bank fully supports the “specialized, refinement, differential, innovation” enterprises, provides full life-cycle financing services including high-growth loans at the growth stage, investment-loan linkage at the mature stage, and expansion loans before listing, and fully supports the development of the “specialized, refinement, differential, innovation” enterprises by flexibly setting loan terms, repayment methods and other factors. Secondly, the Bank focuses on leading enterprises in the manufacturing industry, innovates comprehensive financial products and services, accurately responds to customer needs, and continues to lead financial activities to key areas of the real economy. Thirdly, the Bank innovatively adopts the “1 + 3 + N” grid marketing model, actively expands the leading manufacturing enterprises and high-quality manufacturing projects, implements a hierarchical and classified precision marketing model, expands the customer base, deepens product penetration, guides branches to shift credit resources to medium-and long-term loans in the manufacturing industry, and promotes the steady development of medium-and long-term loans in the manufacturing industry of the Bank.

#### **(V) Concerns on credit grants in the real estate sector**

The Bank always committed to the guiding ideology of “no speculation in housing”, strictly implemented various regulatory requirements for real estate loans and personal housing loans by higher-level regulatory authorities. In 2022, the Bank prioritized to support local leading real estate enterprises, local residential projects focusing on rigid and improved housing, projects with excellent geographical locations, projects of the old towns, old factories and old villages, and construction and operation projects of affordable rental housing to effectively meet the financial needs of local high quality real estate enterprises and provide strong support for local residential housing needs.

## Chapter III Management Discussion and Analysis

As of the end of the Reporting Period, the balance of the Bank's development was RMB11.265 billion, with an increase of RMB1.616 billion over the end of the previous year which were mainly granted to high-quality strategic customers. The ratio of non-performing corporate development loans in the real estate sector was nil, unchanged from the end of the previous year, and the customer structure of the such business remained good. In terms of housing mortgage loans, the first house is the main target. The annual housing mortgage loans are RMB4.749 billion, of which the first house is RMB4.210 billion, accounting for 88.65%. As of the end of the Reporting Period, the balance of housing mortgage loans of the Bank was RMB34.565 billion, representing a decrease of RMB1.405 billion compared with the end of last year, and the non-performing loan ratio was 1.32%, representing an increase of 0.35 percentage points compared with the end of last year, mainly due to: (i) a slight increase in the scale of non-performing loans as a result of the repayment pressure of some customers increased due to the repeated impact of the pressure of macro economy; (ii) a decrease in housing mortgage loans and a slowdown in the disposal of non-performing assets as a result of the transaction volume of real estate declined due to the sluggish real estate market.

With a series of real estate policy adjustments in 2022, looking forward to 2023, Dongguan real estate market is expected to recover step by step. The Bank will continue to actively implement the relevant national policies and regulatory requirements on the real estate industry, focus on supporting residents' rigid and improved housing demand, and increase support for new citizens' reasonable housing credit demand. The Bank will give priority to the projects of local leading and leading real estate enterprises, support the development of high-quality real estate enterprises, and promote the virtuous circle of the real estate industry and the stable and healthy development of the market in Dongguan.

## VII. ENVIRONMENTAL ANALYSIS AND FUTURE PROSPECT

### (I) Macro Economy and Trend Analysis

From the macro environment, the current economic operation of China is still facing many risks and challenges. From an international perspective, geopolitical conflicts continue, commodity prices fluctuate at high levels, inflation remains high, and global economic growth is slowing; from a domestic perspective, the foundation of economic recovery has been further solidified, but, the "triple pressure", i.e. demand contraction, supply shocks, weakening expectation, is still greater. At the same time, the planning and reform measures pertinent to the construction of a new development pattern will be implemented rapid, the local governments have launched various "group-based economy" measures, and positive factors have continued to accumulate. In consideration of the above causes, it is expected that China's economy will generally pick up in 2023, the order of social production and life is expected to come back soon, economic vitality will be accelerated, residents' willingness to travel and consume will steadily increase, and the consumption scenario and industry chain maintain the recovery trend.

From the perspective of regional development, Dongguan faced multiple challenges in 2022, for example, the production capacity of traditional industries with advantages declined, emerging strategic industries had no impetus, the real estate market had not recovered yet, and it would take some time for the economy recovery. Since the beginning of 2023, the local government held a series of meetings intensively to make plans for high-quality development, delivering clear signal of effort towards high-quality development and new growth momentum. Dongguan will concentrate on the development of the manufactory industry, focus on its characteristics of “technology innovation + advanced manufacturing”, accelerate the industry to build new pillar, expand high-quality low-cost industrial space, vigorously encourage all relevant stakeholders to join in the “investment promotion”, and optimize and improve the investment promotion mechanism to comprehensively promote the high-quality development of the manufacturing industry. Under the new round of industrial construction and investment boom, major projects in the fields of industrial upgrading, digital economy and urban renewal are expected to be accelerated, and financial support for advanced manufacturing, strategic emerging industries and transformation and upgrading of traditional industries is expected to be further increased, which brings new opportunities for the Bank’s business development.

## (II) Management Measures for 2023

2023 is the final year for the Outline of the Second Three-Year Development Plan for the Third Transformation of the Group. Guided under the spirit of the Party’s 20th National Congress, the Bank will keep in mind the primary task of “high-quality development”, work on the goals of the “1+12348” development planning, make every effort to “occupy the market, control risks, reduce costs and stabilize efficiency” with a view to better serving the overall deployment of high-quality development, laying a solid foundation for high-quality development, enhancing the momentum of high-quality development, building a new pattern of high-quality development, and ensuring the perfect completion of the Group’s three-year development plan.

**Firstly, the Bank will serve the overall deployment of high-quality development with focus on real economy.** Pursuant to the provincial and municipal deployment of high-quality development, the Bank will intensively serve the “decisive role of the manufacturing industry” and the driving role of “technology innovation + advanced manufacturing” to achieve through targeted support of “drip irrigation type” to real economy, providing full-chain, comprehensive and refined financial services for the whole life cycle of enterprises, further optimizing the process and model, innovating business and products, comprehensively improving the efficiency for manufacturing loan application and review, and fully enhancing the level of modern industrial financial services. In line with the development strategy of rural revitalization, the Bank will continue the “133” project of rural revitalization financial services, conduct the “visiting villages” activity in a deep and practical manner, strengthen innovation of rural financial products and services, and expand the coverage of credit granting to villagers and village groups so as to make high-quality financial services easily and conveniently available to the “modern Sannong” customer group, further promote high-quality and efficient agriculture, rural livability and industry, and prosperity of farmers, and push forward with all our effort the high-quality development of “modern Sannong”.

## Chapter III

### Management Discussion and Analysis

**Secondly, the Bank will lay a solid foundation for high-quality development with priority to risk control.** The Bank will concurrently considerate development and safety, firmly protect the bottom line with safety, practically improve the level of risk prevention and resolution, and promote the realization of long-term dynamic balance between stable growth and risk prevention. On the one hand, the Bank will continue to strengthen our comprehensive risk management system by enhancing the quality control of assets, a group-wide risk management, the digitalization of risk control and enhancing the ability to guarantee business continuity, and taking multiple measures to prevent risks. On the other hand, the Bank will ensure the Group's high-quality and sustainable development by strengthening case control management within the internal control, anti-money laundering risk control, in-depth application of audit results, continuously enhancing the effectiveness of internal control compliance efforts and audit supervision, further intensifying risk prevention and control in key areas.

**Thirdly, focusing on improving management efficiency to increase the momentum of high-quality development.** We advance the implementation of “cost reduction and efficiency enhancement”, centering on cost control and budget constraints. We keep operating efficiency stable by strengthening internal management. By continuously refining the organizational architecture of “agile front office + large middle office + strong back office”, we fully upgrade service quality, customer experience and organizational effectiveness. We transform outlets in an orderly manner, activate outlet capacity and enhance the market competitiveness of offline outlets. We speed up the implementation of brand renewal projects and upgrade brands to better attract young customers. We renew efforts to optimize the talent development mechanism to further enhance the team rejuvenation, innovation and vitality index. We take solid steps to “empower the front line”, with the focus on releasing the end marketing potential, to further strengthen the core competitiveness of the Bank.

**Fourthly, the Bank will construct a new pattern of high-quality development by digitalization and collectivization.** On the one hand, the Bank will further accelerate the digital transformation. By enhancing the three key digital capabilities of data analysis, accurate marketing and intelligent risk control, the Bank will further promote the in-depth integration of technology and business, promote the development of intelligent service scenes, and advance toward digital transformation in all respects to make a “intelligent digital bank”. On the other hand, the Bank will further deepen the group-wide development. Targeting “risk prevention and growth stabilization”, the Bank will strengthen the capabilities of subsidiaries and management organizations in terms of compliance and business development, improve the contribution of subsidiaries and management organizations to the benefits and assets quality on the basis of ensuring risk stability, promote the development of the Group's system and data governance, and establish a group-wide management and collaborative development mechanism, to fully enhance the Group's management effectiveness and construct a new pattern of high-quality development.

# Chapter IV Environmental, Social and Governance



The Bank always adheres to the corporate purpose of “accompanying, trusting and growing with each other”, takes “creating maximum value for inclusive finance” as its core value, and fully integrates the concept of environmental, social and corporate governance (“ESG”) into the daily operation and management. The Bank went back to original aspiration to support rural revitalization, integrated industry and finance to promote regional development, developed green finance to support carbon peaking and neutrality goals, strengthened services to protect customer rights, and took the responsibilities in consolidating poverty alleviation. The Bank gave back to society with practical actions, actively fulfilled its corporate social responsibility, promoted high-quality sustainable development of the economy, environment and society, and supported in achieving the goal of shared prosperity.

## **I. PRACTICE INCLUSIVE FINANCE AND FULFILL SOCIAL RESPONSIBILITIES**

### **(I) Adhere to the Original Intention to Serve the Economy and People’s Livelihood**

#### **1. Focus on core customers and practice inclusive finance**

Firstly, the Bank satisfied all of financial needs of new citizens. The Bank launched mobile banking zone featuring “DRCB Serving New Citizens for Comfortable Work and Life in Dongguan”, with 26 functions under 9 sections to address the needs of new citizens in medical care, food, housing, transportation and entertainment; in addition, the Bank responded comprehensively to the financial needs of new citizens in employment, housing, wealth management, consumption upgrading and basic financial services by making full use of its 6 demonstration points for new citizens’ financial services. Facing the main work and life scenarios of new citizens, the Bank reached out to communities and buildings, factories and parks where new citizens lived or worked to carry out door-to-door publicity of financial services and provide financial services such as payment and settlement, salary payment and bill payment.

Secondly, the Bank adopted lots of measures to support agriculture and benefit farmers. The Bank deeply implemented the “133” project of rural revitalization financial services and comprehensively performed the “three major personnel” stationing system. As of the end of 2022, the Bank dispatched nearly 4,000 people to villages and groups to carry out over 600 volunteer activities in such manners as promoting financial literacy and visiting, helping and cheering up the elderly. The Bank worked hard on the improvement of the inclusive financial service level for rural revitalization, deeply promoted the “giving credit limit to whole village” activities, and completed the registration of 349,500 households with a coverage rate of 96.49% in 2022. The Bank launched innovative products and platforms such as “Fumin Loan (富民貸)” and “Haoyi Rent (好易租)” to support the development of modern agriculture, modern countryside and modern farmers in all respects. As of the end of 2022, the Bank delivered “modern Sannong” loans to 222,500 customers, and the balance of loans to “modern Sannong” customers was RMB66.734 billion, representing an increase of RMB10.422 billion or 18.51% as compared with the beginning of the year.

Thirdly, the Bank increased its support for SMEs. The Bank adhered to its main business positioning of “supporting agriculture, supporting SMEs and supporting real economy” and wholeheartedly supported the healthy development of the local real economy. The Bank created a small and micro product system featuring “online and offline services”, and launched special products such as “Qingchuang Loan (青創貸)”, “Industry Support Loans (行業扶持貸)” and “Litchi Loan (荔枝貸)” to provide whole-life-cycle, multi-level and one-stop comprehensive financial services to SMEs. As of the end of December 2022, the balance of SMEs loans of not more than RMB10 million each (including small and micro enterprise loans, individual industrial and commercial household loans as well as SMEs owner loans, and excluding discounts) was RMB32.973 billion, representing an increase of 23.96% over the beginning of the year, being an increase of 13.41 percentage points over the growth rate of various loans at the beginning of the year; the number of customers, to which loans have been granted, was 21,453, representing an increase of 107 over the beginning of the year.

Fourthly, the Bank made efforts to reduce corporate financing costs. The Bank made full use of policy dividend and resources for the benefit of customers and effectively supported the development of SMEs. As of the end of December 2022, the size of the two types of refinancing loans of Dongguan Rural Commercial Bank amounted to RMB8.795 billion and the size of the sub-loans amounted to RMB2 billion. The interest rate of newly issued loans to full-coverage SMEs in 2022 was 5.15%, representing a decrease of 0.48 percentage points from the rate of newly issued loans in 2021.

## **2. Focus on industrial transformation and drive regional development**

The Bank insisted on continuously directing financial resources to key areas of the real economy and proactively responded to the national strategies such as those regarding the development of the Guangdong-Hong Kong-Macao Greater Bay Area and the Guangzhou-Shenzhen Science and Technology Innovation Corridor. Following the pace of industrial restructuring, the Company made its presence in the “three major areas” of technological innovation, advanced manufacturing and digital economy industries, with the focus on supporting urban renewal, city and industry integration, and modernization of urban industries. In terms of industrial finance loan, as of the end of December 2022, the balance of industrial finance loan of the Bank was RMB125.613 billion. Among them, the Bank provided credit support of RMB41.490 billion for various parks, and provided loans of RMB31.513 billion to 155 parks with the balance of loans amounting to RMB23.949 billion. In terms of supporting the manufacturing industry, the balance of loans supporting manufacturing and related industries amounted to RMB48.374 billion, representing an increase of RMB8.995 billion or 22.84% as compared with the beginning of the year, of which the balance of medium and long-term loans supporting manufacturing and related industries was RMB29.392 billion, representing an increase of RMB7.505 billion or 34.29% as compared with the beginning of the year, accounting for 60.76% of the balance of loans to manufacturing and related industries.

In terms of investment banking business, the Bank gradually transformed into a comprehensive financing service provider, and proactively developed the “commercial bank + investment banking” model to provide diversified comprehensive financial services for enterprises. As of the end of December 2022, the balance of investment banking business reached RMB5,062 million, providing customers with a full range of financial services. In addition, the Bank explored new innovative green financial services and invested more in green bonds. In 2022, the Bank invested RMB130 million out of its off-balance-sheet financial management funds in green bonds, involving projects such as water system improvement, water plant expansion and sludge treatment, supporting the green upgrade of infrastructure facilities. Some of the funds were used to support green asset securitization products, meet the green financing needs of enterprises and optimize their financing structures.

## **(II) Optimize Services and Protect Customers' Rights and Interests**

The Bank adhered to the original aspiration of service, continuously improved the management system, simplified the service process, refined the service standards, and maintained professional, high-efficiency and warm services. In terms of improving the service process, the Bank provided convenient and efficient services for special consumers such as the disabled and elderly customers by offering green channels, providing door-to-door services, etc. In terms of enhancing service capability, the Bank created flexible and versatile scenes and offer financial services to living scenes by combining the location factors and target customers on the one hand. On the other hand, the Bank extended financial services to the living scenes to satisfy customer demands by connecting to the new-generation customs tax payment system, Guanjia administration channel and tax platform. In terms of financial knowledge popularization and consumer education activities, in 2022, the Bank launched a new anti-fraud publicity model of “cooperation between police and banks”, and took the initiative to cooperate with the Dongguan Anti-Fraud Center to launch a series of WeChat tweets and short videos for anti-fraud publicity such as “preventing fraud by click farming” and “preventing fraud by impersonating public prosecutors”, so as to publicize the latest anti-fraud knowledge to the masses of customers, and raise the awareness of anti-fraud of people.

At the same time, the Bank safeguarded the legitimate rights and interests of consumers. During the Reporting Period, the Bank received over 6.22 million times of customer service evaluations at its business outlets, with a customer satisfaction rate of over 99%. In 2022, the Bank conducted 210 audits on pre-consumer protection products and systems, 956 audits on mid-consumer protection marketing and promotion, and 824 post-consumer protection inspections, including 120 on-site inspections and 704 off-site inspections. As a result, consumers' rights and interests were safeguarded and the services provided at the business outlets were upgraded. The Bank launched an assortment of consumer protection education activities and held 1,513 events for 2.1788 million customers in 2022. The Bank performed outstandingly in consumer rights protection. Owing to its excellent educational achievements, it was awarded the Gold Award of the “Most Beautiful Financial Consumer Protector” from the Guangdong Banking and Insurance Regulatory Bureau, the “2022 Golden Voice of Guangdong” commendation from Guangzhou Branch of The People's Bank of China, and the “Advanced Unit of Financial Consumer Protection in Dongguan” and “Advanced Unit of Deposit Insurance Promotion” from the Dongguan Central Sub-branch of the People's Bank of China.

## **(III) Support and Consolidate Poverty Alleviation for Public Welfare**

The Bank has actively responded to the national strategy of rural revitalization, contributed to social and economic development, and consolidated the achievements of poverty eradication. The Bank has been actively participating in poverty alleviation, giving full play to the characteristics and advantages of financial services and promoting the effective connection between the achievement of poverty alleviation with rural revitalization. Assisting in education to promote rural revitalization. The Bank has actively responded to the call of “striving to see that each and every child has fair access to good education”, never forgetting its original intention, taking responsibility, sincerely giving back to the society and passing on love through practical actions. As of December 31, 2022, Dongguan Rural Commercial Bank Education Public Welfare Foundation, initiated by the Bank, has donated RMB10.3612 million in aggregate to support the development of education. Contributing to quality improvement and consolidating the achievements of poverty eradication. As of December 31, 2022, the total amount of our Bank's relief assistance for public welfare and charity reached RMB9.613 million. The Bank actively supported the construction project of featured high-quality demonstration villages, actively participated in the rural revitalization work and consolidating the achievements of poverty eradication, making its contribution to Dongguan's acceleration of building a “invigorating Dongguan through education”, promoting rural revitalization in all respects, and achieving high-quality development from the new starting point of “Double 10,000”.

## II. DEVELOP GREEN FINANCE AND SUPPORT DOUBLE-CARBON COMPLIANCE

### (I) Develop Green Finance and Support Green Industries

The Bank always adhered to the “green finance development concept” and fulfilled its social responsibility as a financial institution to support low-carbon economy. The Bank expedited the construction of “Green Bank”, continued product innovation, refined and expanded the scope of the “Green Financing” integrated financial service programs, and launched “Contract Energy Loan” and other green innovative products, to expand the depth and breadth of green finance to serve the real economy. The Bank developed green finance while serving the real economy by promoting the transformation of traditional industries into intelligent, clean and sustainable ones and buoying the green development of environmental protection industries, low energy-consuming and low-pollution advanced manufacturing industries, high-tech industries and modern service industries. As of the end of December 2022, Dongguan Rural Commercial Bank supported the green credit balance of RMB9,923 million, representing an increase of RMB2,589 million or 35.3% over the beginning of the year, higher than the increase of various loans of the Bank. On the other hand, the Bank got deeply involved in the issuance and investment of green bonds to continuously improve the quality and efficiency of finance to serve the real economy. As of the end of the Reporting Period, the Bank had issued green financial bonds with a book balance of RMB1 billion and invested all the funds raised in green projects certified by third-party institutions, covering pollution prevention and control as well as resource conservation and recycling. The Bank sped up the allocation of green bonds and increased support for green and low-carbon industries. As of the end of the Reporting Period, the Bank held green bonds with a book value of approximately RMB7 billion, an increase of over 160% from the end of last year.

## **(II) Strengthen Green Review and Prevent Green Risks**

The Bank managed the full process of environmental and social risks, undertook environmental and social risk due diligence in a standard manner, and set reasonable limits of authority and reasonable procedure for credit approval based on the level of environmental and social risks of enterprises and projects. The Bank strictly applied the policies of no access and restricted access, and implemented the “one-vote veto system for environmental protection” for 29 industries and fields such as “high pollution, high energy consumption and overcapacity”. For enterprises that fail to meet environmental protection standards and “high pollution, high energy consumption and overcapacity”, the Bank strictly controlled the credit supply, forbade granting of new credit, and resolutely cut down and withdrew existing loans. The Bank made strict review on environmental impact assessment, strengthened the management of the environmental risk warning system, and promptly entered information on the enterprises that fail to pass the environmental impact assessment, that are on the black list due to poor performance in environmental protection, and that broke the law on environmental protection to avoid making loans to them.

The Bank continuously monitored environmental benefits. In conducting credit review of green projects, the Bank analyzed the feasibility study reports, environmental impact assessment reports, etc. in detail to reasonably predict the future environmental benefits of the projects. In conducting post-loan inspections, the Bank paid close attention to whether project progress met expectations and whether credit funds were used in compliance with relevant regulations. For projects that have been completed and put into operation, the Bank investigated whether there was significant deviation between the actual environmental benefits and that referred to in the project report, and strictly prevented green projects from emergence of risk issues, such as “unhealthy financial arbitrage” and “green washing”. In addition, the Bank continued to optimize the development of our green credit management system, gradually implemented the classification of customers’ environmental and social risks according to the requirements of regulatory systems, and incorporated the investigation, assessment and review of environmental and social risks into the loan application process.

## **(III) Advocate Green Action and Realize Green Operation**

The Bank practices the concept of “green service and low-carbon operation”, and continued to promote smart services, set up smart counters and cloud banking projects, and embedded functions such as electronic certificates, electronic seals, OCR license recognition and image collection in the business process to achieve paperless and intelligent processing throughout the business process. In 2022, total of 3,249,100 businesses were handled on the smart counters, and total of 228,400 transactions were handled on the cloud bank, which further improved the effectiveness of green and environmental protection work; innovated to build a 5G smart bank, used 5G communication technology, Internet of Things and other technical means to realize environmental intelligent management and control such as sound, light and equipment switches through IoT intelligent management and control scenarios, effectively reducing energy consumption of outlets; promoted online financial services, built and optimized various online channels such as mobile banking, online banking, WeChat banking, SMS banking, D payment, D + Bank, further enriching the construction of non-financial scenarios in online channels, and enabling customers to conveniently obtain various services such as transfer, inquiry, financing and settlement through mobile customer terminals, effectively reducing transportation costs, and achieving energy conservation and emission reduction. The Bank has actively practiced the concept of green office and implemented low-carbon and energy-saving office. We gradually broadened the scope of applicable paperless meetings, significantly reduced the waste generated for material preparation, printing, binding, distribution, recycling, destruction and other links, and controlled the use of paper and consumables from the source. In addition, the Bank vigorously advocated green and healthy lifestyle, promoted the civilized dining table of “Empty Your Plate (光盤行動)”, and advocated employees to practise low carbon and environmental protection through personal actions.

### III. IMPROVE GOVERNANCE LEVEL AND PROMOTE STABLE OPERATION

The Bank established a “five-pronged” governance mechanism for listed companies, which incorporates core leadership by the Party Committee, decision-making by the general meeting, strategic decision-making by the Board of Directors, supervision by the Board of Supervisors in accordance with law, and implementation by the senior management. The mechanism defines the division of responsibilities and performance requirements of each governance entity. Based on the principles of independent operation, effective checks and balances, mutual cooperation and coordinated operation among each governance entity, the Bank improved risk control, established a reasonable incentive and restraint mechanism, and realized scientific decision-making, execution and supervision.

During the Reporting Period, the Board of Directors of the Bank earnestly fulfilled its responsibilities related to the environment, society and governance such as Sannong financial services, green finance, consumer rights protection and social responsibility. The Board of Directors and relevant committees considered and approved relevant resolutions, such as Resolution on the 2021 Work Report of Sannong Financial Services of Dongguan Rural Commercial Bank Co., Ltd., Resolution on the Green Finance Development Plan of Dongguan Rural Commercial Bank Co., Ltd., and Resolution on the Consumer Rights Protection Work Report of Dongguan Rural Commercial Bank Co., Ltd. in 2021, so as to further build and improve the ESG management system of the Bank, actively promote the fulfillment of social responsibilities by the Bank, and achieve long-term sustainable development.

For more details on corporate governance, please refer to the “Corporate Governance Report” section of this Report. For more details on the Bank’s environmental, social and corporate governance, please refer to the 2022 Corporate Social Responsibility Report (the Environmental, Social and Governance Report) of Dongguan Rural Commercial Bank Co., Ltd. to be published in due course by the Bank.

# Chapter V

## Sannong Financial Services



As the agriculture-oriented main force of “Sannong” finance for rural revitalization, the Bank has always adhered to the market positioning of supporting agriculture, supporting SMEs and supporting real economy, and made comprehensive assistance in rural revitalization a key initiative to fulfill its social responsibility and serve the real economy. By innovatively implementing the “133” project of rural revitalization financial services and offering high-quality “Sannong” financial services under the guidance of high-quality Party building, the Bank opened a new chapter of financial services for rural revitalization and “modern Sannong” with innovative, practical, excellent and efficient initiatives that suit the local “Sannong” conditions and deliver substantial results in supporting agriculture and benefiting farmers. During the Reporting Period, the Strategic Decision and Sannong Committee of the Board of the Bank held 16 meetings, with a total of 63 “Sannong”-related proposals adopted. As of the end of 2022, the balance of loans to customers supporting “modern Sannong” reached RMB66.734 billion, an increase of RMB10.422 billion or 18.51% over the beginning of the year; the balance of agriculture-related loans (regulatory caliber) reached RMB33.999 billion, an increase of RMB1.721 billion over the beginning of the year, including RMB5.830 billion of inclusive agriculture-related loans, an increase of 18.11% over the beginning of the year, representing an increase of 7.55 percentage points over the growth rate of various loans; the inclusive loans to SMEs with no more than RMB10 million credit line each (excluding discounted bills) was RMB32.973 billion, an increase of 23.96% over the beginning of the year, and the number of customers increased by 107 over the beginning of the year. In addition, the interest rate of new SMEs loans in 2022 was 4.75%, a decrease of 0.77% from that in 2021, and the non-performing rate of inclusive loans to SMEs was 1.15%, which is controlled within the level of no more than 3 percentage points of various loans, and achieved the assessment target of “two increases and two controls”.

## I. PLAYING THE GUIDING ROLE OF PARTY BUILDING IN SERVING SANNONG WITH INNOVATIVE STATIONING INITIATIVE IN VILLAGES

### (I) Innovative Mode to Fully Implement the “133” Project

Since the establishment of the rural revitalization financial service center, the Bank innovatively implemented the “133” project of rural revitalization financial services, i.e. focusing on the goal of the national rural revitalization strategy, fully promoting high-quality and efficient agriculture, rural livability and industry, and prosperity of farmers, and fully implementing the “three major personnel” stationing system, i.e. dispatching rural revitalization financial instructors, Party building and co-construction liaisons, and inclusive financial service personnel based on the actual situation of local economic development. The Bank stationed nearly 4,000 financial service personnel at village committees and village groups under their jurisdiction to open up the “last meter” of “Sannong” financial services, so as to provide financial services for every village group, every household and every villager, and actively create a new model of “Sannong” financial services in the new era.

## **(II) Optimized Mechanism to Fully Deepen the “Joint Party Building”**

To provide “Sannong” financial services to more villagers, the Bank actively carried out the joint Party building activities between the Party organizations at all levels of the Bank and the Party organizations of the villages and their groups across Dongguan, vigorously pushed forward the “double reporting” of grass-roots Party organizations and in-service Party members to the villages (communities), encouraged Party members to occupy actively volunteer service positions at villages and communities and participate in village affairs in a hierarchical manner, so as to extend the financial services to villagers at village groups and communities more extensively and deeply. As of the end of 2022, the Party organizations of the Bank at all levels partnered with Party organizations in 597 village groups and communities in Dongguan to jointly work on Party building, and fully implemented the “double reporting” to the partner villages (communities) for joint Party building, with 100% coverage ratio; in 2022, the Bank carried out over 600 “double reporting” volunteer activities in such manners as promoting financial literacy and visiting, helping and cheering up the elderly.

## **(III) Changed focus to carry out the work of “visiting villages”**

In line with the spirit and requirements of making inclusive finance available for every household, the Bank took its unique advantage of “connections, geographical relationship and kinship” to further refine the stationing service grids of “three major personnel”, i.e. rural revitalization financial instructors, Party building and co-construction liaisons, and inclusive financial service personnel, actively carry out the work of “visiting villages”. The Bank kept abreast of family conditions and financial needs of villagers and achieved full coverage of the Bank’s rural financial services by the Party building activity of visiting villagers’ homes together with residents’ committees in towns, subdistrict offices and villages (communities) of Dongguan and publicizing face to face the national rural revitalization strategy and the Bank’s rural revitalization financial services among villagers. As of the end of 2022, the Bank completed the registration of 349,500 village households with a coverage rate of 96.49%.

## **(IV) Strengthened Assessment to Firmly Ensure Fulfillment of “Four-Level Responsibilities”**

A strong root system helps trees flourish while a solid foundation helps organizations stabilize. A strong organizational guarantee is key for providing good rural revitalization financial services. The Bank assigned the responsibilities of rural revitalization financial services level by level from top to bottom, regarded the implementation of the “133” project of rural revitalization financial services as an important indicator in the performance appraisal and performance evaluation for cadres, and strengthened the responsibility of the Party secretary of branches and sub-branches as the first person responsible for rural revitalization financial services. The Party organizations of branches and sub-branches strengthened the implementation, set up groups for the rural revitalization financial service, innovatively built the “outlet vanguard” and the “grassroots” service team, carried out a series of excellence selection and rewarding activities such as “grassroots around you”, and comprehensively built a new pattern of rural revitalization financial services with the guiding role of Party building by ensuring respective fulfilment of responsibilities at the four levels: “headquarters, branches, outlets and individuals”, and strengthening positive incentive and guidance.

## II. DELIVERING BILLIONS OF FINANCIAL LIVING WATER TO PRECISELY “REVITALIZE SANNONG” WITH “PRACTICAL INITIATIVES”

As a symbol of deeply studying, publicizing and implementing the spirit of the Party's 20th National Congress, deeply understanding and comprehensively executing the decisions and plans made at the Party's 20th National Congress on the work of the “Sannong”, the Bank gave priority to the promotion of the high-quality and efficient development of agriculture, the livability and industry in rural areas, and the prosperity of farmers in line with the general requirement of building a livable, industrial, harmonious and beautiful countryside by delivering billions of financial “living water” to precisely revitalize the “modern Sannong”, fully support the development of modern agriculture, modern countryside and modern farmers, and make financial contribution in accelerating the pace of modernization of Dongguan's agriculture and countryside.

### (I) Supporting Development of Modern Agriculture and Promoting Revitalization of Rural Industries

Firstly, the Bank cultivated and expanded modern agricultural enterprises with focus on “Agricultural Leading Loans(農業龍頭貸)”. According to the territorial principle of the enterprises on the list of leading agricultural enterprises provided by Dongguan Bureau of Agriculture and Rural Affairs, the Bank divided them into various service grids, assigned them to each marketing personnel, and served on a door-to-door basis. The Bank continued to support the provincial and municipal leading agricultural enterprises and their upstream and downstream small and medium-sized enterprises or individuals with “Agricultural Leading Loans”, and drove the healthy and vigorous development of the agricultural industry chain. As of the end of 2022, the Bank supported 13 provincial and municipal leading agricultural enterprises with a loan balance of RMB914 million.

Secondly, the Bank launched locally featured agriculture-related loans centering local agricultural industry chain. For example, the Bank tailored “Litchi Loan (荔枝貸)” for this specialty fruit of Dongguan, targeting the needs of customers across the full litchi industry chain with flexible online release of loan capital and a wealth of credit guarantees to crack the problem of lack of collateral for agricultural financing, which effectively meets the financing needs of market players in the breeding, planting, purchase, processing and sales; tailored “Seafood Loan (海鮮貸)” for seafood farmers, fishermen who catch seafood, and merchants, restaurants and eateries who sell and process seafood (dried seafood) to solve the financing problems faced by those fishery operators such as capital turnover and business expansion; and tailored “Tea Loan (茶葉貸)” for tea market players like tea farmers and tea sellers to help accelerate the development of local tea market. The Bank also continuously increased the support for agriculture-related industries with regional characteristics.

Thirdly, the Bank constantly expanded the range of loan products for agriculture-related enterprises to meet various financing needs. For example, the Bank launched the medium-and long-term loans — “Stable Business Loans (穩業貸)” to provide sustainable and stable capital assistance to agricultural enterprises. As of the end of 2022, the balance of “Stable Business Loans” was RMB3.812 billion, of which 169 rural households were supported. The Bank served the high-value mortgage-based customer groups at villages through the online mortgage product “Overpayment Quick Loans (超抵快貸)”. As of the end of 2022, the balance of “Overpayment Quick Loans” was RMB4.840 billion, of which 659 rural households were supported. The Bank helped young entrepreneurs receive family legacy with the “Youth Entrepreneurship Loan (青創貸)”. As of the end of 2022, the balance of “Youth Entrepreneurship Loan” was RMB3.242 billion, of which 53 rural households were supported. Using the “Industry Support Loans (行業扶持貸)”, the Bank supported the development of agricultural high-tech enterprises and multiplier enterprises, accelerated the pace of rural technological innovation and digital economic development. As of the end of 2022, the balance of “Industry Support Loans” was RMB339 million, of which 72 customers were supported.

## **(II) Supporting Development of Modern Countryside and Promoting Livability and Industry in Countryside**

Firstly, the Bank supported the “full coverage” of the “giving credit limit to whole village” activity. The Bank regarded the “giving credit limit to whole village” activity as a long-term project for the benefit of farmers and ensured the widest coverage of this project through the “two grassroots coordination mechanism” (i.e. “grassroots village group and grassroots banking outlet”) so that “credit limit is available to every village” and “every household has credit” to solve the problems of villagers, such as “difficult financing, expensive financing and complicated financing”, and further revitalize the collective economy of village groups, and improve the rural financial ecological environment. As of the end of 2022, the Bank reached cooperation intention of “giving credit limit to whole village” activity with a total of 592 village groups in Dongguan with a coverage ratio of 100%; the credit limit reached over RMB15.044 billion, the loan balance was RMB8.990 billion, and over 47,000 villagers were supported.

Secondly, the Bank supported greatly the growth and development of rural collective economy. Rural collective economy is an important part of Dongguan’s rural economy. During the Reporting Period, according to the conditions such as the village group’s net asset scale, disposable income, asset-liability ratio, specific guarantee method and business cooperation relationship, the Bank voluntarily provided a credit to qualified village groups, which were used for special support for village groups and collective enterprises to upgrade and transform collective factories, the transformation of professional companies and the construction of beautiful villages; and helped the village groups revitalize property rents, increase the income of collective assets, and realize the transformation and upgrading of the collective economy. As of the end of December 2022, the balance of the Bank’s loans to village groups and village collective enterprises was RMB4.104 billion, an increase of RMB877 million from the beginning of the year.

Thirdly, the Bank supported greatly the construction of rural infrastructure. During the Reporting Period, the Bank actively supported the construction of rural infrastructure and promoted the continuous improvement of rural infrastructure by supporting the projects and engineering of roads, power grids, water supply, etc., laying a good foundation for the development of rural agricultural industry, and making its contribution to the construction of beautiful and livable villages. As of the end of 2022, the balance of the Bank’s loans to support rural infrastructure was RMB1.453 billion, an increase of RMB5 million from the beginning of the year.

Fourthly, the Bank achieved full coverage of rural financial services outlets. In order to continuously improve the quality of rural financial services, the Bank took measures in terms of the rural outlets planning, the service channel broadening of rural outlets and the improvement of “Sannong” customer service experience to provide basic guarantee for rural financial development. The Bank has become the financial institution with the largest number of outlets and the widest service coverage in Dongguan. As of the end of 2022, the Bank has installed 892 self-service devices and 391 smart devices at all towns of Dongguan and has had nearly 100 business scenarios supporting financial services so that the 24-hour financial services are generally available at all outlets in Dongguan, and can effectively meet the usual financial needs of rural customers.

### **(III) Supporting Modern Farmers in Income Increase and Promoting Rural Affluence And Prosperity**

Firstly, the Bank provided villagers with “butler-like (惠民管家)” financial services. The Bank actively assigned inclusive finance service personnel to villages with a view to becoming the “butler” around the villagers to provide “door-to-door” services and “butler-like” services for the villagers, establish a wealth management business system covering deposits, wealth management, insurance, funds, treasury bonds, etc., provide villagers with a package of wealth management products and one-stop asset allocation services, support the value-added rights and interests system, promote the value preservation and appreciation of villagers’ family assets, meet the full range of financial needs of modern farmers, and effectively make modern farmers materially, spiritually and culturally wealthy.

Secondly, the Bank met the various credit needs of villagers with flexible credit granting. The Bank continuously innovated the grid-based whole-village, graded and active credit granting mode, drew up a white list of villagers for credit granting, and enabled whole village credit granting and villagers’ pre-crediting with online products such as Rural Revitalization Card and “Card e-Loan (卡e贷)”. The Bank launched “Xiwu Loan (喜屋贷)”, “House Building Loan (建房贷)”, “Guanxiang Loan (莞乡贷)” and other loan products to meet the financing needs of villagers for building house independently, decoration and personal consumption; launched “Overpayment Quick Loans” to revitalize villagers’ property assets; launched “Rural Revitalization Villagers Loan(乡村振兴村民贷)”, which is a personal consumption loan available to villagers (residents) of local village groups (communities) in Dongguan. As of the end of 2022, 12,256 rural households were granted the “Rural Revitalization Villagers Loan(乡村振兴村民贷)”, an increase of 6,511 households, with a balance of RMB702 million, an increase of RMB493 million, over the beginning of the year.

Thirdly, the Bank opened a green service channel for villagers. In response to the micro-credit needs of village groups and the personal credit needs of villagers, the Bank continuously optimized the credit granting mechanism, differentially increased the credit limits and credit approval authority delegated to the branches to shorten the response time and improve the efficiency for loan application and review; in addition, the Bank accelerated the creation of the mobile loan platform where standardized digital loan products were launched and firstly allocated to outlets at village groups to improve the credit granting experience of villagers.

### III. LEVERAGING DIGITAL SOLUTIONS TO “EMPOWER SANNONG” AND IMPROVE SERVICE WITH “EXCELLENT INITIATIVES”

Innovation is the first driving force for the development of “Sannong”. With the innovative ideas for business products, financial services, and marketing and promotion, the Bank skillfully used digital and intelligent means to strengthen the innovative application of digital agricultural technologies, and promote digital marketing of enterprises. The Bank created the service brand of “Huimin Guanjia (惠民莞家)” to help the development of digital “Sannong” and improve the “Sannong” financial services quality and efficiency with intelligent and efficient financial services.

#### (I) Pushing Forward Business Product Innovation with Digitization Engine

Firstly, the Bank launched the innovative credit cards with the theme of rural revitalization to create a “village group business card (村組名片)”. To accurately serve the “modern Sannong”, the Bank innovatively launched rural revitalization credit card to provide exclusive digital inclusive financial services for villagers and village groups in Dongguan. With the design concept of “one impression for one village, one card as one business card”, the card created a new cooperation model featuring local cultural heritage and financial services by embodying the characteristic attractions of the village groups and the QR code of “scanning code to know countryside conditions (掃碼知鄉情)” to innovatively promote the image of Dongguan’s beautiful countryside and spread its cultural connotation. This customized service has been well received by the grassroots village groups in Dongguan since its introduction. As of the end of 2022, the Bank created special card designs for 58 village groups (communities) in Dongguan and issued a total of 46,200 credit cards with the theme of rural revitalization, an increase of 20,500 cards from the beginning of the year. In addition, these cards contain information on the assets scale of local village groups and customer qualifications to enable whole village credit granting through online fast bulk application. The Bank also offered relevant credit card instalment plans on a “village-specific price” basis, and applied preferential pricing policy for the customer base of each village group to meet the financial consumption needs of villagers for house building and decoration. In the selection and awarding activity of Models in the Finance Sector of Dongguan for Contribution to Rural Revitalization in 2021, the Bank’s rural revitalization credit card won the “Award for Excellent Products and Services by Finance Sector of Dongguan for Contribution to Rural Revitalization” due to the three special services, i.e. “one card for one village”, “providing rights and interests to villagers” and “whole village credit granting”, which delivers financial “living water” to support the consumption needs of villagers.

Secondly, the Bank innovatively established a rural financial settlement system for the “last meter” delivery. In order to further improve the work efficiency of village group collection and the convenience of public payment, and effectively complete the “last meter” delivery of financial services to villagers, the Bank fully integrated resources and built a three-pronged settlement system for three types of business, i.e. “bulk collection of social security contribution”, “D-Payment” and “Easy Village Payment (村繳易)”. As of the end of 2022, the Bank provided social security contribution collection services for 342 villages (communities) in Dongguan, an increase of 57.97% in the coverage rate, and provided online rent collection services via the “Easy Village Payment” for 489 villages (communities) in Dongguan, with a coverage rate of 82.60%, generating a total cash flow of RMB3.618 billion this year.

Thirdly, the Bank innovatively launched “Good Easy Rent(好易租)” smart platform to eliminate the “rural digital divide”. To promote the construction of rural financial ecology and help eliminate the rural digital divide, the Bank launched the “Good Easy Rent” platform for collection on behalf of Sannong customer base. This platform could provide villagers with one-stop smart housing rental management services such as rented property management, rental collection and management, and financial income and expenditure analysis, effectively address the villagers’ “difficulties in rental collection” and effectively connect the villagers as landlords with the Bank’s customers as potential tenants. This represents a pioneering ecological model of “finance + rural scenarios + services” and enhances the experience of rural revitalization financial services with the digitalization engine. As of the end of 2022, the “Good Easy Rent” platform served a total of 5,146 customers, and generated a total cash flow of RMB215 million in this year.

## **(II) Carry out Financial Services Innovation With Outlets as Major Battlefield**

Rooted in Dongguan for seven decades, the Bank has the largest number of outlets with the widest coverage in Dongguan. Taking this advantage, the Bank has turned its outlets covering villages into a financial and wealth management education base for schools, an activity base for villagers’ (owners’) committees, a camp for distributing offerings to villagers, a gathering place for patrol guards in village groups and a gathering place for various volunteer associations, which enriches the service functions of outlets, ensures the full integration into local villages and communities, and creates the Sannong service brand “Huimin Guanjia”.

## **(III) Using New Media Platform to Carry out Marketing and Promotion Innovation**

Along with the rise of short video, information sources for “Sannong” customer base change accordingly. In consideration of such change, the Bank actively took the advantage of new media platforms such as live webcast in information dissemination to build a three-dimensional marketing and promotion matrix which combines offline publicity with online dissemination and further drives the all-round and omnidirectional dissemination of rural financial products, financial knowledge and corporate culture. Since 2022, the Bank has carried out theme livestreaming activities on new media platforms, such as “rural delicacy”, “rural attractions”, “rural culture”, “rural health care” and “rural shopstreaming”, with regular mode of “walking livestreaming+scenarios”, in collaboration with local village groups and popular merchants to expand the influence of livestreaming activities, and therefore has gradually established the livestreaming brand of rural revitalization financial services, realized diversified interaction, authentic display and efficient dissemination of online financial services.

## **IV. TAKING RELIEF MEASURES FOR SANNONG TO ASSUME RESPONSIBILITIES WITH PRAGMATIC INITIATIVES**

Adhering to the core value of “creating maximum value for inclusive finance”, the Bank actively took various measures, such as supporting agriculture and benefiting farmers, financial relief, helping the poor and the needy, and charitable donations, put forth financial initiatives for accurate poverty alleviation as a way for effective fulfillment of its social responsibility and its mission of making finance people-oriented, and treaded the rural-commercial path of inclusive “Sannong”.

## **(I) Leveraging Policy Tools and Practicing Initiatives to Support Agriculture and Benefit Farmers**

Firstly, the Bank played the role of refinancing funds to increase the credit resources for supporting agriculture and SMEs. During the Reporting Period, the Bank actively connected with the People's Bank of China and leveraged monetary policy tools to increase credit support for inclusive SMEs and agriculture-related enterprises by using funds of "Sannong Supportive Reloan" and "refinancing loans for supporting SMEs". As of the end of 2022, the Bank applied for 9 refinancing loans for supporting SMEs totaling RMB8.7 billion and 4 "Sannong Supportive Reloans" totaling RMB95 million.

Secondly, the Bank issued special financial bonds for "Sannong", targeting to help rural revitalization. As of the end of 2022, the Bank's stock of special financial bonds for "Sannong" was RMB2 billion, and the funds raised has been used as agricultural-related loans amounting to RMB4.026 billion, with a balance of RMB1.975 billion and a total of 10,824 loans issued.

Thirdly, the Bank actively joined hands with the Human Resources Bureau of Dongguan and the Finance Bureau of Dongguan to deepen the promotion of interest-free "Petty Entrepreneurship Loan"; and collaborated with Guangdong Agricultural Financing Guarantee Co., Ltd. and Dongguan Rural Collective Assets Management Office to innovatively launch "Agricultural Guarantee Loan". As of the end of 2022, the balance of the Bank's "Petty Entrepreneurship Loan" was RMB421 million, of which 383 households were supported with a loan balance of RMB107 million; the balance of the "Agricultural Guarantee Loan" was RMB6.56 million.

## **(II) Financial Initiatives for Relief and Poverty Alleviation to Actively Fulfill Social Responsibilities**

Firstly, the Bank further increased the financial relief efforts. To support the economic and social development in Dongguan and further increase the financial relief efforts, the Bank introduced ten measures for corporate relief and benefiting farmers, and earmarked RMB60 billion as the special relief funds for important economic entities, such as key enterprises, local rural excellent enterprises, inclusive SMEs, and individual businesses, so as to fully guarantee production, resolve crises, stabilize transition, promote the economy, and ensure availability of financial services.

Secondly, the Bank vigorously promoted the construction of beautiful villages. In 2022, the Bank actively participated in the "Guangdong Poverty Relief Day & Dongguan Charity Day" activities, and donated a total of RMB2 million to the village groups (communities) in Dongguan, of which RMB300,000 was donated to renovate the old houses in Caibian, Dalang Town, Dongguan, RMB200,000 donated to construct Houwang Park in Jiaoli, Zhongtang Town, Dongguan, RMB100,000 donated to construct children's basketball court in Lianhua Village, Xianxi, Chang'an Town, Dongguan, and RMB80,000 donated to construct the village history hall of the characteristics boutique village of Boshu Community, Guancheng Subdistrict Office, Dongguan. In addition, the Bank worked with the Party Committee of Liuwu Village and Hengjiao Village of Shijie Town, Dongguan to carry out the solicitude activity for old Party member, worked with the Party Committee of Xiacao Village of Wangniudun Town, Dongguan to carry out the solicitude activity to the low-income households and difficult households under its jurisdiction, with a view to jointly building a beautiful and happy Dongguan.

Looking ahead, the Bank will thoroughly implement the decisions and plans made at the Party's 20th National Congress on "comprehensively promoting rural revitalization", continue to deeply carry out the "133" project of rural revitalization financial services, accelerate the enhancement of the quality and level of "modern Sannong" financial services with higher stance, more practical measures and stronger commitment, fully promote high-quality and efficient agriculture, rural livability and industry, and prosperity of farmers in Dongguan, allocate more financial resources to the key areas and weak links of rural economic and social development, and effectively complete the "last meter" delivery of financial services to enterprises, villages and farmers, so as to compose a beautiful new picture scroll of rural revitalization in the new era with the guiding role of the Party building.



# **Chapter VI Changes in Share Capital and Information on Shareholders**

## I. CHANGES IN SHARES

### (I) Share Capital

During the Reporting Period, there was no change in the Bank's share capital. As of December 31, 2022, the Bank had a total of 5,740,454,510 Domestic Shares in issue, representing 83.33% of the total shares, including 1,361,799,326 Shares held by the legal person, representing 19.77% of the total shares; 3,895,506,688 Shares held by the public natural person (other than staff members), representing 56.55% of the total shares; and 483,148,496 Shares held by staff members, representing 7.01% of the total shares. All Domestic Shareholders are private enterprises and natural persons. There are 1,148,091,000 overseas listed foreign shares (H Shares), representing 16.67% of the total Shares.

### (II) Details of Changes in Shares

During the Reporting Period, the changes in the Shares are as follows:

(unit: Shares)

	As at December 31, 2022		Increase (decrease) during the period	As at December 31, 2021	
	Number	Percentage (%)		Number	Percentage (%)
<b>Domestic Shares</b>	<b>5,740,454,510</b>	<b>83.33</b>	—	5,740,454,510	83.33
Domestic Shares held by legal persons	1,361,799,326	19.77	—	1,361,799,326	19.77
Domestic Shares held by natural persons Including: Shares held by staff members	4,378,655,184	63.56	—	4,378,655,184	63.56
	483,148,496	7.01	—	483,148,496	7.01
<b>Overseas listed foreign shares (H shares)</b>	<b>1,148,091,000</b>	<b>16.67</b>	—	1,148,091,000	16.67
<b>Total</b>	<b>6,888,545,510</b>	<b>100.00</b>	—	6,888,545,510	100.00

Notes:

- (1) As at the end of the Reporting Period, there were 57,579 Domestic Shareholders. All Domestic Shares were deposited in China Securities Depository and Clearing Corporation Limited. The total number of registered H Shareholders was 23, of which HKSCC Nominees Limited, as a nominee, held the Shares on behalf of multiple Shareholders.
- (2) As at the end of the Reporting Period, 985,632 Domestic Shares were involved in judicial freezing, representing 0.01% of the total Shares.
- (3) The Bank has applied to the Hong Kong Stock Exchange and the Hong Kong Stock Exchange has granted a waiver from strict compliance with the requirements under Rule 8.08(1)(a) of the Listing Rules pursuant to which the minimum public float of our Shares shall be 16.67%. Based on publicly available information as at the latest practicable date and to the best knowledge of the Directors, at least 16.67% of the issued Shares of the Bank has been held by the public during the Reporting Period, in compliance with the requirements under the Listing Rules as modified by the aforementioned waiver.

## Chapter VI Changes in Share Capital and Information on Shareholders

### (III) Issuance of Securities

During the Reporting Period, the Bank did not issue any new Shares.

## II. SHAREHOLDING STRUCTURE

### (I) Number and Shareholdings of Shareholders

As of December 31, 2022, the total number of Shares of the Bank was approximately 6,889 million shares, comprising approximately 5,740 million Domestic Shares and approximately 1,148 million H shares. There were 83 legal person Shareholders holding approximately 1,362 million Domestic Shares, representing 19.77% of the total shares, all of which are private enterprise Shareholders; and 57,496 natural person shareholders holding approximately 4,379 million Domestic Shares, representing 63.56% of the total shares.

### (II) Top Ten Shareholders as at the End of the Reporting Period

As of December 31, 2022, the ten largest Shareholders of the Bank together held 30.11% of the Bank's total shares. Among them, the largest Shareholders of Domestic Shareholders was Guangdong Canvest Investment Co., Ltd.\* (廣東粵豐投資有限公司), holding 4.34% of the total Shares; the second largest Shareholder was Dongguan City Kanghua Investment Group Co., Ltd.\* (東莞市康華投資集團有限公司), holding 2.18% of the total Shares; and the third largest Shareholder was Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd.\* (東莞市南方糧油有限公司), holding 1.45% of the total Shares. All of these top three Domestic Shareholders are private enterprises.

As of December 31, 2022, shareholdings of the ten largest Shareholders are as follows:

No.	Name	Class of Shares	Nature of Shareholders	Number of Shares (share)	Percentage of issued shares of the Bank <sup>(2)</sup> (%)
1	HKSCC Nominees Limited <sup>(1)</sup>	H Shares	Others	1,148,047,990	16.67
2	Guangdong Canvest Investment Co., Ltd.* (廣東粵豐投資有限公司)	Domestic Shares	Non-state-owned legal person	299,246,910	4.34
3	Dongguan City Kanghua Investment Group Co., Ltd.* (東莞市康華投資集團有限公司)	Domestic Shares	Non-state-owned legal person	150,104,602	2.18
4	Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd.* (東莞市南方糧油有限公司)	Domestic Shares	Non-state-owned legal person	99,660,304	1.45
5	Dongguan City Huimei Decoration Engineering Co., Ltd.* (東莞市惠美裝飾工程有限公司)	Domestic Shares	Non-state-owned legal person	82,468,873	1.20
6	Dongguan City Haida Industrial Co., Ltd.* (東莞市海達實業有限公司)	Domestic Shares	Non-state-owned legal person	74,027,320	1.07
7	Guangdong Haide Group Co., Ltd.* (廣東海德集團有限公司)	Domestic Shares	Non-state-owned legal person	69,784,524	1.01
8	Dongguan City Jianhua Paper Co., Ltd.* (東莞市建樺紙業股份有限公司)	Domestic Shares	Non-state-owned legal person	57,978,360	0.84
9	Dongguan City Fengjing Group Co., Ltd.* (東莞市峰景集團有限公司)	Domestic Shares	Non-state-owned legal person	57,978,360	0.84
10	Dongguan City Commercial Center Development Co., Ltd.* (東莞市商業中心發展有限公司)	Domestic Shares	Non-state-owned legal person	35,080,472	0.51
<b>Total</b>				<b>2,074,377,715</b>	<b>30.11</b>

Notes:

- (1) HKSCC Nominees Limited held a total of 1,148,047,990 H Shares of the Bank on behalf of various Shareholders, representing approximately 16.67% of the total issued Shares. HKSCC Nominees Limited acts as the common nominee for the shares held in the Central Clearing and Settlement System Depository of the Hong Kong Stock Exchange.
- (2) Based on the total issued Shares of 6,888,545,510 Shares.

### **(III) Interest and Short Position of Directors and Chief Executives in the Shares, Underlying Shares and Debentures of the Bank or Any Associated Corporation**

Please refer to the “Interests and Short Positions of Directors, Supervisors and Chief Executives” section in Chapter VII “Corporate Governance Report”.

### **(IV) Shareholding of Staff Members**

As of December 31, 2022, the Bank had a total of 3,022 employee Shareholders, holding approximately 483 million Shares (excluding H Shares), which accounted for 7.01% of the total Shares.

### **(V) Interests and Short Positions of Substantial Shareholders and Other Persons under Hong Kong Laws and Regulations**

As of December 31, 2022, according to the register kept by the Bank pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons/entities, other than a Director or chief executive of the Bank, had an interest or short position in the Shares, the underlying Shares or debentures of the Bank which would fall to be disclosed to the Bank and the Hong Kong Stock Exchange pursuant to divisions 2 and 3 of Part XV of the SFO:

Name of Shareholders	Capacity	Class of Shares	Number of Shares <sup>(1)</sup> (share)	Approximate percentage of the relevant class of Shares (%)	Approximate percentage of interest in the Bank (%)
Mr. Guo Huiqiang	Interest in controlled corporation <sup>(2)</sup>	Domestic Shares	299,247,910 (L)	5.21	4.34
Ms. Yang Miaoxia	Interest of spouse <sup>(3)</sup>	Domestic Shares	299,247,910 (L)	5.21	4.34
Guangdong Canvest Investment Co., Ltd.* (廣東粵豐投資有限公司)	Beneficial owner	Domestic Shares	299,246,910 (L)	5.21	4.34
	Interest in controlled corporation <sup>(4)</sup>	Domestic Shares	1,000 (L)		
Caitong Securities Co., Ltd.* (財通證券股份有限公司)	Interest in controlled corporation <sup>(5)</sup>	H Shares	178,311,000 (L)	15.53	2.59
Caitong Fund Management Co., Ltd.* (財通基金管理有限公司)	Other <sup>(6)</sup>	H Shares	178,311,000 (L)	15.53	2.59
Yam Tak Cheung	Interest in controlled corporation <sup>(7)</sup>	H Shares	149,100,000 (L)	12.99	2.16
Scoperto Limited	Beneficial owner	H Shares	149,100,000 (L)	12.99	2.16

## Chapter VI

### Changes in Share Capital and Information on Shareholders

Name of Shareholders	Capacity	Class of Shares	Number of Shares <sup>(1)</sup> (share)	Approximate percentage of the relevant class of Shares (%)	Approximate percentage of interest in the Bank (%)
State-owned Assets Supervision and Administration Commission of the People's Government of Dongguan (東莞市人民政府國有資產監督管理委員會)	Interest in controlled corporation <sup>(6)</sup>	H Shares	126,262,000 (L)	11.00	1.83
Dongguan City Transportation Investment Group Co., Ltd.* (東莞市交通投資集團有限公司)	Interest in controlled corporation <sup>(6)</sup>	H Shares	126,262,000 (L)	11.00	1.83
Dongguan City Fook Man Group Company* (東莞市福民集團公司)	Interest in controlled corporation <sup>(6)</sup>	H Shares	126,262,000 (L)	11.00	1.83
Fook Man Development Company Limited	Beneficial owner	H Shares	126,262,000 (L)	11.00	1.83
Guotai Asset Management Co., Ltd.* (國泰基金管理有限公司)	Beneficial owner	H Shares	103,874,000 (L)	9.05	1.51

#### Notes:

1. The letter "L" denotes long position.
2. According to the information provided by Mr. Guo Huiqiang, the entire shareholding interest of Guangdong Canvest Investment Co., Ltd.\* ("Canvest Investment") was held by Mr. Guo Huiqiang. Accordingly, Mr. Guo Huiqiang is deemed to be interested in all the Shares that Canvest Investment interested in under the SFO.
3. Ms. Yang Miaoxia is the spouse of Mr. Guo Huiqiang. Accordingly, Ms. Yang is deemed to be interested in all the Shares that Mr. Guo is interested in under the SFO.
4. According to the information provided by Canvest Investment, Canvest Investment is also interested in 1,000 Domestic Shares held by its 90% owned subsidiary, Guangdong Canvest Environmental Investment Co., Ltd.\* (廣東粵豐環保投資有限公司).
5. According to the data provided by Caitong Securities Co., Ltd. ("Caitong Securities"), Caitong Securities has 40% control over Caitong Fund Management Co., Ltd.\* ("Caitong Fund Management"). Accordingly, Caitong Securities was deemed to be interested in the interest held by Caitong Fund Management.
6. According to the data provided by Caitong Fund Management, Caitong Fund Management is the asset manager of ten asset management plans and held the H Shares under such Qualified Domestic Institutional Investor (QDII) asset management plans to implement the investment plans of its clients.
7. According to the information provided by Yam Tak Cheung, Yam Tak Cheung has 100% control over Scoperto Limited. Accordingly, Yam Tak Cheung was deemed to be interested in the interest held by Scoperto Limited.
8. According to the information provided by the State-owned Assets Supervision and Administration Commission of the People's Government of Dongguan, Fook Man Development Company Limited is wholly-owned by Dongguan City Fook Man Group Company (東莞市福民集團公司), which in turn is wholly owned by Dongguan City Transportation Investment Group Co., Ltd. (東莞市交通投資集團有限公司), a company wholly-owned by the State-owned Assets Supervision and Administration Commission of the People's Government of Dongguan. Accordingly, each of State-owned Assets Supervision and Administration Commission of the People's Government of Dongguan, Dongguan City Transportation Investment Group Co., Ltd. and Dongguan City Fook Man Group Company is deemed to be interest in all the Shares held by Fook Man Development Company Limited.

## (VI) Substantial Shareholders under the Interim Measures for Equity Management of Commercial Banks

According to the Interim Measures for Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》) promulgated by the former CBRC, a substantial shareholder of a commercial bank refers to a shareholder who holds or controls more than 5% of the shares or voting rights of a commercial bank, or a shareholder who hold less than 5% of the total capital or total shares but have a significant impact on the operation and management of the commercial bank. The aforementioned significant influence includes, but not limited to, dispatching directors, supervisors or senior management personnel to commercial banks, influencing the financial and operational management decisions of commercial banks through agreements or other means, and other circumstances recognized by the CBIRC or its local offices.

### 1. Shareholders who hold 5% or above of the Shares of the Bank

As of December 31, 2022, except HKSCC Nominees Limited, the Bank had no shareholder holding 5% or above of the Shares of the Bank.

### 2. Other substantial Shareholders within the regulatory scope

#### (1) Guangdong Canvest Investment Co., Ltd.\* (廣東粵豐投資有限公司)

Guangdong Canvest Investment Co., Ltd. was established on November 27, 2002. Its legal representative is Guo Huiqiang (郭惠強) and its registered capital is RMB100 million. Its business scope covers: investment and establishment of industries, and sales of steel, building materials, wood, construction machinery and hardware.

The controlling shareholder of Guangdong Canvest Investment Co., Ltd. is Guo Huiqiang who is also the actual controller. There is no party acting in concert. The ultimate beneficiary is the company itself. As at the end of the Reporting Period, Guangdong Canvest Investment Co., Ltd. and its related parties held a total of 301,992,343 Shares, accounting for 4.38% of the total Shares. The related parties of Guangdong Canvest Investment Co., Ltd. include Canvest Environmental Protection Investment Limited (廣東粵豐環保投資有限公司), Dongguan San Yang Industrial Development Co., Ltd.\* (東莞市三陽實業發展有限公司), Dongguan Zhuorui Industrial Investment Co., Ltd.\* (東莞市卓瑞實業投資有限公司), Lai Chun Tung (黎俊東) and others; among them, there is related relationship between the Bank's Director Lai Chun Tung and the company. Therefore, it is regarded as a substantial Shareholder. At the end of the Reporting Period, the balance of credit-related party transactions between the Bank and Guangdong Canvest Investment Co., Ltd. and its related parties was RMB2,016,890,300, and there were no noncredit related transactions during the Reporting Period. During the Reporting Period, Guangdong Canvest Investment Co., Ltd. and its related parties did not pledge their equities in the Bank.

## Chapter VI

### Changes in Share Capital and Information on Shareholders

#### (2) *Dongguan City Kanghua Investment Group Co., Ltd.\* (東莞市康華投資有限公司)*

Dongguan City Kanghua Investment Group Co., Ltd. was established on March 29, 2002, its legal representative is Wang Junyang (王君揚), its registered capital is RMB268.88 million, and its business scope covers: corporate management consulting, investment in various infrastructure construction projects, domestic commerce and material supply and marketing (excluding state-controlled and franchised projects), investment in medical projects (excluding operations), investment in educational projects, property leasing and property management.

The controlling shareholder of Dongguan City Kanghua Investment Group Co., Ltd. is Wang Junyang who is also the actual controller. There is no party acting in concert. The ultimate beneficiary is the company itself. At the end of the Reporting Period, Dongguan City Kanghua Investment Group Co., Ltd. and its related parties held a total of 172,389,749 Shares, accounting for 2.50% of the total Shares. The related parties of Dongguan City Kanghua Investment Group Co., Ltd. include Dongguan City Xingye Group Co., Ltd.\* (東莞市興業集團有限公司) and others; among them, there is related relationship between the Bank's Director Wang Junyang and the company. Therefore, it is regarded as a substantial Shareholder. As at the end of the Reporting Period, the balance of credit-related party transactions between the Bank and Dongguan City Kanghua Investment Group Co., Ltd. and its related parties was RMB2,508,438,000, and there were no noncredit related transactions during the Reporting Period. During the Reporting Period, Dongguan City Kanghua Investment Group Co., Ltd. and its related parties did not pledge their equities in the Bank.

#### (3) *Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd.\* (東莞市南方糧油有限公司)*

Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd. was established on June 30, 2004, its legal representative is Cai Hanzhen (蔡漢珍), its registered capital is RMB6 million, and its business scope covers: wholesale, retail, pre-packaged food, bulk food, operation and management of grain and feed wholesale market in Zhangmutou, wholesale and retail, general cargo storage, loading and unloading services.

The controlling shareholder of Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd. is Cai Hanzhen who is also the actual controller. There is no party acting in concert. The ultimate beneficiary is the company itself. As at the end of the Reporting Period, Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd. and its related parties held a total of 106,062,178 Shares, accounting for 1.54% of the total Shares. The related parties of Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd. include Dongguan Leading Industry Co., Ltd., Cai Guowei (蔡國偉) and others; among them, there is related relationship between the Bank's Director Cai Guowei and the company. Therefore, it is regarded as a substantial Shareholder. As at the end of the Reporting Period, the balance of credit-related party transactions between the Bank and Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd. and its related parties was RMB269,819,800, and there were no noncredit related transactions during the Reporting Period. During the Reporting Period, Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd. and its related parties did not pledge their equities in the Bank.

(4) *Guangdong Haide Group Co., Ltd.\* (廣東海德集團有限公司)*

Guangdong Haide Group Co., Ltd. was established on July 28, 2000, its legal representative is Ye Jinqun (葉錦泉), its registered capital is RMB200 million, and its business scope covers: industrial investment, engineering bidding agency services, building intelligent engineering, decoration design and engineering construction, production of hardware products, landscaping engineering, sales of building materials and decoration materials (excluding hazardous chemicals) and real estate development (operating with valid qualification certificates).

The controlling shareholder of Guangdong Haide Group Co., Ltd. is Ye Jinqun who is also the actual controller. There is no party acting in concert. The ultimate beneficiary is the company itself. As at the end of the Reporting Period, Guangdong Haide Group Co., Ltd. and its related parties held a total of 116,333,556 Shares, accounting for 1.69% of the total Shares. The related parties of Guangdong Haide Group Co., Ltd. include Dongguan City Commercial Center Development Co., Ltd.\* (東莞市商業中心發展有限公司), Ye Jinqun and others; among them, there is related relationship between the Bank's Director Ye Jinqun and the company. Therefore, it is regarded as a substantial Shareholder. As at the end of the Reporting Period, the balance of credit-related party transactions between the Bank and Guangdong Haide Group Co., Ltd. and its related parties was RMB2,574.1 million, and there were no noncredit related transactions during the Reporting Period. During the Reporting Period, Guangdong Haide Group Co., Ltd. and its related parties did not pledge their equities in the Bank.

(5) *Dongguan Hongyuan Hotel Co., Ltd.\* (東莞市宏遠酒店有限公司)*

Dongguan Hongyuan Hotel Co., Ltd. was established on June 22, 2000, its legal representative is Chen Jiangtao (陳江濤), its registered capital is RMB10 million, and its business scope covers: catering services, tourism, karaoke, ballroom, hairdressing service, cigarette retail and beauty service (excluding medical beauty).

The controlling shareholder of Dongguan Hongyuan Hotel Co., Ltd.\* (東莞市宏遠酒店有限公司) is Chen Jiangtao who is also the actual controller. There is no party acting in concert. The ultimate beneficiary is the company itself. At the end of the Reporting Period, Dongguan Hongyuan Hotel Co., Ltd. and its related parties held a total of 32,845,106 Shares, accounting for 0.48% of the total Shares. The related parties of Dongguan Hongyuan Hotel Co., Ltd. include Dongguan Yingjun Industrial Investment Co., Ltd. (東莞市盈君實業投資有限公司) and Chen Haitao (陳海濤), and others; among them, there is related relationship between the Bank's Director Chen Haitao and the company. Therefore, it is regarded as a substantial Shareholder. At the end of the Reporting Period, the balance of credit-related party transactions between the Bank and Dongguan Hongyuan Hotel Co., Ltd. and its related parties was RMB2,820,173,700, and there were no noncredit related transactions during the Reporting Period. During the Reporting Period, Dongguan Hongyuan Hotel Co., Ltd. and its related parties did not pledge their equities in the Bank.

## Chapter VI Changes in Share Capital and Information on Shareholders

### (6) *Dongguan City Xingye Knitting Co., Ltd.\* (東莞市興業針織有限公司)*

Dongguan City Xingye Knitting Co., Ltd. was established on May 28, 1995. Its legal representative is Fu Wanxia (傅婉霞) and its registered capital is RMB50 million. Its business scope covers: general items: manufacturing of knitted or crocheted fabrics and their products; sales of knitted textiles and raw materials; sales of knitted textiles; apparel and accessories manufacturing; apparel manufacturing; wholesale of apparel and accessories; retail of apparel and accessories; non-residential real estate leasing; property management.

The controlling shareholder of Dongguan City Xingye Knitting Co., Ltd. is Chen Xipei (陳錫培) who is also the actual controller. There is no party acting in concert. The ultimate beneficiary is the company itself. At the end of the Reporting Period, Dongguan City Xingye Knitting Co., Ltd. and its related parties held a total of 36,313,081 Shares, accounting for 0.53% of the total Shares. The related parties of Dongguan City Xingye Knitting Co., Ltd. (東莞市興業針織有限公司) include Chen Xipei (陳錫培), Chen Weiliang (陳偉良) and others; among them, there is related relationship between the Bank's Director Chen Weiliang and the company. Therefore, it is regarded as a substantial Shareholder. At the end of the Reporting Period, the balance of credit-related party transactions between the Bank and Dongguan City Xingye Knitting Co., Ltd. and its related parties was RMB412,242,000, and there were no noncredit related transactions during the Reporting Period. During the Reporting Period, Dongguan City Xingye Knitting Co., Ltd. and its related parties did not pledge their equities in the Bank.

### (7) *Dongguan Shenzhou Industrial Development Co., Ltd.\* (東莞市神州實業開發有限公司)*

Dongguan Shenzhou Industrial Development Co., Ltd. was established on July 30, 1996, its legal representative is Lu Chaoping (盧超平), its registered capital is RMB6 million, and its business scope covers: industrial investment, property leasing; sales of fashion, decorative materials, building materials, daily necessities, textiles, electronic products, and hardware.

The controlling shareholder of Dongguan Shenzhou Industrial Development Co., Ltd. is Lu Chaoping (盧超平) who is also the actual controller. There is no party acting in concert. The ultimate beneficiary is the company itself. At the end of the Reporting Period, Dongguan Shenzhou Industrial Development Co., Ltd. held a total of 6,442,040 Shares, accounting for 0.09% of the total Shares, and there were no other related parties holding Shares. There is related relationship between the Bank's Supervisor Lu Chaoping and the company. Therefore, it is regarded as a substantial Shareholder. At the end of the Reporting Period, the balance of credit-related party transactions between the Bank and Dongguan Shenzhou Industrial Development Co., Ltd. and its related parties was RMB97,753,500, and there were no noncredit related transactions during the Reporting Period. During the Reporting Period, Dongguan Shenzhou Industrial Development Co., Ltd. and its related parties did not pledge their equities in the Bank.

*(8) Dongguan City Royal Garden Hotel Co., Ltd.\* (東莞市帝豪花園酒店有限公司)*

Dongguan City Royal Garden Hotel Co., Ltd. was established on February 13, 2003, its legal representative is Chen Guangde (陳廣德), its registered capital is RMB60.875 million, and its business scope covers: licensed item: accommodation service; catering service; high-risk sports (swimming); retail of tobacco products; operation of performance venues. General items: single-purpose commercial prepaid card agent sales; sales of daily necessities; retail of arts and crafts and collectibles (except ivory and its products); food sales (sale of prepackaged food only); hotel management; property management; investment activities with its own funds; daily life services for residents.

Dongguan City Royal Garden Hotel Co., Ltd. is held 50% by Peng Runzhi (彭潤枝) and Liang Yongxiong (梁永雄), respectively, who are also the actual controller. There is no party acting in concert. The ultimate beneficiary is the company itself. At the end of the Reporting Period, Dongguan City Royal Garden Hotel Co., Ltd. and its related parties held a total of 34,464,914 Shares, accounting for 0.50% of the total Shares. The related parties of Dongguan City Royal Garden Hotel Co., Ltd. include Liang Peiguang (梁沛光), Liang Jiepeng (梁傑鵬) and others, among them, there is related relationship between the Bank's Supervisor Liang Jiepeng (梁傑鵬) and the company. Therefore, it is regarded as a substantial Shareholder. At the end of the Reporting Period, the balance of credit-related party transactions between the Bank and Dongguan City Royal Garden Hotel Co., Ltd. and its related parties was RMB193 million, and there were no noncredit related transactions during the Reporting Period. During the Reporting Period, Dongguan City Royal Garden Hotel Co., Ltd. and its related parties did not pledge their equities in the Bank.

*(9) Fook Man Development Co., Ltd.\* (福民發展有限公司)*

Fook Man Development Co., Ltd. was established on April 10, 1984, the person in charge of this enterprise is Tang Wencheng (唐聞成), its registered capital is HKD20.05 million.

The controlling shareholder of Fook Man Development Co., Ltd. is Dongguan Fumin Group Company (東莞市福民集團公司), and the actual controller is State-owned Assets Supervision and Administration Commission of the People's Government of Dongguan. There is no party acting in concert, and the ultimate beneficiary is the company itself. At the end of the Reporting Period, Fook Man Development Co., Ltd. held a total of 126,262,000 Shares, accounting for 1.83% of the total Shares, and there were no other related parties holding Shares. There is related relationship between the Bank's Director Tang Wencheng and the company. Therefore, it is regarded as a substantial Shareholder. At the end of the Reporting Period, the balance of credit-related party transactions between the Bank and Dongguan Shenzhou Industrial Development Co., Ltd. and its related parties was RMB721,341,800 and there were no noncredit related transactions during the Reporting Period.

## **(VII) Information on Controlling Shareholders and Actual Controllers**

During the Reporting Period, there was no major change in the Bank's shareholding structure. There is no individual Shareholder together with its related parties holding more than 10% of the Shares, save for HKSCC Nominees Limited. Any individual Shareholder and its related parties cannot control the general meeting of Shareholders and the Board of Directors. Therefore, the Bank does not have any controlling Shareholder or actual controller of the Bank.

## **Chapter VI**

### **Changes in Share Capital and Information on Shareholders**

#### **(VIII) Pledge and Freezing of Shares**

As at the end of the Reporting Period, there were no ordinary Shares held by Shareholders holding more than 5% (including 5%) of the total Share capital being pledged or frozen. As at the end of the Reporting Period, so far as the Bank was aware, there was no pledge of Domestic Shares of the Bank, and no Shareholders had pledged their Shares to the Bank. 985,632 Domestic Shares of the Bank were judicially frozen, representing 0.01% of the total Shares.

According to Article 43 of the Articles of Association, if the equities of the Bank pledged by the Shareholders reach or exceed 50% of equities of the Bank held by such Shareholders, such Shareholders' voting right on the general meeting and the voting rights of the Directors nominated by such Shareholders on the Board meeting shall be restricted. During the Reporting Period, the Bank did not need to restrict the voting rights of relevant shares in general meetings or Board meetings.

#### **(IX) Purchase, Sale or Redemption of Securities of the Group**

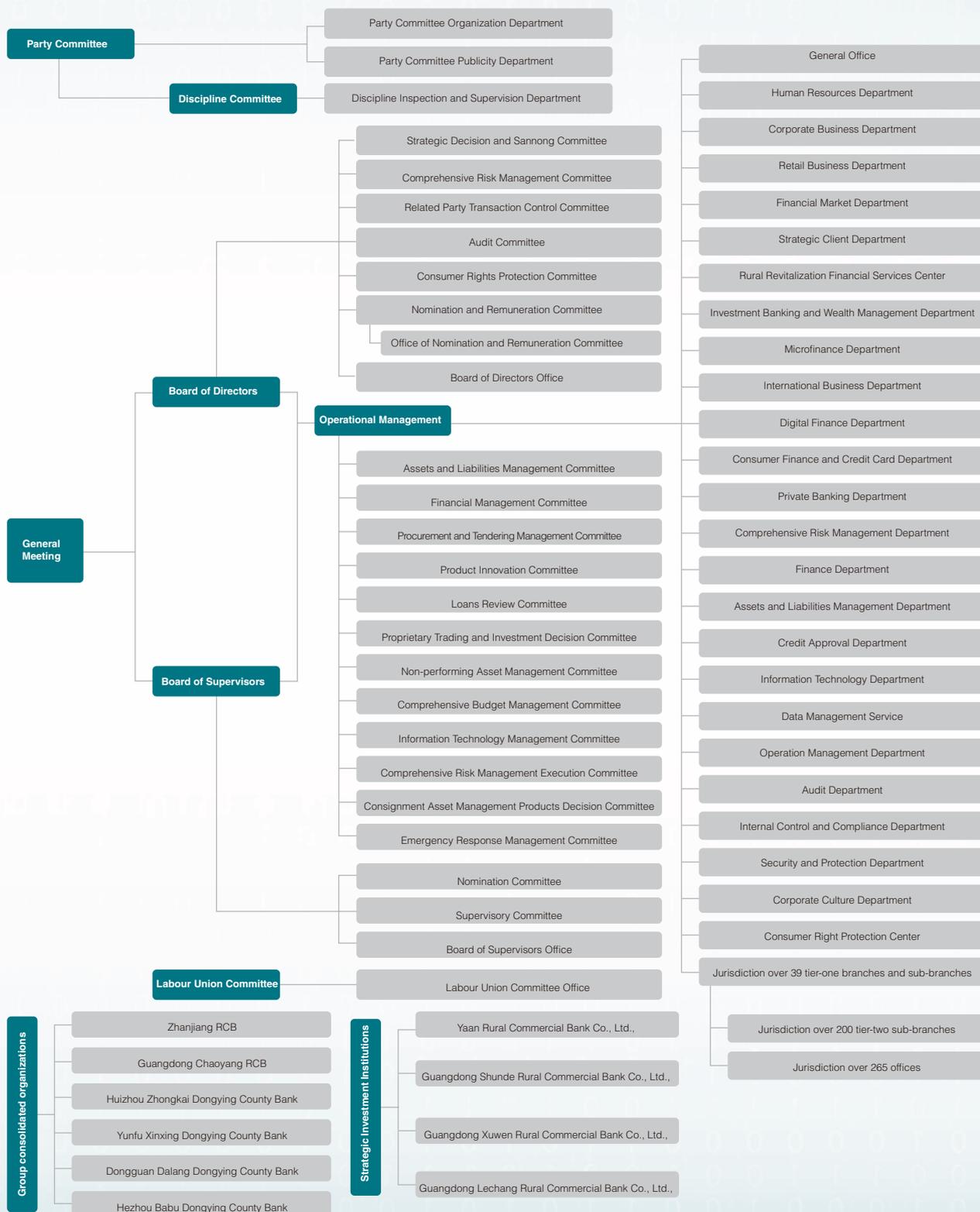
During the Reporting Period, the Bank or any subsidiary of the Bank did not purchase, sell or redeem any equity securities (whether listed or not) of the Bank or any subsidiary of the Bank.

For the issuance and redemption of the Bank's bonds, please refer to "DEBENTURES ISSUED AND REDEEMED" in the "Report of the Board of Directors" chapter of this Report.

# Chapter VII Corporate Governance Report



## I. ORGANISATIONAL CHART



Note: The above is the organisational structure as of the end of December 2022.

## II. OVERVIEW OF CORPORATE GOVERNANCE

During the Reporting Period, according to the requirements of the Company Law of the People's Republic of China, the Corporate Governance Standards of Banking and Insurance Institutions of the CBIRC, and the Listing Rules of the Hong Kong Stock Exchange, and adhering to the leadership of the Party, the Bank has established a corporate governance structure consisting of the shareholders' general meeting, the Board of Directors, the Board of Supervisors and the senior management, improved all specialized committees under the Board of Directors, the Board of Supervisors and the senior management, continuously improved the corporate governance organization and enhanced the level of corporate governance.

The Bank strictly abided by the requirements of the Corporate Governance Code, as well as the relevant laws and regulations and the Listing Rules and other regulations on inside information management. There is no material difference between the Bank's corporate governance and the requirements of the Company Law of the People's Republic of China and the Hong Kong Stock Exchange.

During the Reporting Period, the Bank convened two general meetings, 19 meetings of the Board of Directors (among which were 8 on-site meetings and 11 written circulars), nine meetings of the Board of Supervisors, one meeting of the chairman and independent non-executive Directors and one special meeting of independent non-executive Directors. The convening of such meetings are in compliance with the procedures stipulated in laws and regulations, regulatory requirements and the Articles of Association of the Bank.

## III. SHAREHOLDERS' GENERAL MEETING

### (I) Convening of General Meetings

During the Reporting Period, the Bank convened two general meetings, namely the 2021 annual general meeting held on May 23, 2022 and 2022 first extraordinary general meeting held on December 19, 2022. The convening, notice, holding and voting procedures of the meetings were in compliance with relevant laws and regulations and relevant provisions of the Articles of Association of the Bank.

13 resolutions were considered and approved, including the Resolution in relation to Work Report of the Board of Directors of the Bank for 2021, the Resolution in relation to Work Report of the Board of Supervisors of the Bank for 2021, and three reports including the Report on the Results of Performance Evaluation of the Directors, Supervisors and Senior Management of Dongguan Rural Commercial Bank Co., Ltd. for 2021 were reviewed at the 2021 annual general meeting.

11 resolutions, including the Resolution in relation to the Amendments of the Articles of Association of Dongguan Rural Commercial Bank Co., Ltd were considered and approved at the 2022 first extraordinary general meeting.

For details of the resolutions at the 2021 annual general meeting and the poll results, please refer to the circular of the 2021 annual general meeting disclosed on April 20, 2022 and the announcement of poll results disclosed on May 23, 2022 by the Bank on the website of the Hong Kong Stock Exchange and the official website of the Bank.

For details of the resolutions at the 2022 first extraordinary general meeting and the poll results, please refer to the circular of the 2022 first extraordinary general meeting disclosed on November 28, 2022 and the announcement of poll results disclosed on December 19, 2022 by the Bank on the website of the Hong Kong Stock Exchange and the official website of the Bank.

## **(II) Shareholders' Rights**

### **1. Convening extraordinary general meetings**

Two or more Shareholders holding in aggregate 10% or more of the shares carrying the right to vote at the meeting sought to be held may sign one or more counterpart requisitions in writing to require the Board of Directors to convene an extraordinary general meeting or a class meeting and stating the objectives of the meeting. The abovementioned number of shares held shall be calculated as of the date of requisitions in writing made by the Shareholders. The Board of Directors shall, in accordance with the laws, administrative regulations and the Articles of Association, make a written response as to whether or not it agrees to convene an extraordinary general meeting or class meeting within ten days upon receipt of the request. If the Board of Directors agrees to convene the extraordinary general meeting or class meeting, a notice convening such meeting shall be issued within five days after the resolution of the Board of Directors is passed. In the event of any changes of the original proposal set out in the notice, approval of the relevant Shareholders shall be sought.

### **2. Putting forward proposals on general meeting**

Shareholders who individually or jointly hold a total of 3% of the shares of the Bank carrying the right to vote may submit provisional proposals to the convener in writing ten days prior to the date of the shareholders' general meeting. The convener shall issue a supplemental notice setting out the contents of the provisional proposals within two days upon receiving the proposals. For details of the procedures and contact information for putting forward proposals on general meeting, please refer to the "Shareholders Communication Policy" in this section.

### **3. Convening extraordinary board meetings**

Shareholders representing more than 10% of the voting rights may propose to convene an extraordinary board meeting. The chairman of the Board of Directors shall convene an extraordinary board meeting within 10 days upon receiving the proposal from the Shareholders representing more than 10% of the voting rights.

### **4. Making enquiries to the Board of Directors**

A Shareholder has the right to inspect the relevant information of the Bank in accordance with the provisions of the Articles of Association of the Bank after providing the Bank with written documents evidencing the class and number of Shares held by such Shareholder in the Bank and upon verification of the Shareholder's identity by the Bank, including the Articles of Association, status of share capital, minutes of shareholders' general meeting, resolutions of meetings of the Board of Directors, resolutions of meetings of the Board of Supervisors, financial and accounting reports, etc., or submits opinions and proposals to the Board of Directors. For details of the procedures and contact information for making enquiries to the Board of Directors, please refer to the "Shareholders Communication Policy" in this section.

### **5. Profit distribution**

A Shareholder has the right to receive dividends and other kinds of distributions based on the number of Shares held by him/her. For details of the profit distribution policy of the Bank, please refer to the contents of the "PROFITS AND DIVIDENDS — Profit Distribution Policy and Implementation Thereof" in the "Report of the Board of Directors" chapter.

### (III) Shareholders Communication Policy

The purpose of the shareholders communication policy of the Bank is to ensure that the Bank uses different media and channels to publicly disclose the latest business management of the Bank through effective communication mechanism, strengthen the communication between Shareholders and stakeholders and the Bank, and solicit and understand the Shareholders' suggestions and opinions. Shareholders are encouraged to attend the general meeting and to appoint proxy to vote if he/she is unable to attend. Directors, Supervisors, senior management personnel and external auditors will be arranged to attend the general meeting as appropriate, especially the chairman of each committee under the Board of Directors (if the relevant chairman is unable to attend, another member will be invited to attend).

Shareholders and investors may obtain the latest news and important information of major development of the Bank through the Bank's official website ([www.drcbank.com](http://www.drcbank.com)) and the HKExnews website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). Shareholders may also apply to the Bank or the share registrar of the Bank or the principal place of business of the Bank in Hong Kong to obtain published corporate communication of the Bank, including annual reports, interim reports and circulars. In support of environmental protection and reduce the impact of printed materials on the environment and climate, the Bank encourages Shareholders and investors to choose to receive and view electronic versions of corporate communication.

Shareholders may contact the share registrar of the Bank (Computershare Hong Kong Investor Services Limited or China Securities Depository and Clearing Corporation Limited) to make inquiries about their shareholdings. In addition, Shareholders can also make inquiries, suggestions or comments to the Board of Directors through the following channels:

Telephone: +86-769-961122

Address: Office of the Board of Directors of Dongguan Rural Commercial Bank Co., Ltd., No.2, Hongfu East Road, Dongcheng Street, Dongguan City, Guangdong Province, the PRC

Postcode: 523123

During the Reporting Period, the Board of Directors has reviewed the implementation of the shareholders communication policy of the Bank. The Bank has strengthened its communication with Shareholders and other stakeholders by encouraging Shareholders to attend general meetings to communicate with our staff, responding to investors' concerns through multiple channels such as emails, and issuing corporate newsletters and press releases on the Group's operation and development on a regular basis. Taking into account the above-mentioned communication channels and activities held, the Board of Directors of the Bank considers that the shareholders communication policy has been effectively implemented.

## IV. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### (I) Basic Information

Name	Gender	Date of birth	Position	Term of office <sup>(1)</sup>	Class of Shares	Number of Shares held as at the beginning of the Reporting Period (Shares)	Increase/ (Decrease) in the number of Shares held during the Reporting Period (Shares)	Number of Shares held as at the end of the Reporting Period (Shares)
Wang Yaoqiu	Male	April 1968	Secretary to the Party Committee Chairman of the Board of Directors Executive Director	April 2016 — present January 2017 — present September 2016 — present	Domestic Shares	401,210	—	401,210
Fu Qiang	Male	July 1970	Deputy secretary to the Party Committee Executive Director President	November 2018 — present July 2019 — present July 2019 — present	Domestic Shares	500,000	—	500,000
Ye Jianguang	Male	October 1972	Member of the Party Committee Executive Director Vice President Chief Risk Officer Secretary to the Board of Directors Joint company secretary	August 2016 — present March 2019 — present December 2017 — present March 2019 — present May 2021 — present April 2021 — present	Domestic Shares	500,000	—	500,000
Lai Chun Tung	Male	October 1974	Non-executive Director	December 2009 — present	Domestic Shares	1,156,825	—	1,156,825
Wang Junyang	Male	November 1982	Non-executive Director	November 2016 — present	—	—	—	—
Cai Guowei	Male	August 1962	Non-executive Director	December 2009 — present	Domestic Shares	2,281,622	—	2,281,622
Ye Jinquan	Male	June 1970	Non-executive Director	June 2018 — present	Domestic Shares	9,663,060	—	9,663,060
Chen Haitao	Male	September 1967	Non-executive Director	March 2012 — present	Domestic Shares	350,000	—	350,000
Zhang Qingxiang	Male	November 1985	Non-executive Director	December 2019 — present	Domestic Shares	2,021,371	—	2,021,371
Chen Weiliang	Male	September 1984	Non-executive Director	December 2019 — present	Domestic Shares	6,000	—	6,000
Tang Wencheng	Male	May 1979	Non-executive Director	September 2022 — present	—	—	—	—
Zeng Jianhua	Male	February 1958	Independent non-executive Director	September 2022 — present	—	—	—	—
Yip Tai Him	Male	August 1970	Independent non-executive Director	March 2019 — present	—	—	—	—
Xu Zhi	Male	June 1972	Independent non-executive Director	December 2019 — present	—	—	—	—
Tan Fulong	Male	June 1973	Independent non-executive Director	December 2019 — present	—	—	—	—

Name	Gender	Date of birth	Position	Term of office <sup>(1)</sup>	Class of Shares	Number of Shares held as at the beginning of the Reporting Period (Shares)	Increase/ (Decrease) in the number of Shares held during the Reporting Period (Shares)	Number of Shares held as at the end of the Reporting Period (Shares)
Liu Yuou	Female	August 1971	Independent non-executive Director	December 2019 — present	—	—	—	—
Xu Tingting	Female	June 1983	Independent non-executive Director	December 2019 — present	—	—	—	—
Chen Sheng	Male	September 1974	Member of the Party Committee Chairman of the Board of Supervisors Employee Supervisor	August 2018 — present September 2018 — present September 2018 — present	Domestic Shares	32,210	—	32,210
Deng Yanwen	Female	January 1972	Employee Supervisor	October 2019 — present	Domestic Shares	335,412	—	335,412
Wu Lixin	Male	June 1969	Employee Supervisor	October 2019 — present	Domestic Shares	335,412	—	335,412
Liang Zhifeng	Male	October 1973	Employee Supervisor	October 2019 — present	—	—	—	—
Lu Chaoping	Male	February 1964	Shareholder Supervisor	December 2009 — present	—	—	—	—
Wang Zhujin	Male	March 1964	Shareholder Supervisor	October 2019 — present	Domestic Shares	500,000	—	500,000
Liang Jiepeng	Male	December 1984	Shareholder Supervisor	October 2019 — present	Domestic Shares	2,254,714	—	2,254,714
Zou Zhibiao	Male	October 1989	Shareholder Supervisor	October 2019 — present	Domestic Shares	32,210	—	32,210
Wei Haiying	Female	December 1963	External Supervisor	October 2019 — present	—	—	—	—
Yang Biao	Male	January 1980	External Supervisor	October 2019 — present	—	—	—	—
Zhang Bangyong	Male	February 1979	External Supervisor	October 2019 — present	—	—	—	—
Mai Xiuhua	Female	January 1971	External Supervisor	October 2019 — present	—	—	—	—
Qian Hua	Male	September 1973	Member of the Party Committee Secretary to the Disciplinary Committee	November 2018 — present November 2018 — present	Domestic Shares	322,202	—	322,202
Chen Dongmei	Female	November 1971	Member of the Party Committee Vice President Chief Information Officer Chairman of the Labour Union Committee Person in charge of Information Technology Department	September 2016 — present December 2017 — present April 2019 — present May 2020 — present July 2022 — present	Domestic Shares	420,035	—	420,035
Zhong Guobo <sup>(2)</sup>	Male	June 1973	Assistant to the President	January 2023 — present	Domestic Shares	500,000	—	500,000

**Notes:**

- (1) The appointment dates of Directors and senior management members stated herein represent the dates on which the relevant qualifications were approved by the CBIRC (or its predecessor). The appointment dates of Supervisors take effect from the dates on which his/her appointment was approved at the general meeting and the staff representative meeting.
- (2) Mr. Zhong Guobo obtained the qualification approval of the CBIRC Dongguan office on December 30, 2022, and officially took the post of the assistant to the president of the Bank on January 3, 2023.

## (II) Biographies of Directors, Supervisors, Senior Management and members of the Party Committee

### 1. Directors

**Mr. Wang Yaoqiu** (王耀球先生), is the secretary to the Party Committee, an executive Director and the chairman of the Board of Directors of the Bank. Mr. Wang had held various positions with the Dongguan Branch of Bank of China Limited from June 1989 to August 2003, including manager of retail department at branch, president of the Humen sub-branch, vice president and a member of the party committee of the Dongguan branch successively. Mr. Wang was the head of the preparatory group for the establishment of the Dongguan branch of China Merchants Bank Co., Ltd. (“China Merchants Bank”) from August 2003 to May 2004, president and secretary to the party committee of the Dongguan branch of China Merchants Bank in May 2004 and June 2004, respectively, secretary to the party committee of the Guangzhou branch of China Merchants Bank from December 2010 to April 2011, secretary to the party committee and president of the Guangzhou branch of China Merchants Bank from April 2011 to October 2015, and secretary to the party committee and president (business director level of the head office) of the Guangzhou branch of China Merchants Bank from October 2015 to April 2016. Mr. Wang joined our Bank in April 2016 and has subsequently been appointed as the secretary to the party committee, the executive Director and the chairman of the Board of Directors. In addition, Mr. Wang is also a council member of the fifth sessions of the Council of Guangdong Province Rural Credit Cooperatives Association\* (廣東省農村信用社聯合社), the standing committee member of 14th Dongguan Committee of Chinese People’s Political Consultative Conference (中國人民政治協商會議第十四屆東莞市委員會), the standing vice director of the third session of the board of World Dongguan Entrepreneurs Federation (東莞世界莞商聯合會) and the director of the seventh session of the board of Dongguan Banking Association.

**Mr. Fu Qiang** (傅強先生), is a deputy secretary to the party committee, an executive Director and president of our Bank. Mr. Fu had served in various positions with the Guangdong branch of the SAFE and the Guangdong provincial branch of PBoC from July 1991 to October 2018, including the deputy head and head of the party committee office of the Guangdong provincial branch of PBoC from February 1995 to October 1997, head of the audit and supervision department and a full-time secretary of the Youth League committee of the Guangdong provincial branch of PBoC from October 1997 to January 1999, head of the banking regulatory office (1st division) of the Guangzhou branch of PBoC from January 1999 to April 1999, deputy director of the department of civic affairs of the Youth League committee and the secretary to the Youth League committee (deputy director level) of the Guangzhou branch of PBoC from April 1999 to December 2001; and the deputy secretary of the Youth League committee of the Guangzhou branch of PBoC from December 2001 to March 2004. Mr. Fu served as a director of the Guangzhou branch of China Foreign Exchange Trade System (中國外匯交易中心) from March 2004 to August 2005, a secretary to the party committee, president of the Zhaoqing central sub-branch of PBoC and the director of the Zhaoqing sub-branch of the SAFE from August 2005 to March 2009, a director of the payment and settlement department of the Guangzhou branch of PBoC from March 2009 to February 2011, and a deputy director of the operation and management department (director level) of the Guangzhou branch of PBoC from February 2011 to February 2017. During the period mentioned above, Mr. Fu also served as a member of the standing committee of the prefecture committee and the vice governor of Gannan Prefecture of Gansu Province from October 2014 to November 2016. Mr. Fu acted as the deputy inspector at the Guangzhou branch of PBoC (deputy bureau level) from February 2017 to October 2018. Mr. Fu joined our Bank in November 2018 and has subsequently been appointed as the deputy secretary to the party committee, an executive Director and the president of the Bank.

**Mr. Ye Jianguang** (葉建光先生), is a member of the party committee, an executive Director, a vice president, the chief risk officer, secretary to the Board of Directors and joint company secretary of our Bank. From July 1994 to October 2006, Mr. Ye had held various positions at Dongguan Rural Credit Cooperatives Association\* (東莞農村信用合作社聯合社), the predecessor of our Bank, including the deputy supervisor of the fund planning and loan department, assistant manager of the customers relationship department (in charge of general operation), manager of the marketing department and manager of the international banking department. From October 2006 to March 2010, Mr. Ye served as the manager of the corporate business department of Dongguan Rural Credit Cooperatives Union (東莞市農村信用合作聯社), the predecessor of our Bank. He successively served as the general manager of the corporate business department, assistant president of the head office and president of Houjie sub-branch of our Bank from March 2010 to December 2014, the general manager of the fund management department of Guangdong Province Rural Credit Cooperatives Association\* (廣東省農村信用社聯合社) from December 2014 to August 2016. Mr. Ye rejoined our Bank in August 2016 and has subsequently been appointed as a member of the party committee, the vice president, an executive Director, the chief risk officer, secretary to the Board of Directors and joint company secretary of our Bank. In addition, Mr. Ye is currently the standing director of the Financial Industry Asset Management Professional Committee of China Investment Association and the chairman of the Legal Affairs Working Committee of Dongguan Banking Association.

**Mr. Lai Chun Tung** (黎俊東先生), is a non-executive Director of the Bank. Mr. Lai has served as an executive director and manager of Dongguan San Yang Industrial Development Co., Ltd.\* (東莞市三陽實業發展有限公司) since September 1997. Mr. Lai has been appointed as an executive director of Canvest Environmental Protection Group Company Limited (粵豐環保電力有限公司) (1381.HK) (“Canvest Environmental Protection”) since September 2014 and is responsible for the overall strategy and major decision of its business operation, and has been a legal representative, chairman, general manager and/or director of various subsidiaries of Canvest Environmental Protection since 2007. Mr. Lai is also a controlling shareholder of Canvest Environmental Protection and has served as a director of the first session of the board of directors of Dongguan Investment Group Co., Ltd.\* (東莞民營投資集團有限公司) between August 2017 and January 2021. Mr. Lai Chun Tung currently serves as a member of the 14th National Committee of the Chinese People’s Political Consultative Conference, the standing vice chairman of the third session of the board of World Dongguan Entrepreneurs Federation (東莞世界莞商聯合會) and the vice chairman of the 12th session of the executive committee of Dongguan Federation of Industry and Commerce (general chamber of commerce) (東莞市工商業聯合會(總商會)).

**Mr. Wang Junyang** (王君揚先生), is a non-executive Director of the Bank. Since August 2007 and December 2008, Mr. Wang served as a director and the general manager of Dongguan Kanghua Group Co., Ltd.\* (東莞市康華投資集團有限公司) and Dongguan City Xingye Group Co., Ltd.\* (東莞市興業集團有限公司), respectively, responsible for business management and overall strategic development. In addition, Mr. Wang was appointed as an executive director and the chairman of Guangdong Kanghua Healthcare Co., Ltd. (廣東康華醫療股份有限公司) (3689.HK), the holding company of Dongguan Kanghua Hospital Co., Ltd.\* (東莞康華醫院有限公司), in December 2015.

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**Mr. Cai Guowei** (蔡國偉先生), is a non-executive Director of the Bank. Mr. Cai has been the chairman of China Harbour Investment Limited\* (中國港投資有限公司) since February 1994 and vice chairman of Dongguan Shenzhen Energy Zhangyang Electric Power Co., Ltd.\* (東莞深能源樟洋電力有限公司) since August 2003.

**Mr. Ye Jinqun** (葉錦泉先生), is a non-executive Director of the Bank. Mr. Ye was the chairman of Dongguan Commercial Center Development Co., Ltd.\* (東莞市商業中心發展有限公司) from August 2002 to January 2013. Since January 2013, Mr. Ye has been the legal representative of Guangdong Haide Group Limited\* (廣東海德集團有限公司).

**Mr. Chen Haitao** (陳海濤先生), is a non-executive Director of the Bank. Since March 1998, Mr. Chen has served as a director and later as managing director, and has been the chairman of Guangdong Hongyuan Group Co., Ltd.\* (廣東宏遠集團有限公司) since February 2018. Mr. Chen has also been a director of Dongguan Minying Group Co., Ltd.\* (東莞市民盈集團股份有限公司) and CBA League (Beijing) Sports Co., Ltd.\* (中籃聯(北京)體育有限公司) since January 2016 and October 2016, respectively.

**Mr. Zhang Qingxiang** (張慶祥先生), is a non-executive Director of the Bank. Mr. Zhang has been the chairman of Dongguan Yuxinguo Industrial Investment Co., Ltd.\* (東莞市裕欣國實業投資有限公司) and the chairman and managing director of Guangdong Yuxinguo Construction Engineering Limited\* (廣東裕欣國建築工程有限公司) since August 2009. In addition, Mr. Zhang is a standing committee member of the 14th Dongguan Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議東莞市委員會), a member of the executive committee of the 13th session of the committee of Guangdong Federation of Industry and Commerce (general chamber of commerce) (廣東省工商業聯合會(總商會)), the vice chairman of 12th session of the executive committee of Dongguan Federation of Industry and Commerce (general chamber of commerce) (東莞市工商業聯合會(總商會)), the standing vice chairman of the third session of the board of World Dongguan Entrepreneurs Federation (東莞世界莞商聯合會), an honorary director of the standing committee of Young Entrepreneurs of Dongguan Association of International Entrepreneurs (東莞世界莞商聯合會青年工作委員會) and the chairman of the first session of the board of supervisors of Dongguan Young Entrepreneurs Federation (東莞市青年企業家聯合會).

**Mr. Chen Weiliang** (陳偉良先生), is a non-executive Director of the Bank. Mr. Chen has served as the general manager of Dongguan Guanshang Industry and Investment Co., Ltd.\* (東莞市莞商實業投資有限公司) since June 2013; the deputy general manager of Dongguan Shenxing Industry and Investment Co., Ltd.\* (東莞市聖興實業投資有限公司) since August 2013; the general manager of Hangzhou Lingteng Internet and Technology Limited (Dongguan Branch)\* (杭州領騰互聯網科技有限公司東莞分公司) from November 2017 to December 2020; the director of Dongguan Zhaofeng Environment and Protection Co., Ltd.\* (東莞市兆豐環保股份有限公司) since January 2019; and a supervisor of the fourth session of the board of supervisors of Yunfu Xinxing Dongying County Bank\*, our non-wholly owned subsidiary, since April 2019. Mr. Chen has served as a member of the 14th Dongguan Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議第十四屆東莞市委員會委員), a standing director of the third session of the committee of World Dongguan Entrepreneurs Federation (東莞世界莞商聯合會), the vice president of the fourth session of the committee of the Dongguan Overseas Scholars Association (東莞市僑聯歸國留學人員聯誼會), the vice chairman of the second session of the committee of Dongguan Federation of Young Entrepreneurs (東莞市青年企業家聯合會), the vice chairman of the standing committee of Dongguan Songshan Lake Federation of Entrepreneurs (東莞松山湖莞商聯合會), the honorary chairman of the fourth session of the committee of Dongguan Dalang Association of e-Commerce Operators (東莞市大朗電子商務協會) and the vice president of the fifth session of the committee of Association of Industry and Commerce of Dalang Town of Dongguan (東莞市大朗鎮工商聯(商會)).

**Mr. Tang Wencheng** (唐聞成先生), is a non-executive Director of the Bank. Mr. Tang was the assistant to the general manager and head of the business management department of Dongguan City Transportation Investment Group Co., Ltd.\* (東莞市交通投資集團有限公司) ("Dongguan Transportation Investment"), chairman and general manager of Dongguan Shuhui Big Data Co., Ltd. ("Dongguan Shuhui") (東莞數匯大數據有限公司), executive director and general manager of Dongguan City Fook Man Group Company\* (東莞市福民集團公司) ("Dongguan Fook Man") and director of Fook Man Development Company Limited ("Fook Man Development") from July 2019 to December 2021 (The above companies are subsidiaries of Dongguan Transportation Investment.); assistant to the general manager and head of the operation management department of Dongguan Transportation Investment, chairman and general manager of Dongguan Shuhui, executive director and general manager of Dongguan Fook Man and director of Fook Man Development from December 2021 to January 2022; assistant to the general manager of Dongguan Transportation Investment, chairman and general manager of Dongguan Shuhui, executive director and general manager of Dongguan Fook Man and director of Fook Man Development since January 2022. Dongguan Transportation Investment, Dongguan Fook Man and Fook Man Development, in which Mr. Tang serves, are the substantial shareholders of the Bank under the SFO. Please refer to the contents of "Interests and Short Positions of Substantial Shareholders and Other Persons under Hong Kong Laws and Regulations" in Chapter VI "Changes in Share Capital and Information on Shareholders".

**Mr. Zeng Jianhua** (曾儉華先生), is an independent non-executive Director of the Bank. Mr. Zeng has been an independent director of Zhejiang Furun Digital Technology Co., Ltd.\* (浙江富潤數字科技股份有限公司) (600070.SH) since May 2020; an independent director of Jiangsu Tongda Power Technology Co., Ltd.\* (江蘇通達動力科技股份有限公司) (002576.SZ) from December 2020 to May 2022; an external supervisor of Sichuan Bank Co., Ltd. since January 2021; a shareholder director of Sichuan Development Jiayibing Asset Restructuring Investment Co., Ltd.\* (四川發展甲乙丙資產重組投資有限公司) from January 2021 to August 2022; the chairman of the board of directors of Gongqing City Huajian Function Private Equity Management Co., Ltd.\* (共青城華建函數私募基金管理有限公司) since August 2019 and Beijing Huahan Consultancy Co., Ltd. since March 2021; an independent director of CCB Life Asset Management Co., Ltd. (建信保險資產管理有限公司) since May 2021; an independent non-executive director of Bank of Tianjin Co., Ltd. (1578.HK) since August 2022. Mr. Zeng is also currently a Distinguished Professor of the University for Peace of the United Nations.

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**Mr. Yip Tai Him** (葉棣謙先生), is an independent non-executive Director of the Bank. Mr. Yip is currently the director of Qing Lan C.P.A. Limited. Mr. Yip is currently or in the past three years an independent non-executive director of the following companies listed on the Hong Kong Stock Exchange: Shentong Robot Education Group Company Limited (8206.HK) (formerly known as China Communication Telecom Services Company Limited, Shenzhen Aomei Networks (International) Co., Ltd., GCL-Poly Energy Holdings Limited (3800.HK), Redco Properties Group Limited (1622.HK) and Zhongchang International Holdings Group Limited (859.HK).

**Mr. Xu Zhi** (許智先生), is an independent non-executive Director of the Bank. Mr. Xu has been the deputy director of Guangdong CCAT Certified Public Accountants Co., Ltd.\* (廣東中誠安泰會計師事務所有限公司) since January 2020; an independent director of HUCAIS Printing Co., Ltd.\* (虎彩印藝股份有限公司) (834295.NEEQ) from November 2013 to February 2022; a director of Jc Future Intelligent Technology Co., Ltd. (838309.NEEQ) (京彩未來智能科技股份有限公司) (formerly known as Dongguan Tianyu Network Technology Co., Ltd.\* (東莞市天宇網絡技術股份有限公司)) between March 2020 and February 2023; a director of Hunan Haofang Jingxuan Network Technology Co., Ltd.\* (湖南好房京選網絡科技有限公司) between March 2020 and December 2020; an independent director of Guangdong Sinopatt Semiconductor Technology Co., Ltd.\* (廣東中圖半導體科技股份有限公司) since September 2020; and an independent director of Dongrui Food Group Co., Ltd. (東瑞食品集團股份有限公司) (001201.SZ) since December 2022. In addition, Mr. Xu has been a representative of the 13th Session of the People's Congress of Guangdong Province between January 2018 and December 2022.

**Mr. Tan Fulong** (譚福龍先生), is an independent non-executive Director of the Bank. From July 1997 to January 2022, Mr. Tan worked in Guangdong Junzheng Law Firm\* (廣東君政律師事務所) initially as an assistant to the director, then as a practicing solicitor and subsequently as its partner. Since January 2022, Mr. Tan has served as the senior partner of Guangzhou King Pound (Dongguan) Law Firm) (廣州金鵬(東莞)律師事務所). Mr. Tan served as an expert in legislative consultation and assessment of the Standing Committee of the 16th Session of Dongguan Municipal People's Congress (東莞市人民代表大會常務委員會) from April 2017 to March 2022; served as the deputy director of the 11th Session of Guangdong Lawyers Association Professional Committee on the Law of Implementation and Disposal of Non-performing Assets (第十一屆廣東省律師協會執行與不良資產處置法律專業委員會) from October 2017 to March 2022. Mr. Tan has been the deputy director of the 12th Session of Guangdong Lawyers Association Law Professional Committee on the Law of Disposal of Non-performing Assets (第十二屆廣東省律師協會不良資產處置法律專業委員會) since April 2022; served as an expert of the Civil Administration Procuratorate Think Tank of the Dongguan People's Procuratorate (東莞市人民檢察院) from May 2019 to April 2022; and has served as an expert of Civil, Administrative and Prosecution Expert Consultation Web (民事行政檢察專家諮詢網) by the Sixth Procuratorate and Seventh Procuratorate of The Supreme People's Procuratorate of the PRC since March 2021. Mr. Tan has served as the arbitrator by Dongguan Arbitration Commission since April 2022. Mr. Tan is also a standing committee member of the 14th Dongguan Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議東莞市委員會).

**Ms. Liu Yuou** (劉宇鷗女士), is an independent non-executive Director of the Bank. Ms. Liu has been a partner, a deputy chief accountant and a certified public accountant of Dongguan Zhengyu Accountants Firm\* (general partner) (東莞市正域會計師事務所(普通合夥)) since January 2008. In addition, Ms. Liu serves as a supervisor of Dongguan Zhengyu Intellectual Property Operation Co., Ltd.\* (東莞市正域知識產權運營有限公司), a supervisor of Guangdong Zhengyu Taxation Firm Limited.\* (廣東省正域稅務師事務所有限公司) and the manager of Dongguan Huiying Investment Consulting Co., Ltd.\* (東莞市蒼盈投資諮詢有限公司)

**Ms. Xu Tingting** (許婷婷女士), is an independent non-executive Director of the Bank. Ms. Xu has served as a chief accountant of Dongguan Zhenglian C.P.A. Limited (general partner)\* (東莞市正聯會計師事務所(普通合夥)) since April 2011. Since February 2022, Ms. Xu serves as the executive director of Leadway Technology Investment Group Limited (formerly known as HNA Technology Investments Holdings Limited) (2086.HK).

## 2. Supervisors

**Mr. Chen Sheng** (陳勝先生), is a member of the party committee and the chairman of the Board of Supervisors of the Bank. Mr. Chen was successively a staff, deputy chief, chief and assistant researcher at the general office of Guangdong People's Government from July 1996 to March 2006 and was seconded to a task force responsible for investigation under the Disciplinary Committee of Guangdong Province during the period. Mr. Chen was a deputy head of the office, deputy general manager and general manager of the administration department of Guangdong Province Rural Credit Cooperatives Association\* (廣東省農村信用社聯合社) and a committee secretary of the Communist Youth League of Guangdong Province Rural Credit Cooperatives Association\* (共青團廣東省農村信用社聯合社) from March 2006 to November 2016, chairman of the board of supervisors and secretary of the disciplinary committee of Huizhou Rural Commercial Bank Co., Ltd.\* (惠州農村商業銀行股份有限公司) from October 2012 to July 2017, and chief officer of the Resident CCPC Office and head of the organization department of the party committee of Guangdong Province Rural Credit Cooperatives Association\* (廣東省農村信用社聯合社) from July 2017 to August 2018. Mr. Chen joined the Bank in August 2018 as a member of the party committee, secretary of the disciplinary committee and ceased to act as the secretary of the disciplinary committee since November 2018.

**Ms. Deng Yanwen** (鄧燕雯女士), is an employee Supervisor of the Bank. Ms. Deng joined the Dongguan Rural Credit Cooperatives Association\* (東莞農村信用合作社聯合社) and Dongguan Rural Credit Cooperatives Union (東莞市農村信用合作聯社), the predecessors of our Bank, in May 1992 and served successively as a staff and deputy supervisor and assistant manager of the business department, assistant manager of the finance and accounts department, deputy director of the finance and accounts department and the deputy director of the business department, deputy director of the financial supervisory department, manager of the supervision and audit department and the manager of the human resources development department. After the establishment of the Bank, Ms. Deng has successively served as the general manager of the human resources department and director of the Board of Supervisors office of our Bank from April 2010 to February 2022, and has been a coordination officer of the office of the Board of Supervisory since March 2022.

## Chapter VII Corporate Governance Report

**Mr. Wu Lixin** (伍立新先生), is an employee Supervisor of the Bank. Mr. Wu joined the Dongguan Rural Credit Cooperatives Association\* (東莞農村信用合作社聯合社), the predecessor of the Bank, in June 1989 and had held various positions in the credit cooperatives at town level, including the head of the audit team of Chang'an Credit Cooperative\* (長安信用社), deputy director of Dalingshan Credit Cooperative\* (大嶺山信用社), and director of Nancheng Credit Cooperative\* (南城信用社), Humen Credit Cooperative\* (虎門信用社) and Chang'an Credit Cooperative\* (長安信用社). After the establishment of the Bank, Mr. Wu served as the president of Chang'an sub-branch of our Bank from January 2010 to December 2013, and president of Huang Jiang sub-branch of our Bank from January 2014 to January 2019. He has been the chairman of Huizhou Zhongkai Dongying County Bank\* (惠州仲愷東盈村鎮銀行), a non wholly-owned subsidiary of our Bank, since February 2019.

**Mr. Liang Zhifeng** (梁志鋒先生), is an employee Supervisor of the Bank. Mr. Liang successively served as the officer, section member, deputy section head and section head of Dongguan Audit Bureau (東莞市審計局) from July 1997 to March 2015, and served as the director of Dongcheng branch of Dongguan Finance Bureau (東莞市財政局東城分局) from March 2015 to March 2019. Mr. Liang joined our Bank in March 2019, and successively served as the general manager of the service supervision center (currently known as corporate culture department upon reformation) and general manager of the institution management department (currently known as assets and liabilities management department upon reformation), and is currently the president of Humen sub-branch of our Bank.

**Mr. Lu Chaoping** (盧超平先生), is a shareholder representative Supervisor of the Bank. Prior to that, from November 2005 to December 2009, Mr. Lu served as a supervisor of the Council of Dongguan Rural Credit Cooperatives Union (東莞市農村信用合作聯社), the predecessor of our Bank. Mr. Lu served as the executive director of Dongguan Shenzhou Industrial Investment Co., Ltd.\* (東莞市神洲實業投資有限公司) from February 1990 to June 2021 and has been the chairman of Dongguan Shenzhou Industrial Development Co., Ltd.\* (東莞市神洲實業開發有限公司) since July 1996. Mr. Lu was appointed as the vice president of the China Trade and Economic Promote Association (中國經濟貿易促進會) from 2012 to February 2022, and served as the vice chairman of the General Chamber of Commerce of Guangdong Federation of Industry and Commerce (廣東省工商聯合會直屬會員商會) from January 2013 to December 2016. In addition, Mr. Lu was the representative to the 15th Session of Dongguan Municipal People's Congress (東莞市人民代表大會) and 16th Session of People's Congress of Humen (虎門鎮人民代表大會).

**Mr. Wang Zhujin** (王柱錦先生), is a shareholder representative Supervisor of the Bank. Mr. Wang was a teacher of Yanwo Primary School (燕窩小學) in Shipai Town of Dongguan from August 1983 to November 1984. He also worked for the Shipai Town Supply and Marketing Cooperative in Dongguan of Guangdong Province\* (廣東省東莞市石排供銷社) from December 1984 to June 1986, and the Shipai People's Government in Dongguan (東莞市石排鎮人民政府) from July 1986 to October 1997. Mr. Wang joined the Dongguan Rural Credit Cooperatives Association\* (東莞農村信用合作社聯合社), the predecessor of the Bank, in November 1997 and held various positions in the credit cooperatives at town level, including the director of Shilong Credit Cooperative\* (石龍信用社), president of Shilong sub-branch and president of Shipai sub-branch. Since August 2015, Mr. Wang has served as the chairman of Dongguan Jinda Industry Co., Ltd.\* (東莞市錦達實業有限公司), mainly responsible for overseeing the overall operation of the company.

**Mr. Liang Jiepeng** (梁傑鵬先生), is a shareholder representative Supervisor of the Bank. Mr. Liang served as an investment consultant of Tianjin Hexin Equity Investment Fund Partnership\* (limited partnership) (天津市合信股權投資基金合夥企業(有限合夥)) and Shanghai Junyin Equity Investment Partnership\* (limited partnership) (上海峻銀股權投資合夥企業(有限合夥)), respectively. Since November 2018, Mr. Liang has served as the general manager of Dongguan Hengguan Industrial Investment Co., Ltd.\* (東莞市恒光實業投資有限公司). Currently, Mr. Liang is also the director of Shandong Hilead Biotechnology Co., Ltd.\* (山東瀚霖生物技術有限公司) and the supervisor of Shenzhen Qianhai Penghuirong Industrial Investment Co., Ltd.\* (深圳前海鵬輝榮實業投資有限公司).

**Mr. Zou Zhibiao** (鄒志標先生), is a shareholder representative Supervisor of the Bank. From September 2011 to June 2014, Mr. Zou was the general manager of the operation department of Dongguan Yongwang Commercial Operation and Management Co., Ltd.\* (東莞市永旺商業經營管理有限公司). In September 2013, Mr. Zou became the supervisor of Guangdong Zhangde Industrial Investment Co., Ltd.\* (廣東長德實業投資有限公司). Since July 2015, Mr. Zou was an executive director of Dongguan Huifeng Asset Management Co., Ltd.\* (東莞市惠豐資產管理有限公司) and supervisor of Guangdong Wending Cultural Education Investment Co., Ltd.\* (廣東文鼎文化教育投資有限公司). Since October 2016, Mr. Zou has been the executive director, manager and supervisor successively of Dongguan Chuanghong Investment Co., Ltd.\* (東莞市創泓股權投資有限公司).

**Ms. Wei Haiying** (衛海英女士), is an external Supervisor of the Bank. Since July 1986, Ms. Wei has worked at the College of Economics and School of Management of Jinan University (暨南大學) successively as a teacher of the department of statistics of the College of Economics, a teacher of the MBA Education Center of the School of Management, the chief of the department of marketing of the School of Management and deputy head of the School of Management. She currently serves as a secretary to the party committee of the School of Management of Jinan University. In addition, Ms. Wei is also the vice president of Marketing Association of Guangdong (廣東營銷學會) and Guangdong Association of Quality Control (廣東質量協會).

**Mr. Yang Biao** (楊彪先生), is an external Supervisor of the Bank. From July 2005 to October 2008, Mr. Yang successively served as a chief officer and a deputy chief officer in the People's High Court of Guangdong Province (廣東省高級人民法院). Since November 2008, Mr. Yang successively served as the lecturer, associate professor and professor of the School of Law of Sun Yat-sen University (中山大學), and has been mainly responsible for research and lecturing of law. In addition, during his employment at Sun Yat-sen University, Mr. Yang was seconded to the People's Court of Huangpu District of Guangzhou (廣州市黃埔區人民法院) as an assistant to the chief judge from March 2015 to February 2016. Mr. Yang served as an independent non-executive director of Guangdong Guangzhou Daily Media Co., Ltd. (廣東廣州日報傳媒股份有限公司) (002181.SZ), an independent non-executive director of Guangdong Yuehai Feeds Group Co., Ltd. (廣東粵海飼料集團股份有限公司)(001313.SZ), a director of Guangzhou Sun Yat-sen University Science Park Co., Ltd. (廣州中山大學科技園有限公司), a director of Guangzhou Zhongda Intellectual Services Co., Ltd.\* (廣州中大知識產權服務有限公司), a director of Guangzhou Zhongda Nansha Science and Technology Innovation Industrial Park Co., Ltd.\* (廣州中大南沙科技創新產業園有限公司). At present, Mr. Yang serves as an independent non-executive director of Shandong Chenming Paper Holdings Limited (山東晨鳴紙業集團股份有限公司) (1812.HK), an independent non-executive director of Circle Logistics Co., Ltd. (僑益物流股份有限公司) (833478.NEEQ), an independent director of Guangdong Tianhe Agricultural Means of Production Co., Ltd. (廣東天禾農資股份有限公司) (02999.SH), an external director of Science City (Guangzhou) Investment Group Co. Ltd.\* (科學城(廣州)投資集團有限公司).

**Mr. Zhang Bangyong** (張邦永先生), is an external Supervisor of the Bank. Between September 2005 and February 2012, Mr. Zhang has been a trainee solicitor and a solicitor of Guangdong Great Brothers Law Firm (廣東格雷兄弟律師事務所). He worked at Guangdong Baiqin Law Firm\* (廣東百勤律師事務所) as a lawyer from February 2012 to December 2012. From December 2012 to October 2015, he was a director and lawyer of Guangdong Qinnuo Law Firm\* (廣東勤諾律師事務所). From October 2015 to March 2021, he has been a partner of Guangdong Everwin Law Office (Dongguan)\* (廣東法制盛邦(東莞)律師事務所). Since June 2021, Mr. Zhang has been a partner of Guangdong Qinyi Law Office\* (廣東秦儀律師事務所).

**Ms. Mai Xiuhua** (麥秀華女士), is an external Supervisor of the Bank. From January 1996 to December 1999, Ms. Mai worked at Dongguan Sanjun Clothing Co., Ltd.\* (東莞三駿時裝有限公司). From January 2000 to February 2001, Ms. Mai worked at Alps Logistics Co., Ltd.\* (廣東阿爾卑斯物流有限公司). From February 2001 to June 2010, Ms. Mai was an audit project manager of Guangdong Zhengliang Accounting Firm Limited Company\* (廣東正量會計師事務所有限公司) (now known as Guangdong Pan-China Certified Public Accountants LLP\* (廣東天健會計師事務所有限公司)). Since June 2010, Ms. Mai has served as the technical supervisor of Dongguan Ruifeng Accounting Firm Co., Ltd.\* (東莞市瑞豐會計師事務所有限公司) and Dongguan Ruiyi Accounting Firm Co., Ltd.\* (東莞市瑞益稅務師事務所有限公司). From August 2017 to December 2021, Ms. Mai has served as an independent director of Dongguan Yutong Optical Technology Co., Ltd.\* (東莞市宇瞳光學科技股份有限公司) (300790.SZ). In addition, Ms. Mai is a representative of the 16th and 17th Session of the Dongguan Municipal People's Congress (東莞市人民代表大會) and a member of the finance and economy committee of the Dongguan Municipal People's Congress (東莞市人大財政經濟委員會).

### **3. Senior Management**

**Mr. Fu Qiang** (傅強先生), deputy secretary to the party committee, executive Director and president of our Bank. For the biography of Mr. Fu Qiang, please see "Directors" in this section.

**Mr. Ye Jianguang** (葉建光先生), a member of the party committee, executive Director, vice president, chief risk officer, secretary to the Board of Directors and joint company secretary of our Bank. For the biography of Mr. Ye Jianguang, please see "Directors" in this section.

**Ms. Chen Dongmei** (陳冬梅女士), a member of the party committee, vice president and chief information officer of our Bank. Ms. Chen held various positions at Dongguan Rural Credit Cooperatives Association\* (東莞農村信用合作社聯合社), the predecessor of the Bank, from July 1993 to December 2006, including deputy section head of financial and accounting department, assistant manager of the business department and assistant manager of finance and accounting department. From December 2006 to March 2010, she served as the manager of finance and accounting department of Dongguan Rural Credit Cooperatives Union (東莞市農村信用合作聯社), the predecessor of the Bank. From March 2010 to June 2013, Ms. Chen was the general manager of financial department of our Bank, and has subsequently been appointed as our assistant president, member of the party committee, vice president, chief information officer, chairman of labour union committee and person in charge of Information Technology Department. In addition, Ms. Chen concurrently serves as a director of the third session of the board of directors of Yaan Rural Commercial Bank (雅安農村商業銀行), a deputy director of the Financial Dispute People's Mediation Committee of Dongguan Banking Association (東莞市銀行業協會金融糾紛人民調解委員會) and a director of the third session of Dongguan Financial Consumer Rights Protection Association (東莞市金融消費權益保護協會).

**Mr. Zhong Guobo**, the assistant president of the Bank. Mr. Zhong held various positions at Dongguan Rural Credit Cooperatives Association\* (東莞農村信用合作社聯合社), the predecessor of the Bank, from July 1996 to December 2006, including deputy team leader of the fund planning and loan department, deputy manager of the loan department, and deputy manager of the asset preservation department. He served as the manager of the loan department of Dongguan Rural Credit Cooperatives Union (東莞市農村信用合作聯社), the predecessor of our Bank, from December 2006 to March 2010; general manager of the credit management department of the Bank from March 2010 to July 2011; the president of Fenggang sub-branch of the Bank from July 2011 to July 2015. From July 2015 to December 2017, he successively served as the general manager of the risk compliance department and the general manager of the comprehensive risk management and compliance department of the Bank. During the period from August 2017 to November 2022, Mr. Zhong Guobo was assigned as the deputy director of office of the preparation group of Zhanjiang RCB, a member of the party committee, deputy secretary and director of Zhanjiang City Mazhang District Rural Credit Cooperatives Union, a member of the party committee, deputy secretary, director and president of Zhanjiang RCB, etc. He then became the assistant president of the Bank in January 2023.

#### 4. *Members of Party Committee*

**Mr. Wang Yaoqiu** (王耀球先生), secretary to the party committee, executive Director and chairman of our Bank. For the biography of Mr. Wang Yaoqiu, please see “Directors” in this section.

**Mr. Fu Qiang** (傅強先生), deputy secretary to the party committee, executive Director and president of our Bank. For the biography of Mr. Fu Qiang, please see “Directors” in this section.

**Mr. Chen Sheng** (陳勝先生), a member of the party committee and the chairman of the Board of Supervisors of the Bank. For the biography of Mr. Chen Sheng, please see “Supervisors” in this section.

**Mr. Qian Hua** (錢華先生), a member of the party committee and secretary of the disciplinary committee of the Bank. From July 1993 to October 2004, Mr. Qian had held various position in Guangzhou Branch of the People’s Bank of China, including officer of the administration of foreign exchange, officer of the monetary and credit management department, deputy chief officer of the money and credit management office and chief officer of the credit management department. From October 2004 to December 2005, he had served as the chief officer of the financial department of the Financial Service Office of the Guangdong Province. From December 2005 to September 2018, he worked at the Guangdong Rural Credit Union, and successively served as the deputy general manager of the reform and development department, deputy general manager of the reform and strategic research department, general manager of the business development and innovation department, vice president and general manager of the comprehensive department of the Guangdong Banking Credit Financial Service Center (廣東銀信金融服務中心), general manager of the comprehensive department of the Guangdong Banking Credit Financial Service Center (廣東銀信金融服務中心), member of the party committee and vice president of the Guangdong Banking Credit Financial Service Center (廣東銀信金融服務中心), secretary of the disciplinary committee, member of the party committee and vice president of the Guangdong Banking Credit Financial Service Center (廣東銀信金融服務中心), secretary to the party group of Zhaoqing Office (during which he had served as the deputy officer of the Dongguan Rural Credit Union from April 2009 to December 2009); from September 2018 to November 2018, he served as the secretary to the party committee of the Zhaoqing Rural Commercial Bank System. He joined the Bank in November 2018 and served as the secretary of the disciplinary committee.

**Mr. Ye Jianguang** (葉建光先生), a member of the party committee, executive Director, vice president, chief risk officer, secretary to the Board of Directors and joint company secretary of our Bank. For the biography of Mr. Ye Jianguang, please see “Directors” in this section.

**Ms. Chen Dongmei** (陳冬梅女士), a member of the party committee, vice president and chief information officer of our Bank. For the biography of Ms. Chen Dongmei, please see “Senior Management” in this section.

### **(III) Changes in Directors, Supervisors and Senior Management**

#### **1. Changes in Directors**

- (1) Mr. Shi Wenfeng resigned as an independent non-executive Director on March 30, 2022 due to changes in his own work arrangement. The resignation of Mr. Shi has taken effect on September 6, 2022 when the appointment of another independent non-executive directors of the Bank took effect by obtaining the approval of qualification issued by CBIRC Dongguan Office.
- (2) The Bank held the 2021 annual general meeting on May 23, 2022 to elect Mr. Tang Wencheng and Mr. Zeng Jianhua as a non-executive Director and an independent non-executive Director, respectively. The appointments of Mr. Tang Wencheng and Mr. Zeng Jianhua have taken effect by obtaining the qualification approval of the CBIRC Dongguan Office on September 6, 2022.
- (3) The Bank held the 2022 first extraordinary general meeting on December 19, 2022 to remove Mr. Chen Wei as an executive Director.

For details, please refer to the announcements of the Bank dated March 30, 2022, May 23, 2022, September 5, 2022, September 6, 2022 and December 19, 2022 and circulars of the Bank dated April 20, 2022 and November 28, 2022.

#### **2. Changes in Senior Management**

Mr. Chen Wei was removed from the position of a member of the Party Committee and vice president of the Bank in September 5, 2022.

Mr. Zhong Guobo obtained the qualification approval of the CBIRC Dongguan Office on December 30, 2022, and was officially appointed as the Assistant to the President of the Bank on January 3, 2023.

### **(IV) Changes in Information of Directors and Supervisors**

#### **1. Changes in information of Directors**

Mr. Wang Yaoqiu is a member of the seventh session of the committee of Dongguan Banking Association (東莞市銀行業協會).

Mr. Ye Jianguang also serves as a standing director of the Financial Asset Management Committee of the Investment Association of China (中國投資協會金融業資產管理專業委員會), as well as the chairman of the legal affairs working committee of Dongguan Banking Association.

Mr. Lai Chun Tung serves as a member of the 14th standing committee of National Committee of the Chinese People's Political Consultative Conference.

Mr. Zhang Qingxiang ceased to be the vice chairman of the second session of the committee of Guangdong Federation of Young Entrepreneurs (廣東省青年企業家聯合會).

Mr. Zeng Jianhua ceased to be a shareholder director of Sichuan Development Jiayibing Asset Restructuring Investment Co., Ltd..

Mr. Xu Zhi has been an independent director of Dongrui Food Group Co., Ltd. (東瑞食品集團股份有限公司) (001201.SZ) since December 2022; has ceased to serve as a director of Jingcai Future Intelligent Technology Co., Ltd. (京彩未來智能科技股份有限公司) (formerly known as Dongguan Tianyu Network Technology Co., Ltd. (東莞市天宇網絡技術股份有限公司)) (838309.NEEQ); and has ceased to be a representative of the 13th session of the National People's Congress of Guangdong Province (廣東省全國人民代表大會).

Ms. Liu Yuou serves as a supervisor of Dongguan Zhengyu Intellectual Property Operation Co., Ltd.\* (東莞市正域知識產權運營有限公司), a supervisor of Guangdong Zhengyu Taxation Firm Limited.\* (廣東省正域稅務師事務所有限公司) and the manager of Dongguan Huiying Investment Consulting Co., Ltd.\* (東莞市薈盈投資諮詢有限公司).

## **2. Changes in information of Supervisors**

Mr. Lu Chaoping ceased to be the vice president of the China Trade and Economic Promote Association (中國經濟貿易促進會).

Ms. Deng Yanwen ceased to be the director of the Board of Supervisors office of our Bank and changed her position to the coordinator of the Board of Supervisors office.

Mr. Yang Biao ceased to be the director of Guangzhou Sun Yat-sen University Science Park Co., Ltd. (廣州中山大學科技園有限公司), the director of Guangzhou Zhongda Intellectual Services Co., Ltd.\* (廣州中大知識產權服務有限公司) and the director of Guangzhou Zhongda Nansha Science and Technology Innovation Industrial Park Co., Ltd.\* (廣州中大南沙科技創新產業園有限公司).

## **(V) Directors, Supervisors and Senior Management Remuneration Policy**

According to the Dongguan Rural Commercial Bank Co., Ltd. Directors and Supervisors Remuneration Policies considered and approved at the 2019 annual general meeting, the Bank formulated the remuneration plan based on the principle of ability and contribution, adhered to the principle that increment of remuneration shall not exceed the increment of economic benefits of the Bank, determined the remuneration package based on positions, responsibility, work performance, work attitude and other indicators as well as the remuneration level of other comparable positions, and provided remuneration to independent Directors and external Supervisors.

## Chapter VII Corporate Governance Report

The remuneration of Directors, Supervisors, senior management and employees in positions that have significant impact on the Bank's risk in 2022 is as follows:

<b>Remuneration band of 2022 (before taxation)</b>	<b>Number</b>
RMB250,000 and above	61
RMB250,000 or below	23
<b>Total</b>	<b>84</b>

*Note:* Employees in positions that have significant impact on the Bank's risk refer to the person-in-charge of tier-one branches of the Bank and of relevant departments who involved in credit, finance, audit, internal control and compliance and technology of the headquarters.

Please refer to Note 11 "Emoluments of directors, supervisors and the highest-paid staff" to the consolidated financial statements in the "Financial Report" Chapter in this Report for details of the remuneration of Directors, Supervisors and senior management during the Reporting Period.

## (VI) Interests and Short Positions of Directors, Supervisors and Chief Executives

As at the end of the Reporting Period, the interests and short positions of our Directors, Supervisors and chief executives in the Shares, underlying Shares and debentures of our Bank or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were deemed or taken to have under such provisions of the SFO), or which were required to be entered in the register of interests kept pursuant to section 352 of the SFO, or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules are as follows:

### Interest in Shares or underlying Shares

Name	Position	Class of Shares	Long position/ short position	Capacity	Number of Shares directly or indirectly held (shares) <sup>(1)</sup>	Approximate % of the relevant class of Shares of the Bank <sup>(1)</sup> (%)	Approximate % of total issued Shares of the Bank <sup>(1)</sup> (%)
Wang Yaoqiu	Executive Director	Domestic Shares	Long position	Beneficial owner	401,210	0.00699	0.00582
Fu Qiang	Executive Director	Domestic Shares	Long position	Beneficial owner	500,000	0.00871	0.00726
Ye Jianguang	Executive Director	Domestic Shares	Long position	Beneficial owner	500,000	0.01742	0.01452
Lai Chun Tung	Non-executive Director	Domestic Shares	Long position	Interest of spouse	500,000		
		Domestic Shares	Long position	Beneficial owner	1,156,825	0.04779	0.03982
Lai Chun Tung	Non-executive Director	Domestic Shares	Long position	Interest in controlled corporation <sup>(2)</sup>	1,586,277		
		Domestic Shares	Long position	Beneficial owner	1,156,825	0.04779	0.03982
Wang Junyang	Non-executive Director	Domestic Shares	Long position	Interest in controlled corporation <sup>(3)</sup>	172,389,749	3.00307	2.50256
Cai Guowei	Non-executive Director	Domestic Shares	Long position	Beneficial owner	2,281,622	0.04311	0.03593
		Domestic Shares	Long position	Interest of spouse	193,261		
Ye Jinquan	Non-executive Director	Domestic Shares	Long position	Beneficial owner	9,663,060	1.99510	1.66259
		Domestic Shares	Long position	Interest in controlled corporation <sup>(4)</sup>	104,864,996		
Chen Haitao	Non-executive Director	Domestic Shares	Long position	Beneficial owner	350,000	0.00610	0.00508
Zhang Qingxiang	Non-executive Director	Domestic Shares	Long position	Beneficial owner	2,021,371	0.07566	0.06305
		Domestic Shares	Long position	Interest of spouse	2,322,102		
Chen Weiliang	Non-executive Director	Domestic Shares	Long position	Beneficial owner	6,000	0.00010	0.00009
Chen Sheng	Employee Supervisor	Domestic Shares	Long position	Beneficial owner	32,210	0.00056	0.00047
Deng Yanwen	Employee Supervisor	Domestic Shares	Long position	Beneficial owner	335,412	0.00584	0.00487
Wu Lixin	Employee Supervisor	Domestic Shares	Long position	Beneficial owner	335,412	0.03372	0.02810
		Domestic Shares	Long position	Interest of spouse	1,600,421		
Liang Zhifeng	Employee Supervisor	Domestic Shares	Long position	Interest of spouse	9,664	0.00017	0.00014
Lu Chaoping	Shareholder Supervisor	Domestic Shares	Long position	Interest in controlled corporation <sup>(5)</sup>	6,442,040	0.11222	0.09352
		Domestic Shares	Long position	Beneficial owner	6,442,040	0.11222	0.09352
Wang Zhujin	Shareholder Supervisor	Domestic Shares	Long position	Beneficial owner	500,000	0.00871	0.00726
Liang Jiepeng	Shareholder Supervisor	Domestic Shares	Long position	Beneficial owner	2,254,714	0.03928	0.03273
Zou Zhibiao	Shareholder Supervisor	Domestic Shares	Long position	Beneficial owner	32,210	0.00056	0.00047

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### Notes:

- (1) As of December 31, 2022, the total number of issued ordinary shares of the Bank was 6,888,545,510, comprised 5,740,454,510 Domestic Shares and 1,148,091,000 H Shares.
- (2) Such 1,586,277 Domestic Shares are held by Dongguan City Sanyang Shiye Development Co., Ltd.\* (東莞市三陽實業發展有限公司), a company owned as to 90.00% by Mr. Lai Chun Tung. Accordingly, Mr. Lai is deemed to be interested in all the Domestic Shares held by Dongguan City Sanyang Shiye Development Co., Ltd.\* under the SFO.
- (3) Such 172,389,749 Domestic Shares include (i) 150,104,602 Domestic Shares held by Dongguan City Kanghua Investment Group Co., Ltd.\* (東莞市康華投資集團有限公司), a company owned as to 97.46% by Mr. Wang Junyang; and (ii) 22,285,147 Domestic Shares held by Dongguan City Xingye Group Co., Ltd.\* (東莞市興業集團有限公司), a company owned as to 8.00% by Mr. Wang Junyang and 42.00% by Dongguan City Kanghua Investment Group Co., Ltd.\* (a company owned as to 100% by Mr. Wang Junyang), respectively. Accordingly, Mr. Wang Junyang is deemed to be interested in all the Domestic Shares held by Dongguan City Kanghua Investment Group Co., Ltd.\* and Dongguan City Xingye Group Co., Ltd.\* under the SFO.
- (4) Such 104,864,996 Domestic Shares include (i) 69,784,524 Domestic Shares held by Guangdong Haide Group Co., Ltd.\* (廣東海德集團有限公司) ("Guangdong Haide"), a company owned, among other shareholders, as to (a) 25% by Mr. Ye Jinqian; (b) 25% by Dongguan City Botong Shiye Investment Co., Ltd.\* (東莞市博通實業投資有限公司), which in turn is owned as to 96% by Mr. Ye Jinqian; (c) 25% by Dongguan City Commercial Center Development Co., Ltd.\* (東莞市商業中心發展有限公司) ("Dongguan City Commercial Center"), which in turn is owned as to 96% by Mr. Ye Jinqian and (d) 24% by Dongguan City Hengyi Industrial Investment Co., Ltd.\* (東莞市恒億實業投資有限公司), which in turn is owned as to 51% by Guangdong Haide and 39% by Mr. Ye Jinqian; and (ii) 35,080,472 Domestic Shares held by Dongguan City Commercial Center. Accordingly, Mr. Ye is deemed to be interested in all the Domestic Shares held by Guangdong Haide and Dongguan City Commercial Center under the SFO.
- (5) Such 6,442,040 Domestic Shares are held by Dongguan City Shenzhou Industrial Development Co., Ltd.\* (東莞市神州實業開發有限公司), a company owned as to 90.00% by Mr. Lu Chaoping. Accordingly, Mr. Lu is deemed to be interested in all the Domestic Shares held by Dongguan City Shenzhou Industrial Development Co., Ltd.\* under the SFO.

### Interest in associates

Name	Position in the Bank	Name of associated corporation	Nature of interest	Number of shares in the associated corporation (Shares)	Approximate percentage of interest in the associated corporation (%)
Wang Junyang	Non-executive Director	Hezhou Babu Dongying County Bank	Interest in controlled corporation <sup>(1)</sup>	3,125,000	3.12500

### Note:

- (1) Such 3,125,000 shares of Hezhou Babu Dongying County Bank are held by Dongguan City Dongcheng Stone Co., Ltd.\* (東莞市東成石材有限公司), a company wholly owned by Dongguan City Xingye Group Co., Ltd.\* (東莞市興業集團有限公司), which is in turn owned as to 8.00% by Mr. Wang Junyang and 42.00% by Dongguan City Kanghua Investment Group Co., Ltd.\* (東莞市康華投資集團有限公司) (a company owned as to 100% by Mr. Wang Junyang), respectively. Accordingly, Mr. Wang Junyang is deemed to be interested in the shares of Hezhou Babu Dongying County Bank held by Dongguan City Dongcheng Stone Co., Ltd.\* (東莞市東成石材有限公司) under the SFO.

Save as disclosed above, none of the Directors, Supervisors, chief executives of the Bank had any interests or short positions in the Shares, underlying Shares and debentures of the Bank or its associated corporations (as defined in the part XV of the SFO) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to divisions 7 and 8 of part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code to be notified to the Bank and the Stock Exchange.

### **(VII) Security Transactions by Directors and Supervisors**

The Bank has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the standards of securities transactions by Directors and Supervisors. Having made specific enquiry to all Directors and Supervisors, all Directors and Supervisors have confirmed that they have complied with the Model Code during the Reporting Period.

### **(VIII) Rights to Acquire Securities of the Bank**

None of the Bank, or any of its holding companies (if any) or subsidiaries, or any fellow subsidiaries (if any), is a party to any arrangement enables any Directors, Supervisors or chief executives of the Bank or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Bank or any of its associated corporations (as defined in the SFO) or to acquire benefits by means of acquisition of shares in, or debentures of, the Bank or any other body corporate.

### **(IX) Directors' Interests in Competing Business**

- (1) Mr. Lai Chun Tung, the non-executive Director of the Bank, holds 20% of the equity interest of Dongguan City Zhuorui Small Loans Co., Ltd.\* (東莞市卓瑞小額貸款股份有限公司) ("Dongguan Zhuorui"), a company principally engaged in small loans business with registered capital of RMB100.0 million. As Dongguan Zhuorui is engaged in small loans business, it may compete with the business of our Bank.
- (2) Mr. Wang Junyang, the non-executive Director of the Bank, holds 97.46% of the equity interest of Dongguan City Kanghua Investment Group Co., Ltd.\* (東莞市康華投資集團有限公司) ("Kanghua Investment"), which in turn holds 80% of the equity interest of Dongguan City Xingye Refinancing Guarantee Co., Ltd.\* (東莞市興業融資擔保有限公司) ("Xingye Refinancing"), a company principally engaged in the provision of guarantee and related business with registered capital of RMB250.0 million. In addition, Kanghua Investment indirectly owns 50% of the equity interest in Guangdong Kanglian Investment Group Co., Ltd.\* (廣東康聯投資集團有限公司) through its wholly-owned subsidiary, which in turn holds 100% of the equity interest of Dongguan City Kanglian Property Development Co., Ltd.\* (東莞市康聯房地產開發有限公司), which in turn holds 80% of the equity interest of Dongguan City Baihui Pawn Co., Ltd.\* (東莞市百匯典當有限公司) ("Baihui Pawn"), a company principally engaged in pawn business with registered capital of RMB5.0 million. Mr. Wang Junyang also directly and through Kanghua Investment holds 8% and 42.00% of the equity interest in Dongguan City Xingye Group Co., Ltd.\* (東莞市興業集團有限公司) ("Xingye Group"), respectively, which in turn holds 20% of the equity interest in Dongguan City Dongshang Small Loans Co., Ltd.\* (東莞市東商小額貸款有限公司) ("Dongshang Small Loans"), a company principally engaged in small loans business with registered capital of RMB200.0 million. As Xingye Refinancing, Baihui Pawn and Dongshang Small Loans are engaged in the provision of guarantee business, pawn business and small loans business, respectively, they may compete with the business of our Bank.

- (3) Mr. Zhang Qingxiang, the non-executive Director of the Bank, holds 51% of the equity interest of Guangdong Yuxinguo Construction Engineering Limited\* (廣東裕欣國建築工程有限公司) (“Guangdong Yuxinguo”) which in turn is interested in 20% of the equity interest of Dongguan City Jiaxing Small Loan Co., Ltd.\* (東莞市佳興小額貸款股份有限公司) (“Dongguan Jiaxing”), a company principally engaged in small loans business with registered capital of RMB100.0 million. As Dongguan Jiaxing is engaged in small loans business, it may compete with the business of our Bank.

Taking into consideration of the relatively small registered capital of the aforementioned competing businesses, ranging from RMB5.0 million to RMB250.0 million, as compared to that of our Bank and the diverse scope of business of our Bank, the potential competition between our Bank with such competing businesses is minimal. As each of the relevant Directors is a non-executive Director and does not participate in our daily management, the Bank believes that the business operation of our Bank will not be affected by their interest in such competing businesses. In accordance with the Articles of Association of the Bank, if a Director is materially interested in any matters to be considered at the Board of Directors meeting, such Director shall abstain from voting on such resolution.

#### **(X) Financial, Business and Family Relationship among Directors, Supervisors and Senior Management**

To the best of our knowledge, there is no financial, business, family and other material or relevant relationship among the Directors, Supervisors and senior management of the Bank.

#### **(XI) Directors’ and Supervisors’ Interests in Contracts, Transactions and Arrangements**

During the Reporting Period, save for the continuing connected transactions exempted from the reporting, annual review, announcement and independent Shareholders’ approval under Chapter 14A of the Listing Rules, none of a Director, Supervisor or an entity connected with a Director or a Supervisor has any interest, either directly or indirectly, in significant transactions, arrangements and contracts in relation to the Group’s business to which the Bank, its holding company, subsidiaries or fellow subsidiaries was a party during the Reporting Period (excluding service contracts).

#### **(XII) Service Contracts of Directors and Supervisors**

During the Reporting Period, none of the Directors and Supervisors of the Bank had any material interests in the material contracts entered into by the Bank or its subsidiaries. None of the Directors nor Supervisors has entered into any service contract with the Bank that is not terminable by the Bank within one year without payment of compensation (other than statutory compensation).

## V. Board of Directors

The Board of Directors is the decision-making body of the Bank and is responsible for implementing the resolutions of the Shareholders' general meeting, formulating the Bank's business development strategies, formulating the Bank's annual financial budgets, final accounts, profit distribution and loss recovery plans, formulating the Bank's plans for material acquisitions, acquisition of the Bank's shares or merger, division, dissolution and change of the corporate form of the Bank, formulating the Bank's proposals for amendment to the Articles of Association, formulating the Bank's comprehensive risk management policies, formulating risk management systems relating to risk tolerance, risk appetite, internal control, reputational risk, financial innovation risk management and case risk management, and deciding the appointment or dismissal the Bank's President, Vice President, Assistant President and other senior management personnel and their remunerations. The Board of Directors is responsible for establishing and improving the Bank's corporate governance practices and procedures. During the Reporting Period, the Board of Directors reviewed the Bank's corporate governance policies and practices and confirmed that the terms of reference set out in the Corporate Governance Code had been met.

### (I) Members of the Board and the Board Diversity Policy

As at the end of the Reporting Period, the Board of Directors of the Bank consisted of 17 Directors, including 3 executive Directors, namely Mr. Wang Yaoqiu (secretary to the Party Committee, chairman), Mr. Fu Qiang (deputy secretary of the Party Committee, president) and Mr. Ye Jianguang; 8 non-executive Directors, namely Mr. Lai Chun Tung, Mr. Wang Junyang, Mr. Cai Guowei, Mr. Ye Jinqun, Mr. Chen Haitao, Mr. Zhang Qingxiang, Mr. Chen Weiliang and Mr. Tang Wencheng; 6 independent non-executive Directors, namely Mr. Zeng Jianhua, Mr. Yip Tai Him, Mr. Xu Zhi, Mr. Tan Fulong, Ms. Liu Yuou and Ms. Xu Tingting.

The Bank has formulated the board diversity policy among others, according to the position and the continuous adoption and implementation of the policy, we are committed to ensuring that the board of directors of the Bank achieves an appropriate balance in terms of diversity. The Bank will consider the composition of the board of directors from various aspects in accordance with the board diversity policy, including but not limited to directors' gender, age, education background, professional experience, knowledge and skills, etc., to ensure a balanced distribution of skills and experience combinations of board members to provide different perspectives, insights and questions, allowing the board to effectively perform its duties, thereby enhancing the effective operation of the board and maintaining high standards of corporate governance. During the Reporting Period, the Board considered that this policy has been effectively implemented and the members of the Board have reached the diversity target. Three executive Directors have long been engaged in the banking industry and have rich professional experience; eight non-executive Directors all hold important positions such as the chairman and general manager of enterprises, and have rich experience in operation and management; six independent non-executive Directors all have professional skills in legal, accounting or finance fields, one of whom is from Hong Kong, and is familiar with international accounting standards and Hong Kong capital market rules. There are currently two female Directors in the Board of Directors. The Board expects to maintain the proportion of its female members at least the current level and will continue its efforts to maintain the gender diversity profile of the Board of Directors. In addition, the Nomination and Remuneration Committee of the Board of Directors annually reviews the implementation and effectiveness of the diversity policy, and makes recommendations on adjustments to the Board of Directors to be made in line with the Bank's strategy.

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The Bank has established a mechanism for the Board to obtain independent opinions and suggestions. The Board currently comprises six independent non-executive Directors, representing one-third of the Board, which complies with the requirements on the number of independent non-executive directors under the Listing Rules. When the Nomination and Remuneration Committee evaluates the suitability of a candidate to serve as an independent non-executive Director, it will review his/her qualifications, skills and independent opinions with reference to the Bank's nomination policy and board diversity policy. The Nomination and Remuneration Committee also assesses annually the time commitment and independence of the independent non-executive Directors. All Directors, including independent non-executive Directors, may also have access to external independent professional advice if considered necessary. During the Reporting Period, the Board reviewed the implementation of the above mechanism and considered that the above mechanism was effective.

Mr. Wang Yaoqiu, chairman of the Bank, is responsible for leading the Board of Directors and ensuring its efficient operation. Mr. Fu Qiang, president of the Bank, is responsible for day-to-day business operation. The roles and duties of the chairman and the president of the Bank are taken up by different individuals. There is a clear division of responsibilities in compliance with requirements and recommendations of the regulatory provisions and the Listing Rules.

### **(II) Appointment, Re-election and Removal of Directors**

According to the requirements of the Articles of Association of the Bank, the term of office of the Directors shall be three years, and a Director may be re-elected and re-appointed upon expiry of his/her term of office. Before the expiry of the term of office, the Shareholders' general meeting shall not dismiss any director without any reason. An independent non-executive Director may serve the Bank for not more than six years in aggregate.

Subject to the relevant laws, regulations and regulatory requirements, a Director whose term of office has not expired may be removed by an ordinary resolution at the Shareholders' general meeting (but such removal shall not cause prejudice to any claim which may be instituted by the Director under any contract).

The procedures for the appointment, re-election and removal of Directors of the Bank are set out in the Articles of Association of the Bank. The Nomination and Remuneration Committee of the Board of Directors reviews the qualification of each Director candidate and recommends suitable candidates to the Board of Directors. Upon approval of the nomination proposal of relevant candidates by the Board of Directors, it shall be submitted to the Shareholders' general meeting for consideration and approval. After consideration and approval at the Shareholders' general meeting, it shall be reported to the banking regulatory authority for approval of eligibility. The term of office of Directors shall commence from the date of approval by the banking regulatory authority till the expiry of the term of office of the current session of the Board of Directors.

### **(III) Responsibilities of Directors**

During the Reporting Period, the Directors of the Bank strictly complied with laws, regulations, regulatory requirements, relevant domestic and overseas rules and the provisions of the Articles of Association of the Bank, and prudently, conscientiously and diligently performed their obligations and exercised their rights, actively participated in the Shareholders' general meeting, the meetings of the Board of Directors and its committees, kept abreast of the Bank's operation and management, treated all Shareholders fairly, and safeguarded the interests of the Bank and the Shareholders.

During the Reporting Period, the attendance of Directors at the general meeting is as follows:

Members of Director	Required attendance	Actual attendance	Attendance
<b>Executive Director</b>			
Wang Yaoqiu	2	2	100%
Fu Qiang	2	2	100%
Ye Jianguang	2	2	100%
Chen Wei (former) <sup>(1)</sup>	2	1	50%
<b>Non-executive Director</b>			
Lai Chun Tung	2	2	100%
Wang Junyang <sup>(2)</sup>	2	1	50%
Cai Guowei	2	2	100%
Ye Jinqun	2	2	100%
Chen Haitao	2	2	100%
Zhang Qingxiang	2	2	100%
Chen Weiliang	2	2	100%
Tang Wencheng <sup>(3)</sup>	1	1	100%
<b>Independent Non-executive Director</b>			
Zeng Jianhua <sup>(3)</sup>	1	1	100%
Yip Tai Him	2	2	100%
Xu Zhi	2	2	100%
Shi Wenfeng (former) <sup>(4)</sup>	1	1	100%
Tan Fulong	2	2	100%
Liu Yuou	2	2	100%
Xu Tingting	2	2	100%

Notes:

- (1) Ceased to be a Director after the conclusion of the 2022 first extraordinary general meeting of the Bank on December 19, 2022.
- (2) Unable to attend the 2022 first extraordinary general meeting of the Bank in person held on December 19, 2022 due to other work commitments.
- (3) Served as a Director with effect from September 6, 2022.
- (4) Ceased to be a Director with effect from September 6, 2022.

During the Reporting Period, the Bank carried out the annual performance evaluation of Directors by the Board of Supervisors, and submitted the evaluation results to the Shareholders' general meeting.

During the Reporting Period, the independent non-executive Directors of the Bank did not raise any objections to the matters considered by the Board of Directors.

#### **(IV) Implementation of Resolutions of the Shareholders' General Meeting by the Board of Directors during the Reporting Period**

During the Reporting Period, the Board of Directors strictly implemented various proposals and resolutions considered and approved at the 2021 annual general meeting and the 2022 first extraordinary general meeting.

#### **(V) Attendance of Directors at Meetings**

During the Reporting Period, the Bank convened 19 meetings of the Board of Directors, among which 8 were held onsite and 11 were by written resolutions. 207 proposals including the Resolution on the 2021 Work Report of the Board of Directors of Dongguan Rural Commercial Bank Co., Ltd. and the Resolution on the 2021 Operation and Management Work Report of Dongguan Rural Commercial Bank Co., Ltd. were considered and approved, and 10 reports were reviewed.

During the Reporting Period, the attendance of Directors at the onsite meetings of the Board of Directors is as follows:

<b>Name of Director</b>	<b>Type of Director</b>	<b>Required attendance during term of office</b>	<b>In-person attendance</b>	<b>Delegated attendance</b>
Wang Yaoqiu	Executive Director	8	8	0
Fu Qiang	Executive Director	8	8	0
Ye Jianguang	Executive Director	8	8	0
Chen Wei (resigned) <sup>(1)</sup>	Executive Director	7	4	0
Lai Chun Tung	Non-executive Director	8	8	0
Wang Junyang	Non-executive Director	8	3	5
Cai Guowei	Non-executive Director	8	8	0
Ye Jinquan	Non-executive Director	8	8	0
Chen Haitao	Non-executive Director	8	8	0
Zhang Qingxiang	Non-executive Director	8	8	0
Chen Weiliang	Non-executive Director	8	8	0
Tang Wencheng <sup>(2)</sup>	Non-executive Director	3	3	0
Zeng Jianhua <sup>(2)</sup>	Independent non-executive Director	3	3	0
Yip Tai Him	Independent non-executive Director	8	7	1
Xu Zhi	Independent non-executive Director	8	8	0
Shi Wenfeng (resigned) <sup>(3)</sup>	Independent non-executive Director	5	5	0
Tan Fulong	Independent non-executive Director	8	8	0
Liu Yuou	Independent non-executive Director	8	8	0
Xu Tingting	Independent non-executive Director	8	8	0

Notes:

- (1) Ceased to serve as Director since December 19, 2022.
- (2) Served as Director since September 6, 2022.
- (3) Ceased to serve as Director since September 6, 2022.

## **(VI) Performance of the Independent Non-executive Directors**

Pursuant the Articles of Association, the independent non-executive Directors of the Bank shall represent at least one-third of the Board of Directors. As at the end of the Reporting Period, the Board of Directors of the Bank comprised of 6 independent non-executive Directors, and the qualifications, number and proportion of independent non-executive Directors met regulatory requirements. The Bank has received the annual confirmation letter of independence from each independent non-executive Director, and considers that all independent non-executive Directors have complied with the relevant guidelines set out in Rule 3.13 of the Listing Rules, and are independent persons.

The independent non-executive directors of the Bank express objective and impartial independent opinions on major related party transactions, profit distribution plans and other matters in strict accordance with the regulatory requirements such as the Corporate Governance Code and the institutional documents such as the Bank's Articles of Association and the Work Rules for Independent Directors, through participation in general meetings, meetings of the Board of Directors and its special committees. During the Reporting Period, the independent non-executive Directors of the Bank actively performed their duties, seriously committed the right of independent non-executive Directors and fulfilled their duties, attended meetings, considered relevant proposals, listened to reports, and expressed independent opinions on major issues. The Board of Directors believes that the mechanism for independent non-executive directors has been effectively implemented.

## **(VII) Composition of Committees under the Board of Directors and their Performance of Duties**

During the Reporting Period, the Board of Directors had six specialized committees including the Strategic Decision and Sannong Committee, the Comprehensive Risk Management Committee, the Nomination and Remuneration Committee, the Related Party Transaction Control Committee, the Audit Committee and the Consumer Rights Protection Committee. In 2022, the six specialized committees mentioned above exercised their powers independently, compliantly and effectively in accordance with laws, and convened a total of 63 meetings throughout the year, at which 285 proposals including strategic planning, remuneration appraisal, comprehensive risk management, internal control, related party transactions and consumer rights protection were considered. The committees maintained communication with the Operational Management, and gave full play to their roles in assisting the Board of Directors in making scientific decisions.

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As at the end of the Reporting Period, the members and attendance of the six specialized committees under the Board of Directors of the Bank are as follows:

Members of Board of Directors	Strategic Decision and Sannong Committee		Comprehensive Risk Management Committee		Nomination and Remuneration Committee		Related Party Transaction Control Committee		Audit Committee		Consumer Rights Protection Committee	
	Position	Attendance	Position	Attendance	Position	Attendance	Position	Attendance	Position	Attendance	Position	Attendance
<b>Executive Director</b>												
Wang Yaoqiu	Chairman	16/16	—	—	—	—	—	—	—	—	—	—
Fu Qiang	Member	16/16	—	—	—	—	—	—	—	—	Chairman	6/6
Ye Jianguang	—	—	Chairman	10/10	—	—	Member	14/14	—	—	—	—
Chen Wei (resigned) <sup>(1)</sup>	—	—	—	—	—	—	—	—	—	—	—	—
<b>Non-executive Director</b>												
Lai Chun Tung	Member	16/16	—	—	—	—	—	—	—	—	—	—
Wang Junyang	Member	13/16	Member	10/10	—	—	—	—	—	—	—	—
Cai Guowei	—	—	—	—	—	—	—	—	—	—	Member	6/6
Ye Jinquan	—	—	—	—	—	—	—	—	—	—	—	—
Chen Haitao	Member	16/16	—	—	—	—	—	—	—	—	Member	6/6
Zhang Qingxiang	—	—	—	—	—	—	—	—	—	—	—	—
Chen Weiliang	—	—	—	—	—	—	—	—	Member	8/8	—	—
Tang Wencheng <sup>(2)</sup>	—	—	—	—	—	—	—	—	—	—	—	—
<b>Independent Non-executive Director</b>												
Zeng Jianhua <sup>(2)</sup>	—	—	—	—	—	—	—	—	—	—	—	—
Yip Tai Him	—	—	—	—	Chairman	9/9	—	—	—	—	—	—
Xu Zhi	—	—	Member	10/10	Member	9/9	—	—	Chairman	8/8	—	—
Shi Wenfeng (resigned) <sup>(3)</sup>	—	—	—	—	—	—	Chairman (former)	4/4	—	—	—	—
Tan Fulong	—	—	—	—	—	—	Member	14/14	—	—	Member	6/6
Liu Yuou <sup>(3)</sup>	—	—	—	—	—	—	Chairman	14/14	Member	8/8	—	—
Xu Tingting	—	—	—	—	Member	9/9	—	—	Member	8/8	—	—

### Notes:

- (1) Mr. Chen Wei has ceased to serve as an executive Director since December 19, 2022. He did not hold any position in any specialized committee during his term of office.
- (2) Mr. Zeng Jianhua has served as a Director since September 6, 2022.
- (3) Mr. Shi Wenfeng has resigned as the chairman of the Related Party Transaction Control Committee since March 30, 2022, and there were four meetings of the Related Party Transaction Control Committee held during his term of office. On the same day, Ms. Liu Yuou, a member of the Related Party Transaction Control Committee, was appointed as the chairman.

### 1. Strategic Decision and Sannong Committee

The Strategic Decision and Sannong Committee consists of executive Directors and non-executive Directors, namely Mr. Wang Yaoqiu (chairman), Mr. Fu Qiang, Mr. Lai Chun Tung, Mr. Wang Junyang and Mr. Chen Haitao. The primary duties of the Strategic Decision and Sannong Committee include:

- (1) to determine the operation and management goals and long-term development and strategic plans of our Bank;
- (2) to consider and propose major investment and financing proposals that are subject to the approval of the Board of Directors according to the Articles of our Bank;

- (3) to consider and propose major capital activities and asset operation that are subject to the approval of the Board of Directors according to the Articles of our Bank;
- (4) to consider and propose other important matters significant to the development of our Bank;
- (5) to supervise and review the implementation of the annual operation plan and investment proposals of our Bank;
- (6) to devise strategies for promoting green credit of the Bank, review its objectives and reports from the senior management before submission to the Board of Directors for consideration and approval;
- (7) to formulate business development strategies and plans for Sannong business in accordance with the Sannong development policies introduced by the government and regulatory authorities; to review annual resources allocation plans for Sannong business, and to evaluate and supervise the implementation of such plans by the senior management;
- (8) to supervise the formulation of Sannong business plan and related systems;
- (9) to supervise the development of new financial services and products for Sannong business;
- (10) to deal with other matters as authorized by the Board of Directors.

In 2022, the Strategic Decision and Sannong Committee held 16 meetings, at which 63 proposals were considered and approved, and the committee conducted in-depth research on development planning, the “133” project of rural revitalization financial services, business plans, green credit and Sannong financial services. The Strategic Decision and Sannong Committee held 2 symposiums with Sannong enterprises to know about the development of Sannong.

## **2. Comprehensive Risk Management Committee**

The Comprehensive Risk Management Committee consists of executive Directors, non-executive Directors and independent executive Directors, namely Mr. Ye Jianguang (chairman), Mr. Wang Junyang and Mr. Xu Zhi. The primary duties of the Comprehensive Risk Management Committee include:

- (1) to study and adopt the economic and financial directions, policies, laws, regulations and rules of the government, the regulatory framework of the regulating authorities, and to provide guidelines on the establishment of comprehensive risk management system, risk strategies and general risk management policies of our Bank;
- (2) to engage intermediaries to review the risk management of our senior management at operational level in respect of credit, market, operation, liquidity, legal compliance, information technology, reputation and other aspects of our Bank on a regular basis as authorized by the Board of Directors;
- (3) to conduct regular assessment of the overall status and effectiveness of the risk management of our Bank and to propose suggestions for improving risk management and internal control of our Bank;
- (4) to supervise the senior management to take necessary measures to effectively identify, evaluate, monitor and control/mitigate risks in accordance with the regulatory requirements and the risk management requirements of our Bank;

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- (5) to ensure that the risk management system of our Bank is effectively reviewed and supervised by the internal audit department;
- (6) to review the asset and liability management policies of our Bank and its implementation;
- (7) to organize and give guidance on risk prevention as authorized by the Board of Directors;
- (8) to have regular individual discussion with the compliance manager and adopt other effective means to understand the implementation of compliance policies and the problems arising therefrom, provide opinions and recommendation on a timely basis to the Board of Directors or the senior management and supervise the effective implementation of compliance policies;
- (9) to deal with other matters as authorized by the Board of Directors.

In 2022, the Comprehensive Risk Management Committee held 10 meetings, at which 52 proposals were considered and approved, and the committee conducted research on risk management strategies, comprehensive risk management and internal control management. For the risk management and internal control of the Bank, please refer to “RISK MANAGEMENT” in the “Management Discussion and Analysis” chapter of this Report.

### **3. Nomination and Remuneration Committee**

The Nomination and Remuneration Committee consists of independent non-executive Directors, namely Mr. Yip Tai Him (chairman), Mr. Xu Zhi and Ms. Xu Tingting. The primary duties of the Nomination and Remuneration Committee include:

- (1) to review the structure, size and composition (including the skills, knowledge and experience) of the Board of Directors annually and make recommendations on any proposed changes to the Board of Directors to complement our corporate strategy.
- (2) to formulate the diversity policy of the Board of Directors and measurable objectives.
- (3) to assess the independence of independent non-executive Directors.
- (4) to determine the procedures and criteria for selection and election of Directors and senior management, and to identify and recommend qualified candidates for Directors and senior management.
- (5) to conduct preliminary assessment on the qualifications and terms for the appointment of Directors and senior management and provide opinions to the Board of Directors.
- (6) to make recommendations to the Board of Directors on the remuneration policy and structure for all Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy.
- (7) to review the assessment criteria for performance of Directors and senior management and the remuneration packages (including benefits in kind, pension rights and compensation payments, such as any compensation payable for loss or termination of their office or appointment), to conduct evaluation and make recommendations to the Board of Directors, and to supervise its implementation, provided that no Director or its associate shall participate in determining his/her own salary.

- (8) to review the remuneration management system and policy of our Bank. The remuneration management system includes the basic remuneration system, remuneration management system etc. within the scope of the Bank's system, but excludes assessment plans.
- (9) to review the matters relating to share schemes under the Listing Rules.
- (10) to deal with other matters in relation to the duties of the committee as required by laws and regulations or as authorized by the Board of Directors.

In 2022, the Nomination and Remuneration Committee held 9 meetings, at which 15 proposals were considered and approved, and the committee conducted research on the remuneration management system, the structure and composition of the Board of Directors, the diversity of the Board of Directors, the independence of independent non-executive Directors, the annual budget and allocation of remuneration of senior management. In addition, the Nomination and Remuneration Committee considered candidates for non-executive Director and independent non-executive Director and made recommendations to the Board of Directors in accordance with the Nomination Policy, the Diversity Policy of the Board of Directors and the current situation of the Bank. During the selection of director candidates, the Nominating and Remuneration Committee shall conduct preliminary examination on the qualifications and conditions of the candidates, including their professional knowledge, experience background, diversity policy of the Board of Directors, and independence of independent directors in performing their duties, select suitable personnel, and make recommendations to the Board of Directors in accordance with relevant laws and regulations, the Bank's articles of association and the nomination procedures stipulated in relevant regulations. The candidates shall be examined and approved by the board of directors and the general meeting of shareholders, and shall perform their duties according to law after obtaining the qualification of the banking supervision institution.

#### **4. Related Party Transaction Control Committee**

The Related Party Transaction Control Committee consists of executive Directors and independent non-executive Directors, namely Ms. Liu Yuou (chairman since March 30, 2022), Mr. Ye Jianguang and Mr. Tan Fulong. In addition, Mr. Shi Wenfeng has ceased to serve as the chairman. The primary duties of the Related Party Transaction Control Committee include:

- (1) to implement and manage the policies regarding related party transactions;
- (2) to promptly review related party transactions and to provide opinions accordingly;
- (3) to control the risks of related party transactions;
- (4) to deal with other matters in relation to the duties of the committee as required by laws and regulations or as authorized by the Board of Directors.

In 2022, the Related Party Transaction Control Committee held 14 meetings, at which 92 proposals were considered and approved, and the committee conducted research on the related party management and related party transaction management.

**5. Audit Committee**

The Audit Committee consists of non-executive Directors and independent non-executive Directors, namely Mr. Xu Zhi (chairman), Mr. Chen Weiliang, Ms. Liu Yuou and Ms. Xu Tingting. The primary duties of the Audit Committee include:

- (1) to review the financial and accounting policies, financial position and financial reporting procedures of our Bank and their implementation;
- (2) to review the risk and compliance conditions of our Bank;
- (3) to review and supervise the integrity of the financial statements, annual reports, audited annual financial reports and accounts, interim reports and quarterly report (if published) of our Bank; to review significant financial reporting judgments contained in them; to determine and report on the truthfulness, completeness and accuracy of the information set out in the audited financial reports; and to decide on whether the same should be submitted to the Board of Directors;
- (4) to liaise with the Board of Directors and senior management and meet, at least twice a year, with the external auditors of our Bank;
- (5) to review the relevant reports before submission to the Board of Directors, with particular focus on: (i) any changes in accounting policies and practices; (ii) major judgmental areas; (iii) significant adjustments resulting from audit; (iv) going concern assumptions and any qualifications; (v) compliance with accounting standards; and (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting; and to consider any significant or unusual items that shall reflect, or may need to be reflected, in the report and accounts, with due consideration given to any matters that have been raised by our staff responsible for the accounting and financial reporting function, internal audit or auditors;
- (6) to review the external auditor's management letter, any material queries raised by the external auditor to management about accounting records, financial accounts or systems of control and management's response; and to ensure that the Board of Directors will provide a timely response to the issues raised in the external auditor's management letter;
- (7) to approve the internal audit regulations, medium-to-long-term audit plans and annual audit plans;
- (8) to submit regular audit reports to the Board of Directors as well as the senior management and the Board of Supervisors;
- (9) to supervise the implementation of remedial measures by the senior management for issues identified during audit and the implementation of audit recommendations;
- (10) to review objections on the audit conclusion raised by the audit subject department;
- (11) to make suggestions to the Board of Directors to hold the internal audit manager and the person-in-charge accountable;
- (12) to make recommendations to the Board of Directors on the appointment, re-appointment, removal or replacement of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to handle any issue in relation to the resignation or removal of such external auditor;

- (13) to review and monitor the external auditor's independence, objectivity and the effectiveness of the audit process in accordance with applicable standards; and discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (14) to develop and implement policy on engaging an external auditor, including any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally, to supply non-audit services; and report to the Board of Directors, identifying and making recommendations on any matters where action or improvement is needed;
- (15) to supervise the establishment and implementation of the internal audit system of our Bank and to review the financial information of our Bank and its disclosure;
- (16) to review arrangements that employees of our Bank can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (17) to establish a whistleblowing policy and system for employees and those who deal with our Bank (e.g., customers and suppliers) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to our Bank;
- (18) to act as the key representative body for overseeing our relations with the external auditor, responsible for the communication between internal audit and external auditor and to monitor their relationship; ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within our Bank, and to review and monitor its effectiveness;
- (19) to review the financial control, risk management and internal control system of our Bank;
- (20) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems, which should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Bank's accounting and financial reporting function;
- (21) to consider major investigation findings on risk management and internal control matters as delegated by the Board of Directors or on its own initiative and management's response to these findings;
- (22) to report to the Board of Directors on the matters under paragraph D.3 of Part 2 of the Corporate Governance Code; and
- (23) to consider other topics as defined by the Board of Directors and to deal with other matters as authorized by the Board of Directors.

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In 2022, the Audit Committee held 8 meetings, at which 42 proposals were considered and approved. The committee regularly reviewed financial reports and internal and external audit reports, supervised and verified the authenticity, accuracy and timeliness of financial report information, reviewed and monitored risk management and internal control systems and grasped the problems discovered in internal audit in a timely manner. The committee continuously strengthened communication with internal and external audit function, convened two meetings with the external auditors of the Bank during the Reporting Period, promoted the formation of an effective communication mechanism between internal and external audit, attached great importance to the construction of the “sky-eye” audit system, and continued to promote intelligent auditing.

In accordance with the requirements of the Administrative Measures for the Audit of Annual Financial Statements of the Bank, the Audit Committee performed the following duties during the preparation and review of the 2022 annual report:

- (1) The Audit Committee held a symposium with the statutory accounting firm, listened to the report on the operation of the Bank in 2022, communicated about the work in the audit and the progress of the audit, reviewed the financial and accounting statements of the Group, and formed written opinions on the above matters.
- (2) Before the convening of the meeting of the Board of Directors, the Audit Committee reviewed the 2022 annual report of the Bank, and agreed to submit it to the Board of Directors for review.

### **6. Consumer Rights Protection Committee**

The Consumer Rights Protection Committee consists of executive Directors, non-executive Directors and independent non-executive Directors, namely Mr. Fu Qiang (chairman), Mr. Cai Guowei, Mr. Chen Haitao and Mr. Tan Fulong. The primary duties of the Consumer Rights Protection Committee include:

- (1) to report to the Board of Directors on consumer rights protection related matters periodically;
- (2) to oversee the establishment and enhancement of consumer rights protection system to ensure that the relevant policies are consistent with our corporate governance, corporate culture development and operational development strategy;
- (3) to supervise the implementation of consumer rights protection related works by the senior management and consumer rights protection department in accordance with regulatory requirements, our strategies and policies and fulfillment status of our objectives;
- (4) to convene consumer rights protection working meetings periodically and to approve the work report by senior management and consumer rights protection department;
- (5) to deal with other matters as authorized by the Board of Directors or as required by the relevant regulatory requirements.

In 2022, the Consumer Rights Protection Committee held 6 meetings, at which 21 proposals were considered and approved, and the committee conducted research on the consumer financial protection work plan and the construction of the consumer rights protection system.

### **(VIII) Continuous Professional Development Plan of Directors**

During the Reporting Period, the Bank attached great importance, enhanced the compliance awareness of Directors to the continuous training of Directors, organized directors to participate in the “Indigo Plan (靛青計劃)” training for middle and senior cadres, and carried out disciplinary education activities related to anti-money laundering and anti-corruption, which effectively broadened their macro decision-making vision, enhanced the compliance awareness of Directors, and improved the performance capability of Directors. Details of the main trainings attended by the Directors during the Reporting Period are as follows:

- “Indigo Plan” Middle and High-Level Cadre Management Seminar (participating Directors: CAI Guowei, YE Jinqun, CHEN Haitao, ZHANG Qingxiang, CHEN Weiliang, TANG Wencheng, ZENG Jianhua, YIP Tai Him, XU Zhi, TAN Fulong, LIU Yuou, XU Tingting)
- Disciplinary education and learning activities (including anti-money laundering, anti-corruption and other disciplinary education) (participating Directors: WANG Yaoqiu, FU Qiang, YE Jianguang, LAI Chun Tung, WANG Junyang, CAI Guowei, YE Jinqun, CHEN Haitao, ZHANG Qingxiang, CHEN Weiliang, TANG Wencheng, ZENG Jianhua, YIP Tai Him, XU Zhi, TAN Fulong, LIU Yuou, XU Tingting)

### **(IX) Directors’ Responsibilities for Consolidated Financial Statements**

The Directors acknowledge their responsibility for the preparation of the financial statements of the Group. In preparing the financial statements of 2022, International Financial Reporting Standards (IFRSs) have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made. The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group’s ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

## **VI. THE BOARD OF SUPERVISORS**

The Board of Supervisors is the supervisory organization of the Bank. In 2022, the Board of Supervisors held 9 meetings, approved 162 proposals and reviewed or listened to 113 reports. The contents of the discussions covered the performance of duties of the board of directors, senior executives and their members, financial decisions and activities, strategy implementation, risk management, internal control and other aspects, ensuring effective supervision over the operation and management of the Bank.

### **(I) Responsibilities and Duties of Supervisors**

During the Reporting Period, the Supervisors of the Bank strictly abided by the requirements of laws, regulations, regulatory provisions, relevant rules domestically and internationally and the Articles of Association of the Bank, performed their obligations and exercised their rights in a prudent, conscientious and diligent manner, actively participated in the general meetings, the meetings of the Board of Supervisors and the committees thereunder, and understood and supervised the performance of the Board of Directors and senior management of the Bank and the financial performance, internal control and risk management of the Bank in a timely manner, so as to safeguard the interests of the Bank and its Shareholders.

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During the Reporting Period, the attendance of the Supervisors is set out as follows:

Name of Supervisor	Class of Supervisor	Number of actual attendance/number of meetings held		
		Meetings of the Board of Supervisors	Committees under the Board of Supervisors	
			Nomination Committee	Supervisory Committee
Chen Sheng	Employee Supervisor	9/9	7/7	—
Deng Yanwen	Employee Supervisor	9/9	7/7	—
Liang Zhifeng	Employee Supervisor	9/9	—	3/3
Wu Lixin	Employee Supervisor	9/9	—	3/3
Lu Chaoping	Shareholder Supervisor	9/9	—	—
Wang Zhujin	Shareholder Supervisor	9/9	—	—
Liang Jiepeng	Shareholder Supervisor	9/9	—	—
Zou Zhibiao	Shareholder Supervisor	9/9	—	—
Wei Haiying	External Supervisor	9/9	7/7	—
Yang Biao	External Supervisor	9/9	7/7	—
Zhang Bangyong	External Supervisor	9/9	—	3/3
Mai Xiuhua	External Supervisor	9/9	—	3/3

### (II) Committees under the Board of Supervisors and Their Performance

During the Reporting Period, the Board of Supervisors has established two committees, namely the Nomination Committee and Supervisory Committee. In 2022, the two specialized committees mentioned above exercised their functions and powers in an independent, compliance and effective manner. A total of 10 meetings were held during the year to consider 21 proposals regarding performance evaluation, supervision and inspection. These committees have earnestly performed their responsibilities, promoted the supervision of the procedures in an orderly and steady manner, and fully exerted the role of assisting the Board of Supervisors in the diligent performance of their duties.

#### 1. Nomination Committee

The Nomination Committee consists of external Supervisors and employee representative Supervisors, namely Mr. Yang Biao (楊彪先生) (chairman), Mr. Chen Sheng (陳勝先生), Ms. Wei Haiying (衛海英女士) and Ms. Deng Yanwen (鄧燕雯女士). The primary duties of the Nomination Committee include:

- (1) to formulate the procedures and criteria of selection of Supervisors, conduct preliminary review of the qualification and conditions of candidates for Supervisors and to make recommendation to the Board of Supervisors;
- (2) to supervise the selection and appointment of Directors;
- (3) to conduct comprehensive evaluation of the performance of Directors, Supervisors and senior management and to report the results to the Board of Supervisors;

- (4) to review the objectivity and reasonableness of the remuneration management systems and policies of the Bank and the remuneration packages for senior management;
- (5) to deal with other matters as authorized by the Board of Supervisors.

In 2022, the Nomination Committee held 7 meetings at which 11 proposals have been considered and approved, and conducted research on the performance evaluation and the remuneration management.

## **2. Supervisory Committee**

The Supervisory Committee consists of external Supervisors and employee representative Supervisors, namely Mr. Zhang Bangyong (張邦永先生) (chairman), Ms. Mai Xiuhua (麥秀華女士), Mr. Wu Lixin (伍立新先生) and Mr. Liang Zhifeng (梁志鋒先生). The primary duties of the Supervisory Committee include:

- (1) to formulate the supervision proposal with respect of financial activities of the Bank and to conduct related inspection;
- (2) to supervise the development of prudent business philosophy and values as well as strategies by the Board of Directors according to the conditions of the Bank;
- (3) to supervise and inspect the business decision-making, risk management and internal control;
- (4) to deal with other matters as authorized by the Board of Supervisors.

In 2022, the Supervisory Committee held 3 meetings at which 10 proposals have been considered and approved, and researched on the business decision-making, risk management and the implementation of the development strategies of the Bank.

### **(III) Duty Performance of External Supervisors during the Reporting Period**

The Articles of Association stipulates that the Bank shall have four external Supervisors. The chairmen of the Nomination Committee and the Supervision Committee under the Board of Supervisors are all served by external Supervisors.

During the Reporting Period, the Bank's external Supervisors performed their duties in strict compliance with relevant laws and regulations and the Articles of the Bank, actively participated in the general meeting and meetings of the Board of Supervisors and its special committees, attended relevant important meetings, made full use of their professional expertise to conduct research and other work, and put forward reasonable opinions and suggestions in a timely manner, which effectively promoted the compliance and legal operation of the Bank.

## VII. SENIOR MANAGEMENT

### (I) Composition of Senior Management

The senior management of the Bank consists of 1 president, 2 vice presidents and 1 president assistant. At the senior management level, the Bank has established the Assets and Liabilities Management Committee (資產負債管理委員會), Financial Management Committee (財務管理委員會), Procurement and Tendering Management Committee (採購與招標管理委員會), Product Innovation Committee (產品創新委員會), Loans Review Committee (貸款審查委員會), Proprietary Trading and Investment Decision Committee (資金交易與投資決策委員會), Non-performing Asset Management Committee (不良資產管理委員會), Comprehensive Budget Management Committee (全面預算管理委員會), Information Technology Management Committee (信息科技管理委員會), Comprehensive Risk Management Execution Committee (全面風險管理執行委員會), Consignment Asset Management Products Decision Committee (代銷資產管理產品決策委員會) and Emergency Response Management Committee (突發事件應對管理委員會). Each committee is under operation independently according to relevant functions.

### (II) Responsibilities and Duties of Senior Management

The senior management of the Bank shall be accountable to the Board of Directors and supervised by the Board of Supervisors in accordance with the Articles of Association. The senior management shall carry out operation and management in accordance with the Articles of Association and the authorization of the Board of Directors to ensure that the operation of the Bank is in line with the development strategies, risk preference and other policies of the Board of Directors.

The operation and management activities of the senior management within their terms of reference shall not be interfered. Senior management shall exercise, including but not limited to, the following functions and rights: to manage the business operation of the Bank, organize the implementation of the resolutions of the Board of Directors and report the work to the Board of Directors; to submit business plan and investment plan to the Board of Directors, and to organize the implementation upon approval by the Board of Directors; to prepare plans for the establishment of the internal management structure of the Bank; to establish the basic management system of the Bank; to formulate detailed regulations of the Bank; to determine the reward and punishment of employees of the Bank; and other functions and rights that should be exercised in accordance with laws, regulations, rules and the Articles of Association or granted by the Board of Directors.

## VIII. COMPANY SECRETARIES

Mr. Ye Jianguang and Mr. Wong Wai Chiu served as the joint company secretaries of the Bank. Mr. Ye Jianguang is the primary contact person of the Bank to Mr. Wong Wai Chiu who is an external service provider. Each Director can discuss, consult with and acquire data from the company secretaries. Both Mr. Ye Jianguang and Mr. Wong Wai Chiu confirmed that they had received relevant professional training for at least 15 hours during the Reporting Period in accordance with the requirements of Rule 3.29 of the Listing Rules.

## IX. EMPLOYEES

The Group strictly complies with relevant laws and regulations, and clearly stipulates anti-discrimination, anti-forced labour and anti-child labour regulations in the recruitment process, striving to create a fairer employment environment and a diversified workplace atmosphere. In respect of gender diversity, as at the end of the Reporting Period, the Group had 8,009 employees, including 4,716 male employees and 3,293 female employees, with a male-to-female ratio of approximately 1.43:1. The Bank attaches great importance to the protection of the rights and interests of female employees. Through initiatives such as the establishment of the executive committee studio of the Women's Federation and setting up mother-and-baby care rooms, the Company created a comfortable, equal and convenient environment for female employees and fully protected their rights and interests. The details of the employees are as follows:

### (I) Employees Functional Structure

Function type	Number	Percentage (%)
Corporate banking business	1,008	12.59
Personal banking business	3,080	38.46
Treasury business	102	1.27
Finance, accounting and operation	1,391	17.37
Risk management, internal control and legal compliance	908	11.34
Information technology	338	4.22
Administrative management	889	11.10
Others	293	3.66
<b>Total</b>	<b>8,009</b>	<b>100.00</b>

### (II) Employee Educational Background Structure

Educational background type	Number	Percentage (%)
Postgraduate and above	320	4.00
Undergraduate	6,173	77.08
Associate college	1,197	14.95
Technical secondary school and below	319	3.98
<b>Total</b>	<b>8,009</b>	<b>100.00</b>

### **(III) Employee Title Structure**

<b>Title category</b>	<b>Number</b>	<b>Percentage (%)</b>
Senior title	146	1.82
Intermediate title	1,390	17.36
Assistant title	2,192	27.37
Employee level and below	4,281	53.45
<b>Total</b>	<b>8,009</b>	<b>100.00</b>

*Note:* The number of employees mentioned above refers to the number of in-service employees who have signed labor contracts with the Group, excluding non-active personnel such as retired and early retired personnel, and personnel under labor dispatch or outsourcing arrangement.

### **(IV) Employee Remuneration Policy**

The Bank's remuneration is based on risk compliance, follows the basic principles of total quantity control, distribution according to work volume, priority for efficiency, fairness and sustainable development, and fully reflects external competitiveness, internal fairness, individual incentives, corporate affordability and institutional flexibility, which is in line with the strategic development and operation management needs of the Bank.

1. Remuneration management structure and decision-making procedures. According to the operation and management needs, the Bank has established the remuneration management organizational structure. The highest decision-making body is the Shareholders' general meeting of the Bank, which is responsible for the remuneration management of Directors and Supervisors. The Nomination and Remuneration Committee under the Board of Directors are responsible for reviewing the remuneration management system and policies of the Bank, making recommendations on remuneration proposals to the Board of Directors, and assessing Directors and senior management. The office of the Nomination and Remuneration Committee under the Board of Directors is established for formulating and implementing specific remuneration and performance appraisal plans. The Bank is committed to creating an open, transparent, prudent and sound remuneration appraisal atmosphere, full exerting the leading role of remuneration appraisal in operation management and business development.
2. Total annual remuneration expense and remuneration structure and distribution. The total remuneration expense of the Group was RMB3,182 million in 2022, which consists of short-term remuneration, post-employment benefits — defined contribution plan and termination benefits. Among them, the remuneration of active employees mainly composed of fixed salary, performance salary, variable salary, medium-and long-term incentives and welfare income, etc. The audited short-term remuneration (salary, bonuses, allowances and subsidies, employee welfare, social insurance, housing provident fund, labor union fund and employee educational fund) amounted to RMB2,877 million, the post-employment benefits — defined contribution plan (including basic pension, unemployment insurance and enterprise annuity) amounted to RMB298 million, and termination benefits was RMB6 million.
3. Balance of remuneration and results, standards of risk adjustment. The Bank continued to strengthen the construction of the remuneration system and performance incentive and restraint mechanism, and formulated the Dongguan Rural Commercial Bank Co., Ltd. Remuneration Management Measures and the performance appraisal plan for all levels of personnel. Remuneration is linked to the completion of the business target and the results of risk control.

4. Deferred and revoked payment and non-cash remuneration. The Bank continued to implement the Dongguan Rural Commercial Bank Deferral Payment of Performance-based Salary Management Measures and the Dongguan Rural Commercial Bank Co., Ltd. Revoked Payment of Performance Compensation Management Measures, and continued to improve the mechanism of deferred and revoked payment. The scope of deferred payment of performance-based compensation included senior management of the Bank, employees in positions that have significant impact on risks, and other individuals who engage in credit and credit-like business. The Bank divided different provision ratios according to titles, ranks and positions of deferred payment subject, with payment deferral period of 3 years. In particular, the deferral ratio of performance-based compensation for key senior management of the Bank is as high as 51%. In accordance with relevant provisions, The Bank revoked performance-based compensation paid to the senior management and person of key positions due to non-compliance with laws and regulations. In 2022, the total number of individuals to whom the Bank implemented deferral payment of performance-based compensation was 2,269, the total provision amount of deferred payment was RMB116 million, and the total amount of revoked performance payment was RMB660,000.
5. Formulation, filing of annual compensation plan and assessment on completion of economic, risk and social responsibility indicators. Following the principle of “policy, efficiency, comprehensiveness and continuity”, the Bank has developed a complete set of performance appraisal system, covering risk management, compliance operation, operation efficiency, development and transformation and social responsibility, etc. The performance appraisal based mainly on annual business objectives, taking into consideration of local economic development, to set clear and feasible target and tasks. The main performance appraisal indicators shall be considered and approved by the Board of Directors and reported to the local banking regulatory authority. In addition, the Bank strengthened the assessment of risk compliance and social responsibility, etc., and achieved good results in ensuring the safety of customer funds, improving customer satisfaction, preventing cases and supporting the development of the real economy, making sure the security of the Bank’s economy or reputation. During the Reporting Period, the Bank generally fulfilled the appraisal objectives of operation, development, risk and social responsibility and other indicators, and no downgrading had occurred due to regulatory punishment or major non-compliance with laws and regulations.
6. Stable compensation system which adapts to the development needs of enterprises and society. The Bank’s compensation system is relatively stable and there have been no major changes in relevant policies. Generally, compensation adjustment will occurs as a result of: firstly, adjustment will be made to the salary standard corresponding to each class of salary according to the operation efficiency of the Bank and the overall change of salary level of the society; and secondly, adjustment will be made to the salary of partial positions according to the business development needs of the Bank and the supply of human resources of the society, so as to better reflect the actual situation of positions. During the Reporting Period, there was no exceptions beyond the original compensation plan and no changes in the classes of overall salary.

## **(V) Staff Training**

Closely centering on the three-year strategic development plan, the Bank has innovated the talent growth and development system, further built a learning organization and continuously laid a solid foundation in dimensions including system construction, cultivation of key talents and knowledge management systems so as to drive the high-quality development of the Bank with high-quality talents. In 2022, the Bank organized and implemented about 180 talent training projects, covering more than 13,000 person-time of the Bank. Meanwhile, the Bank continued to improve workforce quality by deepening the construction of online learning platforms which boasting an average learning time of more than 60 hours.

*Perfecting the construction of the talent training system.* Centering on the three core training systems, i.e. “leadership, professional ability and new potential”, the Bank has focused on promoting a four-hierarchy and comprehensive management talent echelon cultivating system program of “Evergreen Foundation (基業長青)” and upgraded “P100” business trainee cultivation system so as to build a all-round talent training system continuously. At the same time, the Bank has been exploring the cultivation of talents for key positions and promoted the professional and systematic cultivation of business lines.

*Actively advancing the cultivation of key talents.* Focusing on the strategic plan and core businesses, the Bank has explored a diversified talent training system to promote the cultivation of strategic talents, key talents and professional talents in an active way. The Bank has promoted the cultivation programs including the “G30 Training Camp”, namely special training program for financial science and technology talents, as well as the private banking “T Plan” elite training camp in an innovative way and paid continuous attention to employee empowerment and learning and development.

*Building an internal knowledge management system.* To support the building of learning capacity for professional positions through the joint development of trainers and courses, the Bank has integrated internal and external training resources by cultivating internal trainers, developing internal courses and introducing quality external courses. Relying on the talent training programs and special courses learning, the self-learning willing of staff has been inspired, which creating a strong learning atmosphere across the Bank as well as laying a solid foundation for the high-quality development of the Bank’s businesses.

## **X. SUBSIDIARIES AND BRANCHES**

### **(I) Major Subsidiaries**

The Bank’s major subsidiaries include Zhanjiang RCB, Guangdong Chaoyang RCB, Huizhou Zhongkai Dongying County Bank, Yunfu Xinxing Dongying County Bank, Dongguan Dalang Dongying County Bank and Hezhou Babu Dongying County Bank.

For details about the major subsidiaries, please refer to the Note 19 “Subsidiaries” to the consolidated financial statements in the “Financial Report” chapter in this Report.

## (II) Branches

As at the end of the Reporting Period, the Bank has established 39 tier-one branches and sub-branches, 200 tier-two sub-branches and 265 offices. Details of tier-one branches and sub-branches are as follows:

No.	Name of entity	Address	Telephone
1	Zhongxin sub-branch	No.2 Hongfu East Road, Dongcheng Street, Dongguan City	0769-22866666
2	Zhongtang sub-branch	No. 101 Zhongxing Road, Zhongtang Town, Dongguan City	0769-88818522
3	Wangniudun sub-branch	Room 102, No.25 Zhenzhong Road, Wangniudun Town, Dongguan City	0769-88851262
4	Daojiao sub-branch	No. 120 Zhenxing Road North, Daojiao Town, Dongguan City	0769-88833111
5	Hongmei sub-branch	Room 101, No. 69 Hongmeiqiao East Road, Hongmei Town, Dongguan City	0769-88841546
6	Machong sub-branch	No. 5 Zhenxing Road, Machong Town, Dongguan City	0769-88821389
7	Wanjiang sub-branch	No. 3 Wanjiang Road North, Xincheng Community, Wanjiang District, Dongguan City	0769-22288628
8	Humen sub-branch	Dushi Huating, No. 181 Humen Avenue, Humen Town, Dongguan City	0769-85123142
9	Changan sub-branch	No. 286 Changqing South Street, Changan Town, Dongguan City	0769-85310223
10	Houjie sub-branch	No. 16 Kangle North Road, Houjie Town, Dongguan City	0769-85588841
11	Shatian sub-branch	No. 93 Shatai 1st Road, Hengliu, Shatian Town, Dongguan City	0769-88861903
12	Nancheng sub-branch	No. 44 Nancheng Road section, Guantai Road, Dongguan City	0769-22818522
13	Dongcheng sub-branch	No. 7 Dongcheng East Road, Dongcheng District, Dongguan City	0769-22239029
14	Liaobu sub-branch	No.2 Jiaoyu Road, Liaobu Town, Dongguan City	0769-83329713
15	Dalingshan sub-branch	Room 101, No. 460 Dalingshan Section, Guanchang Road, Dalingshan Town, Dongguan City	0769-83351158
16	Dalang sub-branch	No. 568 Meijing Central Road, Dalang Town, Dongguan City	0769-83311102
17	Huangjiang sub-branch	No. 65 Huangjiang Avenue, Huangjiang Town, Dongguan City	0769-83365136
18	Zhangmutou sub-branch	No. 111 Guanzhang West Road, Zhangmutou Town, Dongguan City	0769-87719118
19	Qingxi sub-branch	No. 2 Xiangmang Central Road, Qingxi Town, Dongguan City	0769-87730998

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No.	Name of entity	Address	Telephone
20	Tangxia sub-branch	No. 17 Yingbin Avenue, Tangxia Town, Dongguan City	0769-87728810
21	Fenggang sub-branch	No. 69 Yongsheng Street, Fenggang Town, Dongguan City	0769-87750947
22	Xiegang sub-branch	Rooms 101-601, No. 1 Building, No. 72 Xiegang Huayuan Avenue, Xiegang Town, Dongguan City	0769-87765178
23	Changping sub-branch	Room 103, No.36 Changping Avenue, Changping Town, Dongguan City	0769-83331409
24	Qiaotou sub-branch	No. 197 Qiaoguang Avenue (Qiaotou Section), Qiaotou Town, Dongguan City	0769-83342244
25	Hengli sub-branch	No. 580 Zhongshan West Road, Hengli Town, Dongguan City	0769-83373924
26	Dongkeng sub-branch	No. 74 Dongkeng Avenue, Dongkeng Town, Dongguan City	0769-83880995
27	Qishi sub-branch	No. 8 Jiangbin Road, Qishi Town, Dongguan City	0769-86665038
28	Shipai sub-branch	No. 297 Shipai Avenue Central, Shipai Town, Dongguan City	0769-86657030
29	Chashan sub-branch	No. 82 Caihong Road, Chashan Town, Dongguan City	0769-86641493
30	Shijie sub-branch	No. 4 Dongfeng South Road, Shijie Town, Dongguan City	0769-86636495
31	Gaobu sub-branch	No. 13, New Century Yilongwan Phase III, Xiansha Village, Gaobu Town, Dongguan City	0769-88871317
32	Donglian sub-branch	Room 101, Building 6, Fortune Center, First International, No. 200 Hongfu Road, Nancheng Street, Dongguan City	0769-22856670
33	Shilong sub-branch	No. 8 Fangzheng Central Road, Shilong Town, Dongguan City	0769-86602831
34	Songshanhu Keji sub-branch	Building No. 20, Songkeyuan, No. 4 Libin Road, Songshan Lake Science and Technology Industrial Park, Dongguan City	0769-22891811
35	Binhai Bay New District sub-branch	Room 106, No. 1 Bay Area Avenue, Binhai Bay New District, Dongguan City	0769-88007788
36	Huizhou sub-branch	(No. 01, 07, 08) 1/F and (No. 01-10) 2/F, Haoshi Plaza, No. 8 Yanda Avenue, Huizhou City	0752-2169686
37	Qingxin sub-branch	Shops 101 and 201, 1/F, Block C, Kaixuancheng, No.38 Jianshe Road South, Taihe Town, Qingxin District, Qingyuan City	0763-5206869
38	Nansha branch in Guangdong Pilot Free Trade Zone	Room 311, 312, 313, 314, podium building, Block 17, Zhonghui Bilong Bay, No. 3 Wangjiang 2nd Street, Nansha District, Guangzhou City	020-39391183
39	Hengqin branch in Guangdong Pilot Free Trade Zone	Room 3103, Block 2, No. 88 Gangao Avenue, Hengqin New District, Zhuhai City	0756-2992623

*Note:* The list contains the tier-one branches and sub-branches only and subsidiaries are not included.

## XI. RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors is responsible for the Bank's risk management and internal control system, and reviews the Bank's comprehensive risk management and internal control system at least once a year. During the Reporting Period, the Bank attached great importance to the comprehensive risk management and formulated the 2022 Implementation Opinions for Comprehensive Risk Management of the Bank as the booster for stepping into the new stage of the comprehensive risk management of the Bank based on actual condition, and put forward key points of risk management planning in terms of risk lines, emergency capacity, group management and digital transformation.

Pursuant to the Guidelines for Comprehensive Risk Management of Commercial Banks (《商業銀行全面風險管理指引》) issued by the CBIRC, the Bank continuously identifies and assesses the credit risk, liquidity risk, market risk, operation risk, compliance risk, legal risk, money laundering risk, information technology risk, reputation risk, strategic risk and other main risks which the Bank and subsidiaries expose to, and prudently analyzes critic issues exposed to and formulates corresponding management measures, and reports to the senior management and the Board of Directors in time. During the Reporting Period, upon evaluation by the Board of Directors, the established comprehensive risk management system of the Bank is sufficient and effective, and various risks (including environmental, social and governance relating risks) are at the lower risk level, as well as the comprehensive risk management system built by subsidiaries with the Bank's assistance is also effective and complies with their respective own positioning.

In accordance with the Guidelines for Internal Control of Commercial Banks (《商業銀行內部控制指引》) and relevant regulations and under the guidance of the Audit Committee of the Board of Directors, the audit department of the Bank organized and carried out the internal control evaluation in 2022. Upon review by the Board of Directors, the comprehensive risk management and internal control system (including financial controls, operational controls and compliance controls) established and implemented by the Bank was sufficient and effective, and no major deficiency in internal control were found during the Reporting Period.

Since the comprehensive risk management and internal control system is to manage rather than to eliminate the risk of failure to achieve business objectives, the Board of Directors can only make reasonable rather than absolute assurance that there would be no material misstatement or loss.

For details of the Bank's risk management and internal control, please refer to the "Risk Management" section in the "Management Discussion and Analysis" chapter of this Report.

## **XII. INSIDE INFORMATION MANAGEMENT**

The Bank attached great importance to the inside information management, strictly followed the regulatory requirements, implemented inside information management in strict accordance with the Administrative Measures for the Information Disclosure of Dongguan Rural Commercial Bank Co., Ltd. (2021 Version) to clarify the scope of inside information, confidentiality measures, approval process, release form, division of responsibilities and duties, accountability and evaluation, strengthen the management of inside information and insiders, striving to ensure the authenticity, accuracy, timeliness, completeness and fairness of information disclosure, and protect the legitimate interests of the Shareholders. During the Reporting Period, there was no leakage of inside information of the Bank.

## **XIII. MANAGEMENT OF CONSOLIDATED ENTITIES**

### **(I) Organizational Structure of Management of Consolidated Entities**

The organizational structure of management of consolidated entities of the Bank consists of the Board of Directors, the Board of Supervisors, senior management and relevant functional departments. The Board of Directors formulates the management policies of consolidated entities and includes the groupwide management into development strategies. The Board of Supervisors continuously supervise the operation of the management mechanism of consolidated entities of the Group. The senior management of the Bank is responsible for promoting the implementation of management policies of consolidated financial statements, urging functional departments to continuously improve different lines of management of consolidated entities, and regularly report the management of consolidated entities to the Board of Directors. During the Reporting Period, consolidated entities of the Bank included Zhanjiang RCB, Chaoyang RCB, Huizhou Zhongkai Dongying County Bank, Yunfu Xinxing Dongying County Bank, Dongguan Dalang Dongying County Bank and Hezhou Babu Dongying County Bank.

### **(II) Main Measures for Management of Consolidated Entities**

Firstly, implementation of management system of consolidated entities. During the Reporting Period, the Bank implemented consolidated entities management in strict accordance with the Administrative Measures for Consolidated Financial Statements, the Administrative Measures for Liquidity Risks of Consolidated Financial Statements, the Capital Administrative Measures for Consolidated Financial Statements, the Administrative Measures for Regular Reporting of Subsidiaries (附屬機構常規事項報送管理辦法), etc.

Secondly, management of consolidated financial statements of the Group. In accordance with relevant requirements of the accounting standards, the Bank consolidated and offset the accounting entities through the financial ledger system and manual accounts to ensure the accuracy of the consolidation of the Group's financial (accounting) statements.

Thirdly, consolidated management capital of the Group. The Bank has formulated the capital planning of the Group, actively carried out capital replenishment, and disclosed the Group's consolidated capital adequacy ratio as required. During the Reporting Period, the capital of consolidated financial statements of the Group was adequate, and complied with regulatory requirements.

Fourthly, internal transaction management. During the Reporting Period, the internal transactions between the Bank and its subsidiaries were free from improper transfer of interests, infringement of the interests of Shareholders or consumption interests of customers, and there was no major internal transactions.

Fifthly, risk management of the Group. During the Reporting Period, the Group promoted the comprehensive risk management mechanism, improved the Group's risk management policies, set up the risk limit of the Group, carried out on-site business inspection and off-site monitoring of subsidiaries, and continuously enhanced the risk management capability of each business line. The Bank improved the internal firewall system of the Group step by step, identified the individual and overall risks of subsidiaries, perfected the liquidity support policies of the Group, and prevented the trans-institutional transmission of financial risks within the Group.

## **XIV. AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

The Bank has received the approval for the change of registered capital in relation to the 1,148,091,000 H Shares issued under the initial public offering of H Shares from CBIRC Dongguan Office on April 25, 2022, approving the change of registered capital of the Bank from RMB5,740,454,510 to RMB6,888,545,510. The Bank has made the corresponding amendment to the Articles of Association of the Bank.

The amendments to the Articles of Association were considered and approved at the 2022 first extraordinary general meeting of the Bank held on December 19, 2022 and the amendments to the Articles of Association are subject to the approval of the CBIRC Dongguan Office. For details of the amendments to the Articles of Association, please refer to the announcement dated 4 November 2022 and the circular dated 28 November 2022 of the Bank.

## **XV. AUDITORS AND THEIR COMPENSATION**

PricewaterhouseCoopers, also being the international auditor of the Bank for 2020, retired as the international auditor of the Bank for 2021 with effect from the conclusion of the 2021 annual general meeting of the Bank on 23 May 2022 and will not offer itself for re-election. As considered and approved at the 2021 general meeting, the Bank appointed KPMG and re-appointed Pan-China Certified Public Accountants LLP as the international and domestic auditors of the Bank for the year of 2022, respectively, for a term until the conclusion of the forthcoming annual general meeting of the Bank. Except for the above mentioned, there is no change of the international auditors or domestic auditors of the Bank for the past three years.

The 2022 annual financial statements prepared by the Bank in accordance with the International Financial Reporting Standards have been audited by KPMG who issued standard unqualified audited report; and the 2022 annual financial statements prepared by the Bank in accordance with the PRC Accounting Standards for Business Enterprises have been audited by Pan-China Certified Public Accountants LLP who issued standard unqualified audited report.

## Chapter VII Corporate Governance Report

An analysis of the remuneration paid/payable to the external auditors by the Group, in respect of audit services and other services for the year ended December 31, 2022 is set out below:

(unit: RMB)

<b>Service</b>	<b>KPMG</b>	<b>Pan-China Certified Public Accountants LLP</b>
Audit services	4,100,000	2,225,849
Non-audit services	5,196,805	514,604
<b>Total</b>	<b>9,296,805</b>	<b>2,740,453</b>

During the Reporting Period, the 2022 interim financial report and 2022 annual financial report of the Group prepared in accordance with the International Financial Reporting Standards was reviewed and audited by KPMG respectively, and the total audit fee was RMB3.50 million. The 2022 annual financial report of the Group prepared in accordance with the PRC Accounting Standards for Business Enterprises was audited by Pan-China Certified Public Accountants LLP, and the total audit fee was RMB1.59 million. Other audit services included auditing of financial reports of our subsidiaries.

During the Reporting Period, KPMG and its group member provided the Group with non-audit services such as consultation on digital transformation and IT strategic planning, due diligence, etc. at the fee of RMB5.20 million. The fees for non-audit services provided by Pan-China Certified Public Accountants LLP to the Group totaled RMB0.51 million, of which mainly relates to internal control assurance. KPMG and Pan-China Certified Public Accountants confirmed that such non-audit services would not impair their audit independence.

## XVI. CORPORATE CULTURE

Guided by Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, the Bank firmly created the Dongguan Rural Commercial Bank culture that responds to the trend of the times and highlights its own characteristics. During the third strategic transformation period, the Bank focused on the vision of "building a regional modern rural commercial banking group", shaped a corporate culture with distinctive characteristics and a positive corporate image, created and enriched the core corporate culture system, and proposed to build a "six in one" core culture covering business philosophy, management criteria, corporate atmosphere, corporate purpose, core values and entrepreneurial spirit, providing strong spiritual impetus for the transformation and upgrading of the Bank. First, we will adhere to the business philosophy of "customers are our greatest wealth"; Second, adhere to the management principle of "Governing the Bank with Regulations"; Third, we deeply cultivate the corporate atmosphere of "paying tribute to the top, showing love to the bottom, showing sincerity to people, and giving truth to things"; Fourth, adhere to the corporate purpose of "companion, belief and growth"; Fifth, firmly adhere to the core value of "creating maximum value for inclusive finance"; Sixth, we will build a corporate spirit of "stable and long-term development with great virtue".

The Bank kept a tight hold on operation and management and upheld the core cultural concept, so as to unify the value consensus and code of conduct of the staff, guide and encourage the cadres and employees to forge ahead, consolidate the everlasting cultural foundation of the Bank.

## **XVII. WHISTLEBLOWING AND ANTI-CORRUPTION**

The Bank established a supervision and whistleblowing mechanism to provide smooth reporting channels. Employees have the right to report violations of laws and disciplines in a timely manner according to regulations, encourage customers to supervise and report suspected corruption and other acts, and can report the problems through various channels such as the monthly disciplinary committee visit day, letter, e-mail, complaint hotline, etc. Reward can be given to report and resist violations of laws and regulations. At the same time, the Bank conduct regular evaluation of employees' abnormal behaviors, collect clues of employees' abnormal behaviors through anonymous offline means, further strengthen the supervision of employees' behaviors, and strengthen the deterrent against corruption and other illegal behaviors.

The Bank strengthened financial anti-corruption efforts and strictly implemented discipline accountability. The Company has formulated the management measures for employees' violations, and those who violate the requirements of integrity will be held accountable. Those who violate the criminal law shall be transferred to the judicial authority for handling according to law.

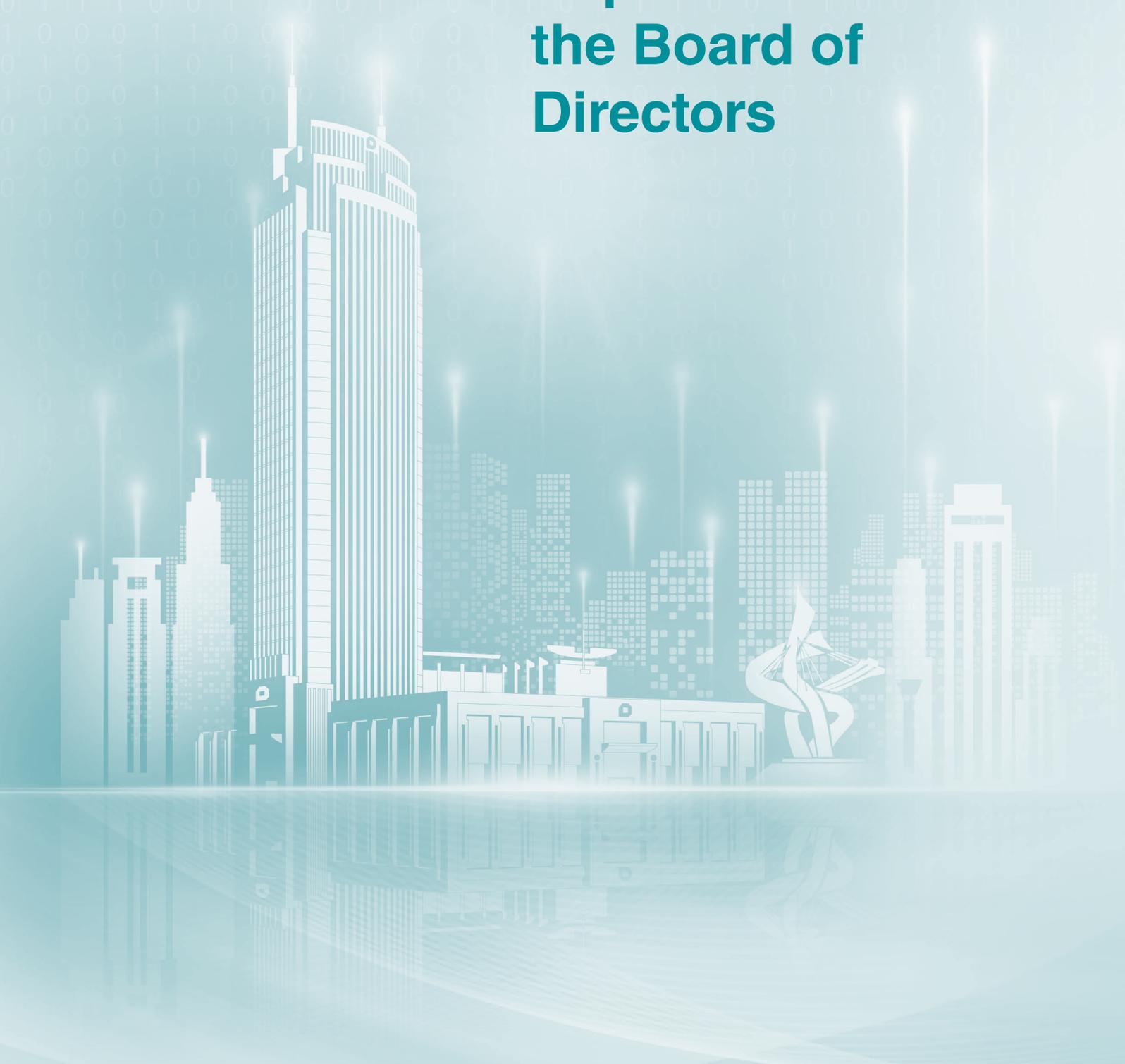
The Bank promoted the construction of a clean financial culture and created a clean and positive atmosphere. The Bank actively cultivated and practised the integrity concept of "promoting development with integrity and honesty", and integrated the construction of a clean financial culture into the whole process of business operation, customer service and internal management. Strengthen warning education, comprehensively enhance employees' awareness of integrity, and build a line of defence against corruption.

## **XVIII. COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

During the Reporting Period, the Bank adopted and complied with all the applicable code provisions set out in Part 2 of the Corporate Governance Code.

# Chapter VIII

## Report of the Board of Directors



The Board of Directors hereby presents the report of the Board of Directors and the audited financial report of the Group for the year ended December 31, 2022.

## **I. BUSINESS REVIEW**

### **(I) Principal activities**

The principal scope of business of the Group is banking business. (For projects subject to approval according to law, business activities can only be carried out after approval by relevant departments. For specific business items, approval documents or licenses of relevant departments shall prevail.)

### **(II) Business Review**

The Board of Directors has reviewed the business and operation of the Bank during the Reporting Period pursuant to the requirements of Schedule 5 to the Hong Kong Companies Ordinance. Please refer to the “Management Discussion and Analysis” chapter in this Report for the discussion and analysis of financial performance, major risks and uncertainty factors and future development plans during the Reporting Period; please refer to “Environmental, Social and Corporate Governance” chapter and “Corporate Governance Report” chapter of this Report for the environmental protection policies and performance as well as the relationship with staff, customers, suppliers and other stakeholders; and please refer to the “Other Matters” chapter in this Report for significant events during and after the Reporting Period.

During the Reporting Period, the Bank conducted operation in compliance with laws with its decision-making procedures in line with laws, regulations and the Articles of Association of the Bank.

## **II. PROFITS AND DIVIDENDS**

The Group's operation results during the Reporting Period and financial condition as of the end of the Reporting Period are set out in the “Financial Report” chapter in this Report.

### **(I) 2022 Profit Distribution Plan**

The Bank proposed to provide 10% or RMB586 million of the audited net profit for the year of 2022 as statutory surplus reserve, and provide 10% or RMB586 million of the audited net profit of the Bank for the year of 2022 as general reserve to satisfy the requirements that the balance of general reserve shall not less than 1.5% of risk assets. Based on total share capital, cash dividends of RMB0.29 per share (tax inclusive) is proposed to be distributed. Remaining undistributed profit will be carried forward to next year. The above profit distribution plan is subject to the consideration and approval at the 2022 annual general meeting.

The final dividend, if approved by the Shareholders at the 2022 annual general meeting, is expected to be paid on or before June 30, 2023 and are denominated in Renminbi and will be paid to Domestic Shareholders in Renminbi and H Shareholders in HK dollars. The dividend to be paid to H Shareholders in Hong Kong dollars will be converted at the average middle rate of Renminbi against Hong Kong dollars quoted by PBoC on the date of approval of such dividend at the 2022 Annual General Meeting and the four preceding business days.

Further details in relation to the distribution of the final dividend and the book closure arrangement will be announced in the circular of 2022 annual general meeting of the Bank.

## (II) Profit Distribution in the Past Three Years

Item	2022 <sup>(1)</sup>	2021		2020
		Profit distribution for the year	Special dividend <sup>(2)</sup>	
Bonus shares for every share held (shares)	—	—	—	—
Shares issued on capitalization of surplus reserve for every share held (shares)	—	—	—	—
Distribution amount per share (tax inclusive, RMB)	<b>0.29</b>	0.29	0.15	0.26
cash dividend (tax inclusive, in millions of RMB)	<b>1,998</b>	1,998	861	1,493
Percentage of cash dividend to net profit attributable to the Parent Company (%)	<b>33.68</b>	35.74	—	30.73

Notes:

- (1) The profit distribution plan for 2022 is subject to consideration and approval at the 2022 annual general meeting.
- (2) Pursuant to the resolution passed at the general meeting held on 25 April 2019, the Bank distributed the special cash dividend on 22 September 2021 to the shareholders whose names appeared on the register of members on 31 August 2021.

No shareholder has waived or agreed to waive any dividend under any arrangement.

## (III) Profit Distribution Policy and Implementation Thereof

The profit distribution of the Bank attaches great importance to the reasonable investment returns to investors, maintains the continuity and stability of the profit distribution policy, and takes into account the overall interests of all shareholders and the sustainable development of the Bank. After the Bank has made allocations to the reserve fund and the general reserve, the remaining profits after tax may be distributed to shareholders in proportion to their shareholdings in accordance with the distribution plan approved at the general meeting.

The Bank's dividend distribution complies with the provisions of the Articles of Association and the requirements of the resolutions of the general meeting. The dividend distribution standards and proportion are clear, and the decision-making procedures and mechanisms are complete. The independent non-executive directors shall express their opinions. Minority shareholders can fully express their opinions and demands, and their legitimate rights and interests are fully protected.

## (IV) Taxation and Tax Relief

### 1. Domestic Shareholders

In accordance with the applicable provisions of the Enterprise Income Tax Law of the People's Republic of China and the Individual Income Tax Law of the People's Republic of China and its implementation rules, for individual Domestic Shareholders, the Bank will withhold and pay the individual income tax at the rate of 20% according to the national tax law, while for corporate Domestic Shareholders, the Bank will not withhold enterprise income tax and such corporate Domestic Shareholders should fulfill its own taxation reporting and payment obligation in accordance with the requirements of the national tax law.

## 2. H Shareholders

### *Corporate H Shareholders*

Pursuant to the Enterprise Income Tax Law of the People's Republic of China and its implementation rules and the relevant regulations, the Bank has the obligation to withhold and pay enterprise income tax at a tax rate of 10% on behalf of the non-resident enterprise Shareholders whose names appear on the H Share register in the distribution of final dividend for 2022. Any H Shares registered in the name of non-individual Shareholders, including HKSCC Nominees Limited, other nominees, trustees or other organisations and groups, will be treated as Shares held by non-resident enterprise Shareholders, and the dividends to be received will be subject to withholding of enterprise income tax. Upon receipt of the dividends, a non-resident enterprise Shareholder may apply to the competent tax authorities for relevant treatment under the tax treaties/arrangements in person or through a proxy or a withholding agent by providing evidence in support of its status as a beneficial owner that complies with the requirement of the relevant tax treaties/arrangements. Upon verification by the competent tax authorities, the difference between the tax levied and the amount of tax payable as calculated at the tax rate under the tax treaties/arrangements will be refunded.

### *Individual H Shareholders*

According to the Individual Income Tax Law of the People's Republic of China and its implementation rules, the Notice on Issues Relating to Individual Income Tax after the Abolishment of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No.348) (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) and the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (SAT Announcement [2019] No.35) (《非居民納稅人享受協定待遇管理辦法》(國家稅務總局公告2019年第35號)) (the "Tax Convention Announcement"), the Bank has responsibility to withhold and pay individual income tax on behalf of H Shareholders who is an individual in the distribution of final dividend for 2022. However, Individual H Shareholders are entitled to the relevant favourable tax treatments pursuant to the provisions of the tax treaties between the countries (regions) in which they are domiciled and the PRC or the tax arrangements between the PRC and Hong Kong or Macau. Therefore, the Bank will withhold and pay individual income tax on behalf of the Individual H Shareholders in accordance with the following arrangements:

- for individual H Shareholders receiving dividends who are Hong Kong or Macau residents or citizens from countries (regions) that have entered into tax treaty with the PRC with a tax rate of 10%, the Bank will withhold and pay individual income tax at the rate of 10% in the distribution of final dividend;
- for Individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into tax treaty with the PRC with a tax rate of less than 10%, the Bank will temporarily withhold and pay individual income tax at the rate of 10% in the distribution of final dividend. If relevant Individual H Shareholders would like to apply for a refund of the excess amount of tax withheld and paid, the Bank will handle, on their behalf, the applications for tax preferential treatments under relevant tax treaties according to the Tax Convention Announcement. Qualified Shareholders shall submit in time a letter of entrustment and all application materials as required under the Tax Convention Announcement to the Bank's H Share registrar, Computershare Hong Kong Investor Services Limited. The Bank will then submit the above documents to competent tax authorities and, after their examination and approval, the Bank will assist in refunding the excess amount of tax withheld and paid;

## Chapter VIII

### Report of the Board of Directors

- for Individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into tax treaty with the PRC with a tax rate of more than 10% but less than 20%, the Bank will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty in the distribution of final dividend;
- for Individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into tax treaty with the PRC stipulating a tax rate of 20% or without tax treaties with the PRC or other circumstances, the Bank will withhold and pay the individual income tax at the rate of 20% in the distribution of final dividend.

### III. ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

Further announcement will be made by the Bank on the details of the 2022 annual general meeting and closure of register of members of the Bank.

### IV. SHARES ISSUED

As of the end of the Reporting Period, the Bank issued 6,888,545,510 Shares. Among which, 5,740,454,510 shares are Domestic Shares and 1,148,091,000 shares are H Shares.

### V. DEBENTURES ISSUED AND REDEEMED

On June 12, 2022, the Bank exercised the redemption option to redeem all of the Tier 2 capital bonds of RMB4,000 million issued by the Bank in the national inter-bank bond market in June 2017 at face value.

On December 29, 2022, the Bank completed the issuance of Tier 2 capital bond in an amount of RMB4,000 million in the national inter-bank bond market, which is a 10-year fixed rate bond at a coupon rate of 4.30% per annum with a conditional issuer redemption right at the end of the fifth year.

Save as disclosed above, the Bank or its subsidiaries did not purchase, sell or redeem any bonds issued by the Bank or its subsidiaries during the Reporting Period.

### VI. SUMMARY OF FINANCIAL INFORMATION

A summary of the Group's operating results, assets and liabilities for the last five years as of the end of the Reporting Period is set out in the "Accounting Data and Financial Indicators Highlights" chapter in this Report.

### VII. DISTRIBUTABLE RESERVES

Details of the Group's distributable reserves during the Reporting Period are set out in the "Consolidated Statement of Changes in Equity" in the "Financial Report" chapter in this Report.

### VIII. DONATIONS

Charity and other donations made by the Group during the Reporting Period totalled RMB15.58 million.

## IX. PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the Reporting Period are set out in note 21 “Property and Equipment” to the consolidated financial statements in the “Financial Report” chapter of this Report.

## X. RETIREMENT BENEFITS

Details of retirement benefits provided to employees by the Group are set out in note 32(a) “Employee benefits payable” to the consolidated financial statements in the “Financial Report” chapter of this Report. The Group has not forfeited any retirement benefit scheme contributions (i.e. contributions processed by the employers on behalf of the employees who leave the scheme prior to vesting fully in such contributions). As at 31 December 2022, there was no forfeited contributions under the Group’s retirement benefit scheme may be used to deduct the contributions due in future years.

## XI. MAJOR CUSTOMERS

As at the end of the Reporting Period, the balance of the Bank’s loans to any single borrower did not exceed 10% of the Bank’s net capital.

## XII. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For details of Directors, Supervisors and senior management of the Bank during the Reporting Period, including the list of the Directors and changes thereof, interests of Directors and Supervisors in the transaction, arrangements or contracts, contractual interests and service contracts of Directors and Supervisors and please refer to the “Directors, Supervisors and Senior Management” section in the “Corporate Governance Report” chapter in this Report.

## XIII. MANAGEMENT CONTRACTS

During the Reporting Period, there was no management and administrative contract in respect of all or most of activities of the Bank being entered into by or existed in the Bank.

## XIV. PERMITTED INDEMNITY PROVISION

The Bank has maintained appropriate liability insurance for Directors, Supervisors and senior management of the Bank in respect of legal litigation initiated against them arising from conduction of business activities of the Bank.

## XV. EQUITY LINKED AGREEMENT

During the Reporting Period, the Bank did not enter into or renew any equity linked agreement.

## XVI. ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

During the Reporting Period, none of the Bank or any of its subsidiaries was a party to any arrangements to enable the Directors and Supervisors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

## **XVII. CORPORATE GOVERNANCE**

Please refer to the “Corporate Governance Report” chapter of this Report for details.

## **XVIII. RELATED PARTY TRANSACTIONS**

The Group entered into certain transactions with “related parties” as defined under the International Accounting Standards. A summary of the related party transactions entered into by the Group during the Reporting Period is contained in note 40 “Related party transaction” to the consolidated financial statements in the “Financial Report” chapter in this Report.

### **(I) Related party transactions under the scope of CBIRC**

As of the end of December 2022, the credit balance granted to the largest single related party by the Bank was RMB932 million, accounting for 1.69% of the Bank’s net capital; the aggregate credit balance granted to the largest single related corporate or unincorporated organization by the Bank was RMB2.820 billion, accounting for 5.12% of the Bank’s net capital; the credit balance granted to all related parties by the Bank was RMB15.697 billion, accounting for 28.47% of the Bank’s net capital. During the Reporting Period, the Bank’s related party transactions were conducted based on the fair and equitable business principles and on terms no favorable than those of similar customers. The indicators of all related party transactions were in compliance with regulatory provisions and the risks were controllable, safeguarding the interests of all shareholders.

### **(II) Connected transactions under the Listing Rules**

#### 1. Acquisition of our made-to-order Data Center and Research and Development Center

On December 6, 2019, the Bank entered into the property made-to-order agreement (“Made-to-order Agreement”) with Guangdong Hongyuan Group Industry Development Co., Ltd. (廣東宏遠集團產業發展有限公司) (“Hongyuan Industry”), to acquire first floor to sixteenth floor of R&D Building No. 3 (第3號研發樓) in Hongyuan International Artificial Intelligence (AI) Industry Center Phase 1 (宏遠國際人工智能(AI)產業中心一期) located on the south side of Kechuang Road, Nancheng Jiedao, Dongguan City (東莞市南城街道科創路南側), which was constructed according to the made-to-order requirements of the Bank, at the consideration of approximately RMB478.8 million.

During the Reporting Period, Hongyuan Industry was indirectly owned as to 50% by Guangdong Hongyuan Group Co., Ltd.\* (廣東宏遠集團有限公司), which in turn was owned as to 30% by Mr. Chen Haitao, our non-executive Director and holder of approximately 0.0061% of our Domestic Shares, and 39% in aggregate by two brothers of Mr. Chen Haitao. Accordingly, Hongyuan Industry is a connected person of the Bank, and the entering into the Made-to-order Agreement and the transactions contemplated thereunder have constituted connected transactions of the Bank pursuant to Chapter 14A of the Listing Rules. For details, please refer to the Global Offering Prospectus of the Bank dated September 16, 2021.

The Board of Directors (including independent non-executive directors) is of the opinion that (i) the transaction under the Made-to-order Agreement is in the ordinary and usual course of business of our Bank and in the interests of our Bank and our Shareholders as a whole; and (ii) the terms of the Made-to-order Agreement are on normal commercial terms and are fair and reasonable.

## 2. Other Connected Transactions

According to Chapter 14A of the Listing Rules, transactions between the Bank and connected person (as defined in the Listing Rules) will constitute connected transactions of the Bank. However, such connected transactions are exempt from all requirements of reporting, annual review, announcement and independent Shareholders' approval. Except for the above disclosure, the Bank has reviewed all connected transactions during the Reporting Period and confirmed that the connected transactions of the Bank were all conducted in the ordinary and usual course of the Bank's business under normal commercial terms, and in compliance with the full exemptions of Chapter 14A of the Listing Rules.

Chapter 14A of the Listing Rules defines connected person differently from IAS 24 Related Party Disclosures and the IASB. The certain related party transactions set out in note 40 to the consolidated financial statements in the "Financial Report" chapter in this Report constitute connected transactions or continuing connected transactions of the Bank under the Listing Rules, but none of which constitute discloseable connected transaction under Chapter 14A of the Listing Rules.

### **(III) Transactional Balance with Related Individuals and Risk Exposure**

During the Reporting Period, the Bank conducted related party transaction management in accordance with the Administrative Measures for the Related Party Transactions between Commercial Banks and their Insiders or Shareholders (《商業銀行與內部人和股東關聯交易管理辦法》). As of the end of December 2022, the credit balance of related party transactions occurred between the Bank and related individuals were RMB259.2892 million, and the risk exposure was RMB259.2892 million. The related party transaction scale has been controlled at a reasonable level.

## **XIX. MISAPPROPRIATION OF FUNDS BY RELATED PARTIES**

During the Reporting Period, neither the major Shareholders of the Company nor their related parties had used any funds of the Bank under illegal occupation, nor had any of them misappropriate any fund of the Bank through any unfair related party transactions.

## **XX. CONSUMER PROTECTION**

### **(I) Consumer Rights Protection in 2022**

The Bank has always been practicing the “people-centered” philosophy of development, thinking in terms of the big picture of group development, upholding the idea of “big consumer rights protection”, taking resolution of people’s concerns as the driver and purpose of financial services, and seeing the effective improvement of people’s sense of gain, happiness and security as an important symbol of continuous commitment to the Bank’s mission in the new era, and as a key factor in establishing the core market competitiveness.

Firstly, the Bank heightened the initiative of basic management by improving the polices. In 2022, the Bank revised the Management Measures for the Protection of Consumer Rights and Interests of Dongguan Rural Commercial Bank Co., Ltd. (2022 Edition) with more accurate and clearer job responsibilities, review focuses and accountability. In addition, the Bank highlighted the access supervision for third-party cooperative institutions in connection with the businesses of insurance agency, collection of credit card debt, and Internet loan through policies and agreements to prevent transmission of external risks to the Bank.

Secondly, the Bank enhanced the standardization level of operational practices by process control. In terms of ex ante review, the Bank conducted ex ante review of the documents, policies and operating guidelines in connection with the products and services, and promptly identified and corrected conducts that may harm the legitimate rights and interests of consumers. Throughout the year, the Bank issued 210 pieces of opinions on consumer rights protection review, and had a 100% coverage rate and acceptance rate of consumer rights protection review. In terms of in-process control, the Bank strictly followed the basic procedures and standards as required for the marketing and promotion of financial products and services, strengthened monitoring and management of marketing and promotion activities, timely discovered and corrected hidden dangers such as heavy emphasis on customer promotion in marketing communications and ignoring the preconditions restrictions. This year, the Bank reviewed 956 items of marketing and promotion in total. In terms of post-service supervision, the Bank deepened the implementation of the requirements for consumer rights protection, continuously optimized the service standards, strengthened inspection on the services of outlets, including on-site inspection (120 times in total) and off-site inspection (704 times in total), with a coverage rate of 171% for outlets throughout this year. In terms of regular supervision, the Bank reported the implementation of consumer rights protection services on a quarterly basis, shared the experience of outstanding institutions and pointed out the problems that need to be solved urgently so as to promote the overall improvement. In addition, the Bank has established an interview mechanism in which an interview with staff in sub-branches takes place after leaders-in-charge supervise personally every quarter, and the Consumer Rights Protection Center provides follow-up guidance so as to tackle the service problems encountered by the front-line staff with pertinent solutions, and motivate all staff members to strive for excellence in the consumer rights protection.

Thirdly, the Bank ensured the long-term effectiveness of financial publicity and education by highlighted features. As the main force of local finance, the Bank, based on the regional market, efficiently integrated resources such as regulators, associations, villages and groups and media. Leaders-in-charge took the lead in supervision at the grass roots, and popularized and disseminated financial knowledge regularly and multi-dimensionally through thematic interaction for key population such as “Elderly & Kid” group and “new citizens” to enhance consumers’ financial literacy.

Fourthly, the Bank enhanced the professionalism of the consumer rights protection team by professional empowerment. In order to further enhance the ability of the consumer rights protection team to perform their duties, the Bank has created a hierarchical, multi-dimensional and all-round consumer rights protection education and training model. First, leaders in charge of consumer rights protection led the backbones to actively participate in 6 special training sessions sponsored by the People’s Bank of China and Dongguan Banking People’s Mediation Committee on the frontiers of consumer rights protection; second, the Bank invited external experts in law, service and complaint handling to conduct 4 training sessions on legal affairs, service skills, complaint handling and working guidelines; third, the Bank used the cloud-based learning platform to arrange online consumer rights protection training courses for senior and middle management, grassroots business personnel and new employees across the Bank, with a total of more than 20,000 person-times being trained.

## **(II) Complaint Handling in 2022**

As of December 31, 2022, a total of 1,087 consumer complaints have been accepted and handled, with an annual average of 2.16 complaints per outlet and 0.54 complaint every 10,000 individual customers, with a complaint resolution rate of 100%. On the whole, the Bank followed up promptly and handled properly the complaints upon receipt from customers, and obtained the understanding and support from most customers with sincere attitude, prompt response and effective measures. Key information on consumer complaints are as follows:

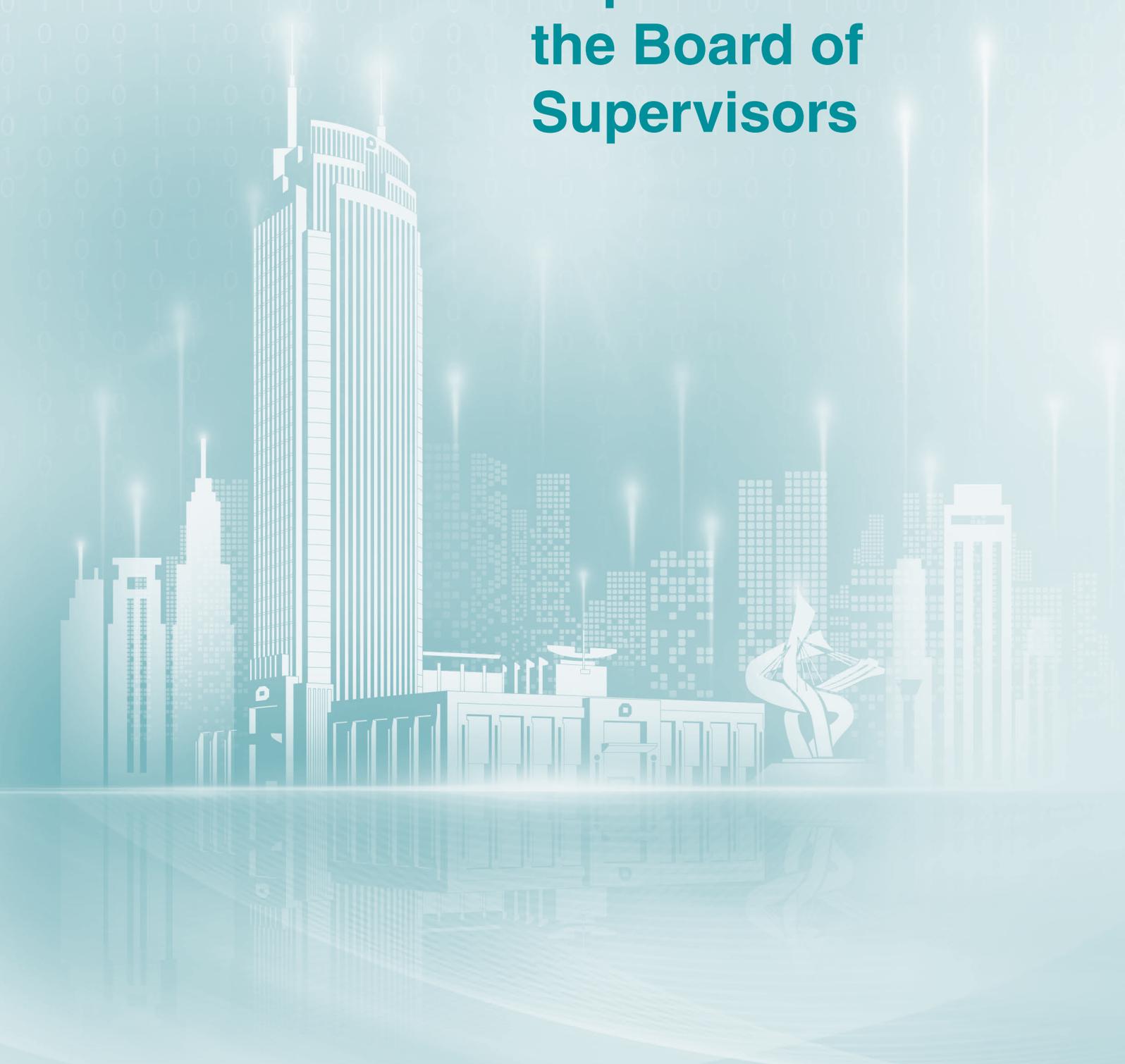
Firstly, from the perspective of regional distribution of consumer complaints, complaints were mainly distributed in Dongguan. Complaints from Dongguan, Huizhou, Guangzhou, Qingyuan and Zhuhai represented 98.53%, 0.92%, 0.28%, 0.18% and 0.09% of all complaints, respectively.

Secondly, from the perspective of the business type of consumer complaints, loan business and bank card business were the fields with frequent complaints. Customer complaints were related to debit card business, loan business, credit card business, RMB saving business, and wealth management, payment and settlement, intermediary business and others, with 400, 298, 183, 108 and 98 complaints, respectively, representing 36.80%, 27.41%, 16.83%, 9.94% and 9.02% of all complaints, respectively.

## **(III) Prospects for Consumer Rights Protection in 2023**

Based on a new starting point, the Bank will raise its stance, integrate the concept of “big consumer rights protection” into its business development ideas and corporate culture construction, as a basic requirement to adhere to the awareness of “red line”, bottom line and responsibility, and firmly embrace the notion of “consumer rights protection is no small matter”. The Bank will continue to improve the consumer rights protection policies and mechanisms, strengthen the coordination and linkage among internal institutions, and continuously improve the overall quality of the consumer rights protection team of the Bank, so as to form a penetrating consumer rights protection organization system. The Bank will continue to carry out financial knowledge popularization and education activities in various forms, continuously improve the financial literacy of consumers, and earnestly fulfill our social responsibilities.

**Chapter IX**  
**Report of**  
**the Board of**  
**Supervisors**



In 2022, the Board of Supervisors of the Bank thoroughly studied and implemented Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and the spirit of the 20th Party Congress. Adhering to the unity of strengthening the leadership of the Party and improving corporate governance, the Board of Supervisors unwaveringly assisted the Board of Directors and senior management in warding off all kinds of operational challenges. The Board of Supervisors performed its supervisory duties across the board in accordance with the law, by staying true to the original aspiration of escorting operational development with supervision. With the concerted efforts of all Supervisors, the Board of Supervisors delivered a stellar performance in all aspects of its work throughout the year. Specifically, the Board of Supervisors further perfected the governance mechanism and enhanced the supervision effectiveness, showcasing its service value. On the brand new track of handling the management power of the Bank back to the local Party committees, the Board of Supervisors played a pivotal role in promoting a new step in the strategic transformation of the whole Bank and advancing the corporate governance system and capacity. This helped safeguard the interests of the shareholders and employees of the Company.

## **I. WORK OF THE BOARD OF SUPERVISORS IN 2022**

### **(I) Ensuring the Effective Operation of Corporate Governance and Adhering to the Standard Performance of Duties**

In 2022, the Board of Supervisors got the pace right in executing various tasks and executed them in an orderly way. First, we improved the quality and efficiency of meeting supervision. We strengthened the management over the whole process of running meetings online, to insure that the matters “that should be discussed were discussed”. The Board of Supervisors organized the holding of 9 meetings throughout the year, considering 162 proposals, reviewing listening to 113 reports. The meetings covered such aspects as the performance of duties by the Board of Directors and senior management and their members, financial decision-making and activities, strategy implementation, risk management, and internal control, ensuring the supervision over the Bank’s management. Second, we tightened the supervision over the daily process. We continuously sent our employees, on behalf of the Board of Supervisors, to attend the Board meetings, the president’s executive meeting and relevant committee meetings to obtain first-hand information about the Bank’s development strategies, business decisions, important personnel appointment and removal, risk prevention, performance of duties by senior management, etc. We earnestly supervised the legal compliance of the Board and senior management in terms of proceedings, decision-making process and information disclosure, and from a supervisory perspective, we raised concerns and made recommendations on major issues. Third, we did solid investigations researches. We organized four thematic surveys on management of related transactions, the operation and risk management of county banks, construction of a long-term mechanism for litigation-related work, and internal branding. We conducted in-depth analysis before the research to form a research program. We specified the research focus, direction and steps to lift research quality and efficiency based on the analysis. On the basis of in-depth understanding and careful analysis, we put forward relevant work improvement opinions from multiple dimensions and formed a research report. This provided a rich material basis for business decision-making.

## (II) Weaving the Performance Net Around the Hot Topic of the Bank's Operation and Development

1. Focusing on the implementation of relevant strategies and ensured the effectiveness of the implementation. We closely followed up the formulation and implementation of relevant strategies, insisting that "the Board of Directors makes strategic decisions and the senior management promotes strategy implementation". We gained a keen understanding of strategy implementation through the extensive collection and careful study of materials related to this aspect. Then, we specially evaluated the strategy implementation to test whether the efforts in promoting the strategy implementation were fruitful. Regarding the problems in strategy implementation, it was recommended that the Board of Directors and the senior management should, considering the regulatory requirements and development trends, optimize the relevant strategies, and establish of a sound mechanism for the whole process of strategy management. This would propel the implementation of the relevant strategies.
2. Helping institutions restructure and defuse risks, and promoting the improvement of development quality. We conducted in-depth research on the reform and development of Puning RCB. We had a detailed understanding of Puning RCB historical legacy and current outstanding problems, and actively promoted the supervision of problem rectification opinions. We prepared the "Report on investigation of operation and management of Puning Rural Commercial Bank by the Board of Supervisors of Dongguan Rural Commercial Bank", and threw out suggestions such as "external transfusion" and "internal hemopoiesis". Meanwhile, we were highly concerned about the Bank's participation in the work related to replenishing the capital of Puning RCB with special bonds. We supervised and promoted the implementation of the increased efforts by the Board of Directors in the risk management of Puning RCB, to help Puning RCB steadily dispose of the historical debts, resolve latent risks, and improve the business condition through various ways such as expressing opinions on meeting attendance.
3. Paying attention to the implementation of problem rectification, and promoting the formation of supervise and handle synergy. We attached great importance to regulatory opinions and inspection opinions from regulatory authorities, and kept refining the follow-up and supervision mechanism. **First**, we promoted the implementation of supervisory opinions. The Board of Directors and the senior management absorbed and adopted the supervisory opinions and suggestions of the Board of Supervisors, which markedly promoted the rectification of relevant problems. **Second**, we strengthened the linkage with supervisory departments. We regularly organized joint management supervision meetings to supervise the rectification of relevant problems, in light of the progress in the supervision, the Bank's supervisory rating, and the implementation of supervisory opinions. **Third**, we strengthened the communication with Directors and Supervisors. Taking into account of the actual supervision as well as regulatory requirements, we issued letters suggesting independent Directors to pay attention to subsidiary risks, large loan risks and IT risks, to jointly improve our operation and management. This consolidated the internal supervision within the Bank.
4. Being concerned about the management of the protection of consumer rights and interests, and supervising the implementation of regulatory requirements. We organized management interviews on consumer rights protection, with the comprehensive understanding on the organizational structure, system construction, product and service management, publicity and education, complaint handling, and personal financial information protection of consumer rights. In view of the increasing number of complaints, the Bank proposed the requirements and specific working suggestions of "keeping an eye on the fixed target set by the supervisory authorities to reduce the number of complaints, and making every effort to win the critical battle". We urged the division of labor and close cooperation among all departments of the

Bank to form a coherent and powerful organizational system of consumer rights protection. We made meticulous efforts to ensure the implementation of various measures for consumer rights protection.

**(III) Strengthening the performance of duties by focusing on the comprehensively supervise work objectives in accordance with the law**

1. Supervising risk prevention and control as well as internal control. We reinforced the supervision over the whole process of risk management and special supervision based on the logic of comprehensive risk management. Starting from the formulation of risk management policies, we got deep understanding on various risk systems, annual risk appetite, credit and investment policies and other programmatic documents. In daily practices, we kept tabs on changes in the Group's assets quality and compliance with key regulatory indicators and made timely management recommendations, by studying risk management reports, listening to reports on assets quality control and sending employees to attend meetings of the Loans Review Committee. At the same time, we carried out special supervision over selected key areas of great concern to the regulatory authorities, focusing successively on IT risk management, reputation risk management, operational risk management and credit risk management for special studies. We formed special supervision reports and put forward constructive optimization suggestions, which served as references for the management's decision-making and risk prevention and control. We paid close attention to the governance subject and the performance by the three lines of defense as well as the efforts in internal control, anti-money laundering and anti-terrorist financing, and listened carefully to the reports on related work and rectification.
2. Carrying out financial management and operational supervision. While paying full attention to major financial matters, we followed up on the Group's financial data and the performance of operating institutions on a quarterly basis. We participated in the review of periodic reports, profit distribution plans and other important financial documents, and expressed independent opinions in an objective and fair manner. Sticking to the Bank's internal management and business development, we strengthened the supervision over and promotion of compensation management, business continuity management, management of abnormal bond transactions, data governance, management of structured deposits, etc. With the comprehensive use of written supervision vehicles such as supervision opinion letters and work proposals of the Board of Supervisors, we urged the Board of Directors and the senior management to formulate appropriate measures and continuously improve the standardization of internal management.
3. Strengthening the development of the performance evaluation mechanism and the supervision of the performance of duties. First, we cemented the basis of the performance evaluation system. We formulated the Measures for the Performance Evaluation of Directors, Supervisors and Senior Managers of Dongguan Rural Commercial Bank Co., LTD. (2022 Version) in strict accordance with the Corporate Governance Standards of Banking and Insurance Institutions (《銀行保險機構公司治理準則》) and the Method for Evaluating the Performance of Duties by Directors, Supervisors and the Senior Management of Banking and Insurance Institutions (for Trial Implementation) (銀行保險機構董事監事履職評價辦法(試行)). We also put forward the evaluation principles of "scientificity, fairness and authority" and innovatively specified the calculation method for the comprehensive score of performance evaluation. Our efforts provided a more rational and operational path for the performance evaluation, and ensured that the evaluation results were objective and fair and in alignment with the actual performance of Supervisors. Second, we organized and implemented special audits of committees under the Board of Directors and senior management. We thoroughly investigated the current situation in the performance of duties by the special committees of the Bank. From the perspective of

## **Chapter IX**

### **Report of the Board of Supervisors**

the Board of Supervisors, we identified the risk issues, revealed the deficiencies and urged the Board of Directors and the operational management to fix the deficiencies.

## **II. Work of External Supervisors**

In 2022, the external Supervisors of the Bank, in strict accordance with the regulatory requirements and provisions of the Bank's Articles of Association, participated in the meetings and activities of the Board of Supervisors, and by making full use of their professional expertise, performed their duties objectively and impartially in accordance with the law. They put forward constructive opinions and suggestions on the strategic transformation and operational development of the Bank in the new development landscape. All in all, they played a prominent part in completing the supervisory work of the Board of Supervisors.

## **III. INDEPENDENT OPINION OF THE BOARD OF SUPERVISORS ON RELEVANT MATTERS**

### **(I) Operation According to Law**

During the Reporting Period, the Bank carried out its business activities in accordance with the law and relevant regulations, with sound operation, standard management and objective and true operating results. No violations of laws, regulations or the Bank's Articles of Association or acts detrimental to the interests of the Bank and its shareholders were found.

### **(II) Authenticity of Financial Reports**

The annual financial report has been audited by the auditor in accordance with International Auditing Standards and Chinese Auditing Standards for Certified Public Accountants. The financial report reflects the financial position and operating results of the Bank truthfully, objectively and accurately.

### **(III) Risk Management**

During the Reporting Period, we continued improving the risk management of the Bank and delivered a relatively stable performance in this respect, with no major risk events.

### **(IV) Internal Control**

During the Reporting Period, the Bank continued to strengthen and improve internal control, and the Board of Supervisors had no objection to the Bank's internal control evaluation report this year. No major defects were found in the completeness, rationality and effectiveness of the Bank's internal control system and the implementation of the internal control system.

### **(V) Use of Proceeds**

During the Reporting Period, the use of proceeds raised by the Bank was in line with that mentioned in the prospectus.

## **(VI) Acquisition and Disposal of Assets**

During the Reporting Period, there was no insider transaction in the acquisition or disposal of assets by the Bank, or acts that damaged Shareholders' rights and interests or caused the loss of the Bank's assets.

## **(VII) Related Party Transactions**

As for the related party transactions in the Reporting Period, the Board of Supervisors did not find any behavior that violated the principle of fairness or harmed the interests of the Bank and shareholders.

## **(VIII) Implementation of Resolutions of the General Meeting**

During the Reporting Period, the Board of Supervisors had no objection to the resolutions and reports submitted by the Board of Directors to the general meeting for consideration, supervised the implementation of relevant resolutions of the general meeting, and considered that the Board of Directors of the Bank could earnestly implement the resolutions of the general meeting.

## **(IX) Information Disclosure**

During the Reporting Period, the Bank performed the obligation of information disclosure in strict accordance with the requirements of regulatory policies and disclosed the Bank's information in accordance with the law. No false information, misleading statements or major omissions were found.

## **(X) Social Responsibilities**

During the Reporting Period, the Bank strictly fulfilled its social responsibilities. The Board of Supervisors reviewed the Corporate Social Responsibility Report for the year of the Bank without any objection.

## **(XI) Other Special Supervision and Evaluation**

In terms of capital management, the Board of Directors and senior management of the Bank continue to strengthen the management of capital operations, strengthen the orientation of capital management, and improve the quality and efficiency of asset and liability management and capital market value. As of the end of 2022, the Bank's capital adequacy ratio at all level were better than the regulatory requirements and satisfied the management requirements of the Bank, and the capital was adapted to business development and risk level.

In terms of stress testing, on the basis of regular stress testing of risks in key areas, the Board of Directors and senior management of the Bank continue to improve the working mechanism of stress testing, actively cooperate with the completion of various regulatory stress testing tasks, routinely carry out group-level risk stress testing, research and carry out environmental risk stress testing, and constantly optimize and improve the stress testing program, actively promote the use of stress testing in capital management and risk management decisions.

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### Report of the Board of Supervisors

In terms of reputation risk management, the Board of Directors and senior management of the Bank continue to improve the reputation risk management structure, improve the reputation risk management mechanism, organize and carry out several reputational risk investigation in accordance with regulatory requirements and relevant laws and regulations. No major reputational events occurred during the Reporting Period, which creating a good external environment for the Bank's operation, management and business development.

In terms of liquidity risk management, the Board of Directors and senior management of the Bank continue to optimize the liquidity risk management work, actively strengthen the construction of liquidity risk management system and emergency exercises, and promote the continuous improvement of the group's dynamic risk management level. In 2022, the Bank continued to maintain a reasonably adequate liquidity level, various liquidity indicators were better than regulatory standards, and the maturity structure of its assets and liabilities was continuously optimized.

## IV. KEY WORK UNDERTAKEN BY THE BOARD OF SUPERVISORS IN 2023

In 2023, the Board of Supervisors of the Bank will further implement the spirit of the 20th National Congress of the Communist Party of China (CPC), deeply understand the historical mission shouldering by the financial industry in promoting high-quality development, and fully practice the political and popular nature of financial work, so as to constantly enhance political execution and professional performance of duties. Besides, the Board of Supervisors of the Bank will adhere to the integration of the Party's leadership and corporate governance, and always carry out effective supervision according to law around the main business positioning of Dongguan Rural Commercial Bank, which supports agriculture, supports small enterprises and supports real enterprises, as well as the development positioning of listed public banks, so as to promote the Bank's corporate governance efficiency.

### (I) Actively monitoring and supporting high-quality development of the real economy

The report of the 20th National Congress of CPC stressed that we continue to focus on the real economy in developing the economy. The Board of Supervisors will stick on the goal, closely focus on the actual needs of the development of the local real economy in Dongguan at the present stage, identify key areas for supervision, continue to supervise and promote the Bank to increase financial support for serving the real economy, small and micro enterprises, Sannong, rural revitalization, green development and other links, and pay specific attention to the realization of the goal of "volume increment and coverage expansion, quality improvement and cost reduction" of inclusive financial services, the in-depth development of new citizen finance and the establishment of industrial finance based on "scientific and technological innovation + advanced manufacturing". In addition, the Board of Supervisors will inspect, investigate and evaluate the Bank's support for the strategic deployment, policy formulation and implementation of the real economy through special supervision and other means, effectively playing its supervisory function.

## **(II) Actively supervising and strengthening efforts to prevent and defuse financial risks**

At present, China's development has entered a period where strategic opportunities and risks and challenges coexist, and where uncertain and unpredictable factors are increasing, and the pressure of financial risk prevention and control is increasing. The Board of Supervisors will take the initiative to carefully study and judge the current macroeconomic and financial situation, broaden the scope of risk supervision, carry out risk supervision in a forward-looking manner, actively promote the mechanism and system development of comprehensive risk management, and urge the Bank to implement a series of special management requirements related to strengthening the risk prevention and control of the banking sector. We will pay close attention to credit risks, as well as risks from subsidiaries and Internet finance, and strengthen supervision over risks related to off-balance sheet and non-credit financing such as wealth management investment, bond investment, and industrial funds. At the same time, we will improve the mechanism for rectification of problems, strengthen the feedback, rectification and implementation of supervision opinions, and ensure that the results of supervision are fully implemented.

## **(III) Actively supervising and promoting the implementation of strategies and improving corporate governance**

The year of 2023 marks the end of the Outline of the Second Three-Year Development Plan for the Third Transformation of the Bank. The Board of Supervisors will attach great importance to testing and evaluating the effectiveness of the implementation of the existing strategic planning, help the Bank to improve strategic execution, and pay great attention to new round of strategic decision-making, actively stand on a higher supervision perspective, and put forward opinions and suggestions from the macro level, top-level design, transformation and upgrading, long-term development and other aspects, so as to supervise and ensure that our bank develops a scientific, reasonable and suitable development strategy for the company, and give full play to the strategic effects of supervision work. At the same time, the Board of Supervisors will always adhere to the principle of the Party's absolute leadership over the financial work, further enhance the independence and authority of our supervision work, keep a reasonable grasp of the direction and focus of supervision, strengthen coordination and communication of supervision, improve the efficiency of supervision, effectively supervise the performance of duties, and promote the improvement of the Bank's internal control and supervision mechanism.

# Chapter X

## Other Matters



## **I. PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Articles of Association of the Bank and the Shareholders have not been granted any pre-emptive rights.

## **II. CONVERTIBLE SECURITIES, OPTIONS, WARRANTS AND OTHER SIMILAR RIGHTS**

The Bank had no convertible security, option, warrant or other similar right during the Reporting Period.

## **III. SHARE OPTION SCHEME AND EQUITY INCENTIVE PLAN**

During the Reporting Period, the Bank does not have any share option or share incentive arrangements.

## **IV. MATERIAL ACQUISITION AND DISPOSAL OF ASSETS AND MERGER OF ENTERPRISES**

During the Reporting Period, the Bank participated in the using of special bonds to replenish the capital of Puning Rural Commercial Bank. For details of the transaction, please refer to the circular dated 28 November 2022, the announcements dated 4 November 2022, 19 December 2022 and 20 December 2022 of the Bank. Save as disclosed above, the Bank had no material acquisition and disposal of assets and merger of enterprises.

## **V. MAJOR CAPITAL OPERATION**

During the Reporting Period, the Bank had no material capital operation.

## **VI. FUTURE PLANS FOR MATERIAL INVESTMENTS AND PURCHASE OF CAPITAL ASSETS**

During the Reporting Period, the Bank had no other material investment or plans for purchase of capital assets during the Reporting Period.

## **VII. CONTRACTS OF SIGNIFICANCE AND THEIR PERFORMANCE**

### **(I) Entrustment, Contracting and Leasing Matters**

During the Reporting Period, the Bank had no significant contracts on significant entrustment, contracting and leasing matters.

### **(II) Significant Guarantees**

During the Reporting Period, the Bank did not have any other material guarantee that needed to be disclosed save for the guarantees within the business scope as approved by the PBOC and the CBIRC. During the Reporting Period, the Bank did not have any external guarantee in default.

### **(III) Entrusted Wealth Management**

During the Reporting Period, there was no event in respect of entrusted wealth management beyond the Bank's normal business.

#### **(IV) Material Contracts in Day-to-day Operations**

During the Reporting Period, the Bank did not have any material contracts in day-to-day operations that are required to be disclosed.

#### **(V) Other Significant Contracts**

During the Reporting Period, the Bank had no other significant contractual matters requiring disclosure, other than those disclosed in this Report, other announcements and circulars of the Bank.

### **VIII. SIGNIFICANT LITIGATION AND ARBITRATION**

The Bank was involved in certain litigation arising from its ordinary course of business, most of which were initiated for recovery of non-performing assets. In 2022, the principal amount of the newly added loans for which cases (including litigations and arbitrations) the principal amount of single loan exceeding RMB10 million and the Bank was involved in as the plaintiff or the applicant was MB725.1846 million. The amount of litigation subjects under the newly added pending cases (including litigations and arbitrations) for which the Bank was involved in as the defendant or the respondent was equivalent to RMB50.3227 million. The Bank will follow up on the disposal of the above cases and the litigations and arbitrations will not have material adverse impact on the Bank's financial or operating results.

### **IX. CREDIT STANDING**

During the Reporting Period, there had not been any significant court judgment with which the Bank has not complied, nor was there any outstanding debt of significant amount.

### **X. PUNISHMENT OF THE BANK AND THE DIRECTORS AND SUPERVISORS, SENIOR MANAGEMENT OF THE BANK**

During the Reporting Period, none of the Bank, or its Directors, Supervisors and senior management members had been subject to inspection, administrative sanctions, criticism by the CSRC and public condemnations by the Hong Kong Stock Exchange, or had been subject to any penalty by other regulatory bodies that caused a significant impact on the Bank's operation.

### **XI. SIGNIFICANT EVENTS OF SUBSIDIARIES**

During the Reporting Period, there is no significant event of subsidiaries.

### **XII. SUBSEQUENT EVENTS**

Subsequent to the end of the Reporting Period, the Bank did not have any events or cases that had a significant impact on the Bank.

# Chapter XI Financial Report



## Independent auditor's report

### To the shareholders of Dongguan Rural Commercial Bank Co., Ltd.

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

### Opinion

We have audited the consolidated financial statements of Dongguan Rural Commercial Bank Co., Ltd. (the "Bank") and its subsidiaries ("the Group") set out on pages 197 to 330, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) ("the Code") issued by the International Ethics Standards Board for Accountants, together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Loss allowances of loans and advances to customers and financial investments measured at amortized cost

Refer to Note 17 and Note 18 to the consolidated financial statements and the accounting policies in Note 2(11).

### The Key Audit Matter

### How the matter was addressed in our audit

The determination of loss allowances for loans and advances to customers and financial investments measured at amortized cost using the expected credit loss model is subject to the application of a number of key parameters and assumptions. Extensive management judgement is involved in the selection of those parameters and the application of the assumptions.

In particular, the determination of the expected credit loss model is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The loss allowances for corporate loans and advances and financial investments measured at amortized cost are derived from estimates including the historical losses rate, external credit grading and other adjustment factors. The loss allowances for personal loans are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other adjustment factors.

Management also exercises judgement in determining the quantum of loss given default based on a range of factors. The enforceability, timing and means of realization of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of loss allowances as at the end of the reporting period.

We identified the loss allowances of loans and advances to customers and financial investments measured at amortized cost as a key audit matter because of the inherent uncertainty and management judgement involved and because of its significance to the financial results and capital of the Group.

Our audit procedures to assess loss allowances of loans and advances to customers and financial investments measured at amortized cost included the following:

- understanding key internal controls of financial reporting over the credit grading process and the measurement of loss allowances of loans and advances to customers and financial investments measured at amortized cost;
- understanding the expected credit loss model used by management in determining loss allowances and involving our financial risk management specialists to assess the appropriateness of the expected credit loss model and the appropriateness of the key parameters and assumptions used in the expected credit loss model;
- examining key data inputs to the expected credit loss models on a sample basis to assess their accuracy and completeness;
- challenging management's revisions to estimates and input parameters by comparing with prior period and considered the consistency of judgement. We compared the macro-economic factors used in the models with market information to assess whether they were aligned with market and economic development;

**Loss allowances of loans and advances to customers and financial investments measured at amortized cost**

*Refer to Note 17 and Note 18 to the consolidated financial statements and the accounting policies in Note 2(11).*

**The Key Audit Matter**

**How the matter was addressed in our audit**

- evaluating the appropriateness of management's assessment on whether the credit risk of loans and advances to customers and financial investments measured at amortized cost has, or has not, increased significantly since initial recognition and whether the loan and advances to customers and financial investments measured at amortized cost are credit-impaired. We checked related assets overdue information, checked the credit risk status of the borrower and researched external information about borrowers on a sample basis;
- for selected samples of loans and advances to customers and financial investments measured at amortized cost that are credit-impaired, recalculating the amount of credit loss allowance, so as to compare the measurement results with the results of the Group; and
- evaluating whether the disclosures on loss allowances of loans and advances to customers and financial investments measured at amortised cost comply with the disclosure requirements of the prevailing accounting standards.

### Consolidation of structured entities

Refer to Note 38 to the consolidated financial statements and the accounting policies in Note 3(2).

#### The Key Audit Matter

#### How the matter was addressed in our audit

Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their ongoing activities.

The Group may acquire or retain an ownership equity interest in a structured entity, through issuing non-principal-guaranteed wealth management products, or through investing in an asset management plan, a trust plan, or an asset-backed security and so on.

In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the power it possesses, its exposure to variable returns, and its ability to use its power to affect returns. In certain circumstances, the Group may be required to consolidate a structured entity even though it has no equity interest therein.

We identified the consolidation of structured entities as a key audit matter because it involves significant management judgement to determine whether a structured entity is required to be consolidated by the Group or not and because the impact of consolidating a structured entity on the consolidated statement of financial position could be significant.

Our audit procedures to assess the consolidation of structured entities included the following:

- understanding the key internal controls of financial reporting over consolidation of structured entities;
- inspecting the terms of the relevant contracts to assess whether the Group should consolidate a structured entity on a sample basis. Assessing the Group's analysis and conclusions as to whether it controls the structured entities based on the Group's analysis on its power over structured entities and the variable returns from the Group's involvement in such structured entities; and
- evaluating whether the disclosures in the consolidated financial statements in relation to structured entities comply with the requirements of the prevailing accounting standards.

## **Information other than the consolidated financial statements and auditor's report thereon**

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

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

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

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

## **Responsibilities of the directors for the consolidated financial statements**

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

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

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

## Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

## Chapter XI Financial Report

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current 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.

The engagement partner on the audit resulting in this independent auditor's report is Li Ka Lam.

### **KPMG**

*Certified Public Accountants*

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

29 March 2023

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2022

The financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

	Notes	Year ended 31 December	
		2022	2021
Interest income	4	<b>22,780,191</b>	21,957,835
Interest expense	4	<b>(11,846,916)</b>	(11,424,500)
<b>Net interest income</b>		<b>10,933,275</b>	10,533,335
Fee and commission income	5	<b>1,021,518</b>	990,825
Fee and commission expense	5	<b>(335,540)</b>	(198,516)
<b>Net fee and commission income</b>		<b>685,978</b>	792,309
Net trading gains	6	<b>1,293,856</b>	1,057,806
Net gains on financial investments	7	<b>75,349</b>	520,932
Other operating income	8	<b>247,499</b>	91,932
<b>Operating income</b>		<b>13,235,957</b>	12,996,314
Operating expenses	9	<b>(4,747,924)</b>	(4,597,330)
Expected credit losses and asset losses	12	<b>(2,238,823)</b>	(2,443,167)
<b>Operating profit</b>		<b>6,249,210</b>	5,955,817
Share of profits of associates	20	<b>34,852</b>	33,834
<b>Profit before tax</b>		<b>6,284,062</b>	5,989,651
Income tax expense	13	<b>(201,537)</b>	(286,731)
<b>Net profit for the year</b>		<b>6,082,525</b>	5,702,920
<b>Net profit attributable to:</b>			
Shareholders of the Bank		<b>5,931,681</b>	5,589,700
Non-controlling interests		<b>150,844</b>	113,220

The notes on pages 204 to 330 form part of these financial statements.

## Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the year ended December 31, 2022

	Notes	Year ended 31 December	
		2022	2021
<b>Other comprehensive income Items which may be reclassified to profit or loss:</b>			
Changes in fair value of financial assets at fair value through other comprehensive income		(236,822)	877,038
Credit impairment provision for financial assets at fair value through other comprehensive income		(19,855)	(33,898)
Impact on income tax on changes in fair value and credit impairment provision of financial assets at fair value through other comprehensive income		64,169	(210,785)
<b>Items will not be reclassified to profit or loss:</b>			
Changes in fair value of equity instruments designated at fair value through other comprehensive income		2,898	38,972
Impact on income tax on changes in fair value of equity instruments designated at fair value through other comprehensive income		(725)	(9,743)
Other comprehensive income for the year, net of tax		(190,335)	661,584
<b>Total comprehensive income for the year</b>		<b>5,892,190</b>	<b>6,364,504</b>
Total comprehensive income attributable to:			
Shareholders of the Bank		5,746,760	6,208,070
Non-controlling interests		145,430	156,434
Total comprehensive income for the year		<b>5,892,190</b>	<b>6,364,504</b>
Basic and diluted earnings per share for profit attributable to the shareholders of the Bank (expressed in RMB per share)	14	<b>0.86</b>	0.93

The notes on pages 204 to 330 form part of these financial statements.

## Consolidated Statement of Financial Position

As at December 31, 2022

	Notes	As at 31 December	
		2022	2021
<b>ASSETS</b>			
Cash and balances with central bank	15	<b>40,024,836</b>	36,211,311
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	16	<b>15,515,079</b>	15,772,779
Derivative financial assets		<b>340,047</b>	148,556
Loans and advances to customers	17	<b>321,748,124</b>	289,684,534
Financial investments	18	<b>269,777,909</b>	242,261,644
— Financial assets at fair value through profit or loss		<b>52,182,664</b>	43,512,900
— Financial investments at amortised cost		<b>124,352,911</b>	108,445,277
— Financial investments at fair value through other comprehensive income		<b>93,242,334</b>	90,303,467
Investment in associates	20	<b>480,421</b>	455,392
Property and equipment	21	<b>2,475,704</b>	2,546,928
Right-of-use assets	22	<b>934,118</b>	923,130
Goodwill	23	<b>520,521</b>	520,521
Deferred tax assets	24	<b>4,059,547</b>	3,331,121
Other assets	25	<b>1,813,666</b>	1,505,177
<b>Total assets</b>		<b>657,689,972</b>	593,361,093
<b>LIABILITIES</b>			
Borrowings from central bank	26	<b>23,351,892</b>	11,274,598
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	27	<b>44,404,451</b>	40,204,765
Financial liabilities at fair value through profit or loss	28	<b>1,809,212</b>	492,648
Derivative financial liabilities		<b>349,317</b>	159,573
Deposits from customers	29	<b>465,688,801</b>	419,065,517
Debt securities issued	30	<b>64,053,467</b>	67,857,602
Taxes payable	31	<b>457,304</b>	583,389
Lease liabilities	22	<b>456,116</b>	459,079
Other liabilities	32	<b>3,299,483</b>	3,281,809
<b>Total liabilities</b>		<b>603,870,043</b>	543,378,980

## Consolidated Statement of Financial Position (Continued)

As at December 31, 2022

	Notes	As at 31 December	
		2022	2021
<b>EQUITY</b>			
Share capital	33	6,888,546	6,888,546
Capital reserve		6,230,429	6,230,429
Revaluation reserve	34	604,567	789,488
Surplus reserve	35	8,323,435	7,737,394
General reserve	35	6,915,566	6,329,025
Retained earnings		22,165,171	19,403,750
Total equity attributable to shareholders of the Bank		51,127,714	47,378,632
Non-controlling interests		2,692,215	2,603,481
<b>Total equity</b>		<b>53,819,929</b>	49,982,113
<b>Total liabilities and equity</b>		<b>657,689,972</b>	593,361,093

Approved and authorized for issue by the Board of Directors on 29 March 2023.

Chairman	President	Person-in-charge of Accounting	Head of the Accounting Department
Wang Yaoqiu	Fu Qiang	Zhong Guobo	Zhong Xuemei

The notes on pages 204 to 330 form part of these financial statements.

## Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

	Note	Equity attributable to shareholders of the Bank					Retained earnings	Non-controlling interests	Total
		Share capital (Note 33)	Capital reserve	Revaluation reserve (Note 34)	Surplus reserve (Note 35)	General reserve (Note 35)			
<b>As at 1 January 2022</b>		<b>6,888,546</b>	<b>6,230,429</b>	<b>789,488</b>	<b>7,737,394</b>	<b>6,329,025</b>	<b>19,403,750</b>	<b>2,603,481</b>	<b>49,982,113</b>
Net profit for the year		—	—	—	—	—	5,931,681	150,844	6,082,525
Other comprehensive income		—	—	(184,921)	—	—	—	(5,414)	(190,335)
<b>Total comprehensive income</b>		<b>—</b>	<b>—</b>	<b>(184,921)</b>	<b>—</b>	<b>—</b>	<b>5,931,681</b>	<b>145,430</b>	<b>5,892,190</b>
Appropriation to surplus reserve		—	—	—	586,041	—	(586,041)	—	—
Appropriation to general reserve		—	—	—	—	586,541	(586,541)	—	—
Dividend distribution	36	—	—	—	—	—	(1,997,678)	(56,696)	(2,054,374)
<b>As at 31 December 2022</b>		<b>6,888,546</b>	<b>6,230,429</b>	<b>604,567</b>	<b>8,323,435</b>	<b>6,915,566</b>	<b>22,165,171</b>	<b>2,692,215</b>	<b>53,819,929</b>
<b>As at 1 January 2021</b>		<b>5,740,455</b>	<b>—</b>	<b>196,291</b>	<b>7,177,594</b>	<b>5,767,735</b>	<b>17,263,552</b>	<b>2,497,187</b>	<b>38,642,814</b>
Net profit for the year		—	—	—	—	—	5,589,700	113,220	5,702,920
Other comprehensive income		—	—	618,370	—	—	—	43,214	661,584
<b>Total comprehensive income</b>		<b>—</b>	<b>—</b>	<b>618,370</b>	<b>—</b>	<b>—</b>	<b>5,589,700</b>	<b>156,434</b>	<b>6,364,504</b>
Issuance of new shares		1,148,091	6,230,429	—	—	—	—	—	7,378,520
Appropriation to surplus reserve		—	—	—	559,800	—	(559,800)	—	—
Appropriation to general reserve		—	—	—	—	561,290	(561,290)	—	—
Dividend distribution	36	—	—	—	—	—	(2,353,585)	(50,140)	(2,403,725)
Disposal of equity investments measured at FVOCI		—	—	(25,173)	—	—	25,173	—	—
<b>As at 31 December 2021</b>		<b>6,888,546</b>	<b>6,230,429</b>	<b>789,488</b>	<b>7,737,394</b>	<b>6,329,025</b>	<b>19,403,750</b>	<b>2,603,481</b>	<b>49,982,113</b>

The notes on pages 204 to 330 form part of these financial statements.

## Consolidated Statement of Cash Flows

For the year ended December 31, 2022

	Notes	Year ended 31 December	
		2022	2021
<b>Cash flows from operating activities:</b>			
Profit before tax		<b>6,284,062</b>	5,989,651
Adjust for:			
Expected credit losses and asset losses	12	<b>2,238,823</b>	2,443,167
Interest income from financial investments	4	<b>(5,797,084)</b>	(6,420,779)
Interest expense on debt securities issued	4	<b>1,625,905</b>	1,807,963
Interest expense on lease liabilities	4	<b>18,086</b>	22,704
Net trading gains	6	<b>(1,137,624)</b>	(1,057,806)
Net gains on financial investments	7	<b>(75,349)</b>	(520,932)
Net gains on disposal of property, equipment and other long-term assets	8	<b>(8,188)</b>	(51,444)
Depreciation and amortisation	9	<b>423,121</b>	394,884
Share of profits of associates	20	<b>(34,852)</b>	(33,834)
Unrealized foreign exchange gains		<b>(301,668)</b>	—
Others		<b>(10,214)</b>	—
		<b>3,225,018</b>	2,573,574
<b>Net increase in operating assets:</b>			
Net decrease in balances with central bank		<b>371,589</b>	957,795
Net (increase)/decrease in financial assets held under resale agreements and deposits and placements with banks and other financial institutions		<b>(2,286,111)</b>	29,525
Net increase in loans and advances to customers		<b>(33,809,141)</b>	(37,033,326)
Net increase in other operating assets		<b>(260,258)</b>	(81,227)
		<b>(35,983,921)</b>	(36,127,233)
<b>Net increase in operating liabilities:</b>			
Net increase/(decrease) in borrowings from central bank		<b>11,874,774</b>	(19,378,760)
Net increase/(decrease) in financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions		<b>4,380,371</b>	(3,277,452)
Net increase in deposits from customers		<b>45,340,875</b>	41,516,634
Net increase/(decrease) in other operating liabilities		<b>1,353,283</b>	(331,944)
		<b>62,949,303</b>	18,528,478
Cash generated from/(used in) operating activities		<b>30,190,400</b>	(15,025,181)
Income tax paid		<b>(962,884)</b>	(995,416)
<b>Net cash generated from/(used in) operating activities</b>		<b>29,227,516</b>	(16,020,597)

## Consolidated Statement of Cash Flows (Continued)

For the year ended December 31, 2022

	Notes	Year ended 31 December	
		2022	2021
<b>Cash flows from investing activities:</b>			
Cash received from investment income and disposal of financial investments		255,774,219	346,415,906
Net cash received from disposal of property, equipment and other long-term assets		134,191	66,698
Cash dividends received		55,737	17,372
Cash paid to acquire financial investments		(275,652,827)	(354,980,727)
Cash paid to acquire property, equipment and other long-term assets		(338,981)	(380,911)
Net proceeds from other investing activities		—	170,073
<b>Net cash used in investing activities</b>		<b>(20,027,661)</b>	<b>(8,691,589)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from issues of shares		—	7,553,820
Cash received for debt securities issued		84,825,865	81,718,948
Cash payments for debt securities issued		(90,255,905)	(65,918,546)
Cash payments for distribution of dividends		(2,055,299)	(2,403,725)
Cash payments for leases		(214,085)	(140,838)
Cash payments for listing expenses		—	(150,656)
<b>Net cash (used in)/generated from financing activities</b>		<b>(7,699,424)</b>	<b>20,659,003</b>
Effect of foreign exchange rate changes on cash and cash equivalents		117,081	(237,598)
Net increase/(decrease) in cash and cash equivalents		1,617,512	(4,290,781)
Cash and cash equivalents at the beginning of the year		24,968,842	29,259,623
<b>Cash and cash equivalents at the end of the year</b>	37	<b>26,586,354</b>	<b>24,968,842</b>

The notes on pages 204 to 330 form part of these financial statements.

## Notes to the Consolidated Financial Statements

(All amounts in RMB thousand, unless otherwise stated)

### 1 General information

Dongguan Rural Commercial Bank Co., Ltd. (“the Bank”) primary established in 1952, formerly known as Dongguan Rural Credit Cooperative Union (“Dongguan Cooperative Union”). Subsequently, as per the approval by China Banking and Insurance Regulatory Commission (“CBIRC”, formerly China Banking Regulatory Commission), Dongguan Cooperative Union was restructured into a joint-stock commercial bank, and officially changed its name to Dongguan Rural Commercial Bank Co., Ltd. on 22 December 2009.

The Bank operates under financial services certificate NO. B1054H344190001 issued by CBIRC, and the Business License issued by the State Administration for Industry and Commerce of the People’s Republic of China (registration ID: 914419007829859746). The registered address is Hongfu East Road No. 2, Dongcheng Street, Dongguan, Guangdong. On 29 September 2021, the Bank was listed on The Stock Exchange of Hong Kong Limited with the stock code of 09889.

The Bank and its subsidiaries (collectively referred to as “the Group”) operate in the People’s Republic of China (the “PRC”) and are principally engaged in the following activities: corporate and individual deposits, loans and advances, payment and settlement, treasury and other banking business approved by CBIRC.

### 2 Summary of significant accounting policies

#### (1) Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual IFRSs, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

#### (2) Basis of preparation of the financial statements

The consolidated financial statements for the year ended December 31 2022 comprise the Bank and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.

The measurement basis used in the preparation of the financial statements is the historical basis, except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- Financial investment at fair value through other comprehensive income, or financial investment at fair value through profit or loss (see Note 2(11));
- Derivative financial instruments (see Note 2(11)(viii));

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 2 Summary of significant accounting policies *(Continued)*

#### (2) Basis of preparation of the financial statements *(Continued)*

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgements made by management in the application of IFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

The financial statements are presented in RMB, rounded to the nearest thousand, which is the functional currency of the Group.

#### (3) Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting year:

- Amendments to IFRS 3: Reference to the Conceptual Framework

The amendments have updated IFRS 3 Business combinations, to refer to the 2018 Conceptual Framework for Financial Reporting, and added an exception to the requirement to refer to the 2018 Conceptual Framework to determinate what constitutes an asset or a liability in a business combination. The exception relates to liabilities and contingent liabilities that would have been within the scope of IAS 37 or IFRIC 21. The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date. The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

- Amendments to IAS 37: Onerous Contracts — Cost of Fulfilling a Contract

The amendments clarify the meaning of 'costs to fulfil a contract' for the purposes of assessing whether a contract is onerous. In particular, the amendments explain that such costs comprise the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The amendments also clarify that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than merely on assets dedicated to that contract. The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 2 Summary of significant accounting policies *(Continued)*

#### (3) Changes in accounting policies *(Continued)*

- Amendments to IAS 16: Property, Plant and Equipment — Proceeds before Intended Use

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The amendments also clarify that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset, and that the financial performance of the asset is not relevant to this assessment. The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

- Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41: Annual Improvements to IFRS Standards 2018—2020

The IASB issued amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41: Annual Improvements to IFRS Standards 2018—2020, which provides an optional relief for the measurement of cumulative translation differences to certain first-time adopters, clarifies the types of fees to be included when assessing the derecognition of financial liability, amends an illustrative example accompanying IFRS 16, 'Leases', and removes the requirement to exclude taxation cash flows when measuring fair value. The adoption of these amendments does not have a significant impact on the Group's consolidated financial statements.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior year have been prepared or presented in this financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting year.

#### (4) Basis of consolidation

In the Bank's statement of financial position, its investments in subsidiaries are stated at cost, less impairment losses, if any.

#### (5) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair value of the assets transferred by the Group, liabilities incurred or assumed by the Group, and any equity interests issued by the Group. Acquisition related costs are recognised in the consolidated statement of profit or loss and other comprehensive income as incurred.

At the acquisition date, irrespective of non-controlling interests, the identifiable assets acquired, and liabilities and contingent liabilities assumed are recognised at their fair values; except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 — Income Taxes and IAS 19 — Employee Benefits, respectively.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 2 Summary of significant accounting policies *(Continued)*

#### (5) Business combinations *(Continued)*

Goodwill is measured as the excess of the difference between (i) the consideration transferred, the fair value of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) and (ii) the net fair value of the identifiable assets acquired, and the liabilities and contingent liabilities incurred or assumed.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Bank, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests that represent ownership interests in the acquiree and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are accounted for at either fair value or the non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Bank.

#### (6) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 2 Summary of significant accounting policies *(Continued)*

#### (6) Subsidiaries *(Continued)*

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(11)) or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 2(7)).

In the Bank's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(21)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

#### (7) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not constitute control or joint control over those policy decisions.

The post-acquisition profit or loss of an associate is incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is initially recognised at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of loss of an associate equal or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further loss. Additional loss is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

At the end of each reporting period, the Group considers whether there are circumstances that indicate the possibility of impairment of the Group's investment in an associate; when that is the case, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 — Impairment of Assets, as a single asset by comparing its recoverable amount (the higher of fair value less costs to sell and value in use) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of an impairment loss is recognised, to the extent that the recoverable amount of the investment subsequently increases.

When an entity in the Group transacts with the Group's associate, profits and losses resulting from the transaction are recognised in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 2 Summary of significant accounting policies *(Continued)*

#### (8) Goodwill

Goodwill represents the excess of the cost of an acquisition less the fair value of the Group's share of the net identifiable assets of acquired subsidiaries and associates at the date of acquisition. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position. Goodwill on acquisition of associates is included in investment in associates.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") or groups of CGUs that is expected to benefit from the synergies of the business combination.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU, which is the higher of fair value less costs to sell and value in use, is less than its carrying amount, the deficit, reflecting an impairment loss, is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis, based on the carrying amount of each asset in the CGU. Any goodwill impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

#### (9) Foreign currency translation

The functional currency of the Group is Chinese RMB ("RMB"). The presentation currency of the Group and the Bank is RMB.

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting year, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statement of profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 2 Summary of significant accounting policies *(Continued)*

#### (10) Cash and cash equivalents

Cash and cash equivalents are short-term and highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents include cash and assets with original maturity of three months or less under cash and balances with central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets held under resale agreements. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(11).

#### (11) Financial instruments

##### (i) **Recognition and initial measurement of financial assets and financial liabilities**

Financial assets or financial liabilities are recognized in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributed transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

##### (ii) **Classification and subsequent measurement of financial assets**

###### (a) *Classification of financial assets*

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortized cost, at fair value through other comprehensive income ("FVOCI"), or at fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity investment not held for trading, the Group may irrevocably designate it as financial asset at FVOCI upon initial recognition. This election is made on an investment-by-investment basis.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 2 Summary of significant accounting policies *(Continued)*

#### (11) Financial instruments *(Continued)*

##### (ii) **Classification and subsequent measurement of financial assets** *(Continued)*

###### (a) *Classification of financial assets (Continued)*

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

###### (b) *Subsequent measurement of financial assets*

###### — Financial assets at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including interest or dividend income, are recognized in profit or loss unless the financial assets are part of a hedging relationship.

###### — Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. A gain or loss on a financial asset that is measured at amortized cost and is not part of a hedging relationship shall be recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize impairment gains or losses.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 2 Summary of significant accounting policies *(Continued)*

#### (11) Financial instruments *(Continued)*

##### (ii) **Classification and subsequent measurement of financial assets** *(Continued)*

###### (b) *Subsequent measurement of financial assets (Continued)*

— Financial assets measured at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

— Equity investments measured at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

##### (iii) **Classification and subsequent measurement of financial liabilities**

Financial liabilities are classified as measured at FVTPL or amortized cost.

— Financial liabilities at FVTPL

A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss, unless the financial liabilities are part of a hedging relationship.

— Financial liabilities at amortized cost

Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 2 Summary of significant accounting policies *(Continued)*

#### (11) Financial instruments *(Continued)*

##### **(iv) Offsetting**

Financial assets and financial liabilities are generally presented separately in the balance sheet and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- The Group currently has a legally enforceable right to set off the recognized amounts;
- the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

##### **(v) Derecognition of financial assets and financial liabilities**

Financial asset is derecognized when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset;
- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognized in profit or loss:

- the carrying amount of the financial asset transferred measured at the date of derecognition;
- the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment measured at FVOCI, any cumulative gain or loss that has been recognized directly in other comprehensive income for the part derecognized.

The Group derecognizes a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 2 Summary of significant accounting policies *(Continued)*

#### (11) Financial instruments *(Continued)*

##### (vi) Impairment

The Group recognizes loss allowances for expected credit loss (ECL) on:

- financial assets measured at amortized cost
- loans and advances to customers and debt investments measured at FVOCI
- credit commitments

Other financial assets measured at fair value, including debt or equity securities at FVTPL and equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

##### *Measurement of ECLs*

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and exposures arising from some loan commitments and financial guarantee contracts.

ECL refer to the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss refers to the difference between all contractual cash flows discounted by the original effective interest rate that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, i.e., the present value of all cash shortfalls (among them, for the purchased or originated credit-impaired (“POCI”) financial assets, discount shall be based on the credit-adjusted effective interest rate of the financial assets).

The Group measures ECL of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money;
- reasonable and supportable information that is available without undue cost or effort at the balance sheet date about past events, current conditions and forecasts of future economic conditions.

The description of inputs, assumptions and estimation techniques used in measuring the ECL is presented in Note 42.1.

The Group applies the impairment requirements for the recognition and measurement of a loss allowance for debt instruments that are measured at FVOCI. The loss allowance is recognised in other comprehensive income and the impairment loss is recognised in profit or loss, and it should not reduce the carrying amount of the financial asset in the statement of financial position.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 2 Summary of significant accounting policies *(Continued)*

#### (11) Financial instruments *(Continued)*

##### (vi) **Impairment** *(Continued)*

###### *Measurement of ECLs (Continued)*

If the Group has measured the loss allowance for a financial instrument other than POCI at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on the financial instruments has increased significantly since initial recognition is no longer met, the Group measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date and the amount of expected credit losses reversal is recognised in profit or loss. For POCI financial assets, at the reporting date, the Group only recognises the cumulative changes in lifetime expected credit losses since initial recognition.

###### *Presentation of allowances for ECL*

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income.

###### *Write-off*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 2 Summary of significant accounting policies *(Continued)*

#### (11) Financial instruments *(Continued)*

##### **(vii) Modification of loans**

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 modified contractual terms. In making the assessment, factors need to be considered include:

- 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;
- 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;
- The loan term is significantly extended in the absence of financial difficulties for the borrower;
- Material change happens to the loan interest rate;
- Change happens to the loan currency;
- New collateral and other credit enhancements dramatically change the level of loan credit risk.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a “new” asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 2 Summary of significant accounting policies *(Continued)*

#### (11) Financial instruments *(Continued)*

##### ***(viii) 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. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Certain derivatives, such as foreign exchange 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 criterion are met:

- The economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract;
- The instruments that have the same terms but exist independently meet the definition of derivatives; and
- The hybrid instruments are not designated at fair value and changes included into the profits and losses for the period.

The Group can either designate the separated embedded derivatives as at fair value and changes included into the profits and losses for the period or designate 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.

##### ***(ix) Financial guarantee contracts and loan commitments***

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of guaranteed fees, and the expected credit loss provision required to settle the guarantee. Any increase in the liability relating to guarantees is taken to the consolidated statement of profit or loss.

The impairment allowance of loan commitments provided by the Group is measured using ECL models. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 2 Summary of significant accounting policies *(Continued)*

#### (11) Financial instruments *(Continued)*

##### *(ix) Financial guarantee contracts and loan commitments (Continued)*

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

#### (12) Fair value measurement

Unless otherwise specified, the Group measures fair value as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

#### (13) Financial assets held under resale and repurchase agreements

Financial assets purchased under agreements to resale are reported not as purchases of the assets but as receivables and are carried in the statements of financial position at amortized cost. Financial assets held under resale agreements are assessed for ECL in accordance with the policy set out in Note 2(11).

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statements of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortized cost.

Interest earned on resale agreements and interest incurred on repurchase agreements are recognised respectively as interest income and interest expense over the life of each agreement using the effective interest method.

#### (14) Precious metals

Precious metal refers to gold. Precious metals that are not related to the Group's trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realizable value. Precious metals that are related to the Group's trading activities are initially recognized at fair value, with changes in fair value arising from remeasurement recognized directly in profit or loss in the period in which they arise.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 2 Summary of significant accounting policies *(Continued)*

#### (15) Property and equipment and construction in progress

Property and equipment is asset held by the Group for the conduct of business and is expected to be used for more than one year. Construction-in-progress, an item of property, represents property under construction and is transferred to property when ready for its intended use.

##### (a) Cost

Property and equipment is stated at cost upon initial recognition. Costs of a purchased property and equipment comprise purchase price, related taxes, and any directly attributable expenditures for bringing the asset to working condition for its intended use. Costs of a self-constructed property and equipment comprise construction materials, direct labor costs and those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

Subsequent to initial recognition, property and equipment is stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises, major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

The subsequent costs including the cost of replacing part of an item of property and equipment are recognized in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

##### (b) Depreciation

Depreciation is calculated to write-off the cost, less residual value if applicable, of property and equipment and is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives and depreciation rate (amortization rate) are as follows:

Category of assets	Estimated useful lives	Depreciation rates
Buildings	20 years	5.00%
Motor vehicles	4 years	25.00%
Machinery and equipment	10 years	10.00%
Electronic equipment	3 years	33.33%
Other equipment	5 years	20.00%
Decoration and renovation	5 years	20.00%

The residual value and useful lives of assets are reviewed, and adjusted if appropriate, as of each reporting date.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### (15) Property and equipment and construction in progress (Continued)

##### (c) Disposal and retirement

Gains or losses arising from the disposal or retirement of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss on the date of disposal or retirement.

##### (d) Construction in progress

Properties in the course of construction for supply of services or administrative purposes are carried at cost, as construction in progress, less any impairment loss. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

#### (16) Investment properties

Investment properties are properties held to earn rental income or for capital appreciation, or both.

Investment properties are initially measured at cost, including costs that are directly attributable to the properties at the time of acquisition. The Group adopts the cost model for subsequent measurement of investment properties. The type of assets, estimated useful lives and depreciation rate (amortization rate) are as follows:

Category of assets	Estimated useful lives	Depreciation rates
Buildings	20 years	5.00%
Land use rights	20/50 years	5.00%/2.00%

As at the balance sheet date, the Group reviews investment properties item by item. If the carrying amount of an asset is higher than the estimated recoverable amount, the carrying amount is reduced to its recoverable amount. The recoverable amount is recognized at the higher of the fair value less cost of sales and value in use.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 2 Summary of significant accounting policies *(Continued)*

#### **(17) Intangible assets**

Intangible assets are initially recognized at cost. The cost less estimated net residual values (if any) of the intangible assets is amortized on a straight-line basis over their useful lives, and charged to profit or loss. Impaired intangible assets are amortized net of accumulated impairment losses. The useful lives of the Group's intangible assets are 3 years. The amortization rate of the Group's intangible assets is 33%. The residual value and useful lives of assets are reviewed, and adjusted if appropriate, as of each reporting date.

Intangible assets with indefinite useful lives are not amortized but are subject to annual impairment assessment.

#### **(18) Land use rights**

The Group recognizes land use rights as right-of-use assets. Land use rights are initially measured at cost and amortized on a straight-line basis over their statutory useful lives. The cost of land use rights is amortized on a straight-line basis over the granted using period and is recognized in profit or loss for the current period. For land use rights, when charging the depreciation, the accumulated amount of provision for impairment losses will be deducted.

#### **(19) Foreclosed assets**

Foreclosed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor's rights. Foreclosed assets are initially recognized at fair value and subsequently measured at the lower of their carrying amount and fair value, less costs to sell at the end of each reporting period. When the fair value, less costs to sell, is lower than a foreclosed asset's carrying amount, an impairment loss is recognized in profit or loss.

Any gain or loss arising on the disposal of the foreclosed asset is included in profit or loss in the period in which the item is disposed.

The Group disposes of foreclosed assets through various means. In principle, foreclosed assets should not be transferred for own use, but, in the event that they are needed for the Group's own business or management purposes, they are transferred at their net carrying amounts and managed as newly acquired property and equipment.

#### **(20) Leases**

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 2 Summary of significant accounting policies *(Continued)*

#### (20) Leases *(Continued)*

##### (i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(21)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 2 Summary of significant accounting policies *(Continued)*

#### (20) Leases *(Continued)*

##### (ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognized in accordance with Note 2(26).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 2(20)(i), then the Group classifies the sub-lease as an operating lease.

#### (21) Impairment of non-financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- Property and equipment;
- Construction in progress;
- Investment properties measured at cost;
- Foreclosed assets of non-financial assets;
- Right-of-use assets;
- Intangible assets and Land use rights;
- Long-term deferred expenses; and
- Investments in subsidiaries and associates.

If there is any indication that those assets have suffered an impairment loss, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any.

An asset group is composed of assets directly related to cash generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 2 Summary of significant accounting policies *(Continued)*

#### **(21) Impairment of non-financial assets *(Continued)***

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value less costs to sell and its present value of expected future cash flows. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the assets belong.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal to their present value using an appropriate pre-tax discount rate, taking into account the expected future cash, useful life and discount rate.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss and a provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

#### **(22) Employee benefits**

##### **(i) Short-term employee benefits**

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accrued at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate. If the liability is not expected to be fully paid within 12 months after the end of the annual reporting period in which the employee provides the services, and the financial impact is significant, the liability is measured at the discounted amount.

##### **(ii) Post-employment benefits**

The Group's post-employment benefits are primarily the payments for basic pensions and unemployment insurance related to government mandated social welfare programs, as well as the annuity scheme established. All these post-employment benefits are defined contribution plans, under which, the Group makes fixed contributions into a separate fund and will have no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 2 Summary of significant accounting policies *(Continued)*

#### (22) Employee benefits *(Continued)*

##### (ii) **Post-employment benefits** *(Continued)*

Contributions to the basic pensions and unemployment insurance plan are recognised in the consolidated statement of profit or loss for the period in which the related payment obligation is incurred.

The employees of the Bank participate in an annuity scheme established by the Bank (the “Annuity Scheme”). The Bank pays annuity contributions with reference to employees’ salaries, and such contributions are expensed in the consolidated statement of profit or loss when incurred. The Bank has no further obligation if the Annuity Scheme does not have sufficient assets for the payment of any retirement benefits to employees funded by the Annuity Scheme.

##### (iii) **Termination benefits**

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;
- When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

#### (23) Income tax

##### **Current and deferred income tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 2 Summary of significant accounting policies *(Continued)*

#### (23) Income tax *(Continued)*

##### **Current and deferred income tax** *(Continued)*

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax assets and liabilities are not recognized for temporary difference related to goodwill or the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that the temporary difference will not reverse in the foreseeable future or it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 2 Summary of significant accounting policies *(Continued)*

#### (24) Provisions and contingent liabilities

##### (i) Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

##### (ii) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that 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.

A contingent liability is not recognized, but disclosed, unless the possibility of an outflow of resources embodying economic benefits is probable.

#### (25) Fiduciary activities

The Group acts as a custodian, trustee and in other fiduciary capacities to safeguard assets for customers in accordance with custody agreements between the Group and securities investment funds, social security funds, insurance companies, trust companies, qualified foreign institutional investors, annuity schemes and other institutions and individuals. The Group receives fees in return for its services provided under the custody agreements and does not have any interest in the economic risks and rewards related to assets under custody. Therefore, assets under custody are not recognized in the Group's consolidated statement of financial position.

The Group conducts entrusted lending arrangements for its customers. Under the terms of entrusted loan arrangements, the Group grants loans to borrowers, as an intermediary, according to the instruction of its customers who are the lenders providing funds for the entrusted loans. The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the economic risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognized as assets and liabilities of the Group.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 2 Summary of significant accounting policies *(Continued)*

#### **(26) Income recognition**

Income is recognized when the Group satisfies the performance obligation in the contract which by transferring the control over relevant goods or services to the customers.

The following is the description of accounting policies regarding income from the Group's principal activities.

##### **(i) Interest income**

Interest income for financial assets is recognized in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortization of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

Interest on the impaired assets is recognized using the rate of interest used to discount future cash flows for the purpose of measuring the related impairment loss.

##### **(ii) Fee and commission income**

The Group earns fee and commission income from a diverse range of services it provides to its customers. The fee and commission income recognized by the Group reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to customers, and income is recognized when its performance obligation in contracts is satisfied.

The Group recognizes income over time by measuring the progress towards the complete satisfaction of a performance obligation, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The customer controls the service provided by the Group in the course of performance;

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 2 Summary of significant accounting policies *(Continued)*

#### (26) Income recognition *(Continued)*

##### (ii) **Fee and commission income** *(Continued)*

- The Group does not provide service with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date; or
- In other cases, the Group recognizes revenue at a point in time at which a customer obtains control of the promised services.

##### (iii) **Government grants**

Government grants are recognized in the statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

##### (iv) **Dividend income**

Dividend is recognised in profit or loss only when the Group's right to receive payment of the dividends is established.

##### (v) **Other income**

Other income is recognized on an accrual basis.

#### (27) Expense recognition

##### (i) **Interest expenses**

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

##### (ii) **Other expenses**

Other expenses are recognised on an accrual basis.

#### (28) Dividend distribution

Dividend distribution to the Bank's equity holders is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the equity holders in the annual general meeting of the Bank.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 2 Summary of significant accounting policies *(Continued)*

#### (29) Related parties

- (i) A person, or a close member of that person's family, is related to the Group if that person:
  - (a) has control or joint control over the Group;
  - (b) has significant influence over the Group; or
  - (c) is a member of the key management personnel of the Group or the Group's parent.
- (ii) An entity is related to the Group if any of the following conditions applies:
  - (a) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member);
  - (c) Both entities are joint ventures of the same third party;
  - (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (f) The entity is controlled or jointly controlled by a person identified in (i);
  - (g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
  - (h) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 2 Summary of significant accounting policies *(Continued)*

#### (30) Segment reporting

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) 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 (3) 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.

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker for the purposes of allocating resources and assessing performance. The Group considers the business from different perspectives including products and services and geographic areas. The operating segments that meet the specified criteria have been aggregated, and the operating segments that meet quantitative thresholds have been reported separately.

Inter-segment revenues are measured based on actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

### 3 Critical accounting estimates and judgement

Preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

#### (1) Measurement of expected credit loss

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI and for exposures arising from some loan commitments and financial guarantee contracts, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 42.1 Credit risk.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 3 Critical accounting estimates and judgement *(Continued)*

#### (1) Measurement of expected credit loss *(Continued)*

It requires a lot of significant judgements to measure ECL under relevant accounting standards, such as:

- Segmentation of portfolio sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters;
- Criteria for determining whether there was a significant increase in credit risk, or a default or credit impaired was occurred;
- Economic indicators used in the forward-looking measurement, and the application of economic scenarios and weightings; and
- Estimation of future cash flows for corporate loans and advances and debt investments in stage 3.

Detailed information on the above judgements and estimates is set out in Note 42.1.

#### (2) Consolidation of structured entities

Where the Group acts as asset manager of or investor in structured entities, the Group makes significant judgement on whether the Group controls and should consolidate these structured entities. When performing this assessment, the Group assesses the Group's contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities, performs analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned as the asset manager, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities. The Group also assesses whether it acts as a principal or an agent through analysis of the scope of its decision-making authority over the structured entities, the remuneration to which it is entitled for asset management services, the Group's exposure to variability of returns from its other interests in the structured entities, and the rights held by other parties in the structured entities.

#### (3) Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models. To the extent practical, market observable inputs and data, such as interest rate yield curves, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, liquidity, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 3 Critical accounting estimates and judgement *(Continued)*

#### (4) Goodwill impairment

Goodwill impairment reviews are undertaken annually or more frequently, and it is also needed if events or changes indicate a potential impairment. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating unit (the “CGU”). The Group forecasts future cash flow of the CGU, and applies appropriate discount rate for the calculation of the present value of future cash flow.

#### (5) Taxes

There are certain transactions and activities in the ordinary course of the Group’s business for which the ultimate tax effect is uncertain. The Group made certain estimation and judgement for items of uncertainty in the application of tax legislations, taking into account existing tax legislation and past practice of tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, based on management’s assessment, such differences will affect the current income tax and deferred income tax during the period in which such a determination is made.

### 4 Net interest income

	Year ended 31 December	
	2022	2021
<b>Interest income</b>		
Balances with central bank	441,450	480,594
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	462,639	421,768
Loans and advances to customers	16,079,018	14,634,694
Financial investments	5,797,084	6,420,779
<b>Sub-total</b>	<b>22,780,191</b>	21,957,835
<b>Interest expense</b>		
Borrowings from central bank	(483,765)	(749,669)
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	(1,092,150)	(1,268,225)
Deposits from customers	(8,627,010)	(7,575,939)
Debt securities issued	(1,625,905)	(1,807,963)
Lease liabilities	(18,086)	(22,704)
<b>Sub-total</b>	<b>(11,846,916)</b>	(11,424,500)
<b>Net interest income</b>	<b>10,933,275</b>	10,533,335

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 5 Net fee and commission income

	Year ended 31 December	
	2022	2021
<b>Fee and commission income</b>		
Custodian and other fiduciary	307,922	263,291
Wealth management agency services	298,181	359,832
Bank cards	246,638	245,961
Settlement and clearing services	87,368	76,801
Others	81,409	44,940
<b>Sub-total</b>	<b>1,021,518</b>	990,825
<b>Fee and commission expense</b>		
Settlement and clearing services	(126,566)	(70,946)
Platform cooperation	(93,392)	(35,245)
Transaction services	(83,353)	(62,406)
Others	(32,229)	(29,919)
<b>Sub-total</b>	<b>(335,540)</b>	(198,516)
<b>Net fee and commission income</b>	<b>685,978</b>	792,309

### 6 Net trading gains

	Year ended 31 December	
	2022	2021
Net gains on financial assets held for trading	1,137,624	1,040,124
Exchange gains	155,729	17,213
Net gains on precious metal	503	469
<b>Total</b>	<b>1,293,856</b>	1,057,806

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 7 Net gains on financial investments

	Notes	Year ended 31 December	
		2022	2021
Net gains on sale of debt instrument investments at fair value through other comprehensive income		537,525	368,432
Net gains on financial assets at fair value through profit or loss		331,876	41,877
Net gains on derecognition of financial assets measured at amortised cost	(a)	221,237	70,849
Dividend income from equity instruments		45,914	39,774
Others	28(a)	(1,061,203)	—
<b>Total</b>		<b>75,349</b>	<b>520,932</b>

(a) During the year ended 31 December 2022 and 31 December 2021, the Group sold certain financial assets measured at amortised cost. These sales were made because the financial assets no longer met the Group's investment policy due to a deterioration in their credit risk.

### 8 Other operating income

	Note	Year ended 31 December	
		2022	2021
Government grants	(a)	186,345	8,078
Rental income		30,066	27,950
Gains on disposal of property, equipment and other long-term assets		8,188	51,444
Others		22,900	4,460
<b>Total</b>		<b>247,499</b>	<b>91,932</b>

(a) Government grants comprise incentives for deferred repayment of principal and interest and job stabilization subsidies from Ministry of Finance ("MOF") and Municipal Governments.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 9 Operating expenses

	Note	Year ended 31 December	
		2022	2021
Staff costs (including emoluments of directors and supervisors)	10	<b>3,181,835</b>	3,195,543
General and administrative expenses		<b>986,028</b>	844,017
Depreciation and amortisation		<b>423,121</b>	394,884
Taxes and surcharges		<b>144,903</b>	155,407
Auditors' remuneration		<b>12,037</b>	7,479
— Audit service		<b>6,326</b>	6,090
— Non-audit service		<b>5,711</b>	1,389
<b>Total</b>		<b>4,747,924</b>	4,597,330

### 10 Staff costs (including emoluments of directors and supervisors)

	Year ended 31 December	
	2022	2021
Salaries, bonuses, allowances and subsidies	<b>2,282,618</b>	2,410,693
Social benefits and others	<b>659,398</b>	592,537
Enterprise annuity scheme	<b>191,197</b>	142,216
Labour union funds and employee education funds	<b>48,622</b>	50,097
<b>Total</b>	<b>3,181,835</b>	3,195,543

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 11 Emoluments of directors, supervisors and the highest-paid staff

#### (a) Emoluments of directors and supervisors are as follows:

Name	Notes	Year ended 31 December 2022					Total
		Fees	Salaries	Discretionary bonuses	Subsidies and physical benefits	Pension plan contributions	
<b>Chairman</b>							
Wang Yaoqiu		—	1,380	1,264	96	112	2,852
<b>Executive directors</b>							
Fu Qiang		—	1,380	1,264	96	112	2,852
Ye Jianguang		—	1,132	1,038	96	112	2,378
<b>Non-executive directors</b>							
Lai Chun Tung		230	—	—	—	—	230
Wang Junyang		230	—	—	—	—	230
Cai Guowei		230	—	—	—	—	230
Ye Jinqun		230	—	—	—	—	230
Chen Haitao		230	—	—	—	—	230
Zhang Qingxiang		230	—	—	—	—	230
Chen Weiliang		230	—	—	—	—	230
Tang Wencheng	(1)	77	—	—	—	—	77
<b>Independent non-executive directors</b>							
Zeng Jianhua	(1)	77	—	—	—	—	77
Yip Tai Him		230	—	—	—	—	230
Xu Zhi		230	—	—	—	—	230
Tan Fulong		230	—	—	—	—	230
Liu Yuou		230	—	—	—	—	230
Xu Tingting		230	—	—	—	—	230
<b>Supervisors</b>							
Chen Sheng		—	1,132	1,038	96	112	2,378
Deng Yanwen		—	472	814	88	112	1,486
Wu Lixin		—	586	785	81	111	1,563
Liang Zhifeng		—	584	1,320	80	112	2,096
Lu Chaoping		230	—	—	—	—	230
Wang Zhujin		230	—	—	—	—	230
Liang Jiepeng		230	—	—	—	—	230
Zou Zhibiao		230	—	—	—	—	230
Wei Haiying		230	—	—	—	—	230
Yang Biao		230	—	—	—	—	230
Zhang Bangyong		230	—	—	—	—	230
Mai Xiuhua		230	—	—	—	—	230
<b>Directors who resigned</b>							
Chen Wei	(2)	—	761	698	71	76	1,606
Shi Wenfeng	(3)	153	—	—	—	—	153
<b>Total</b>		<b>4,907</b>	<b>7,427</b>	<b>8,221</b>	<b>704</b>	<b>859</b>	<b>22,118</b>

- (1) The Board of Director proposed to appoint Mr. Tang Wencheng as a non-executive director and Mr. Zeng Jianhua as an independent non-executive director on 30 March 2022. The CBIRC has approved the appointment of Mr. Tang Wencheng and Mr. Zeng Jianhua on 6 September 2022.
- (2) Mr. Chen Wei resigned as an executive director of the Bank on 19 December 2022.
- (3) Mr. Shi Wenfeng resigned as an independent non-executive director of the Bank on 6 September 2022.
- (4) The total amount of pre-tax emoluments of the Group's directors and supervisors who are fully remunerated is still in the process of being confirmed and the remainder will be disclosed upon confirmation of payment.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 11 Emoluments of directors, supervisors and the highest-paid staff (Continued)

(a) Emoluments of directors and supervisors are as follows: (Continued)

Name	Note	Year ended 31 December 2021					Total
		Fees	Salaries	Discretionary bonuses	Subsidies and physical benefits	Pension plan contributions	
<b>Chairman</b>							
Wang Yaoqiu		—	1,386	1,633	87	103	3,209
<b>Executive directors</b>							
Fu Qiang		—	1,386	1,633	87	103	3,209
Ye Jianguang		—	1,137	1,340	89	103	2,669
Chen Wei		—	1,137	1,218	87	103	2,545
<b>Non-executive directors</b>							
Lai Chun Tung		230	—	—	—	—	230
Wang Junyang		230	—	—	—	—	230
Cai Guowei		230	—	—	—	—	230
Ye Jinqun		230	—	—	—	—	230
Chen Haitao		230	—	—	—	—	230
Zhang Qingxiang		230	—	—	—	—	230
Chen Weiliang		230	—	—	—	—	230
<b>Independent non-executive directors</b>							
Yip Tai Him		230	—	—	—	—	230
Xu Zhi		230	—	—	—	—	230
Shi Wenfeng		230	—	—	—	—	230
Tan Fulong		230	—	—	—	—	230
Liu Yuou		230	—	—	—	—	230
Xu Tingting		230	—	—	—	—	230
<b>Supervisors</b>							
Chen Sheng		—	1,137	1,340	87	103	2,667
Deng Yanwen		—	614	1,791	84	103	2,592
Wu Lixin		—	574	869	78	101	1,622
Liang Zhifeng		—	579	1,516	77	103	2,275
Lu Chaoping		230	—	—	—	—	230
Wang Zhujin		230	—	—	—	—	230
Liang Jiepeng		230	—	—	—	—	230
Zou Zhibiao		230	—	—	—	—	230
Wei Haiying		230	—	—	—	—	230
Yang Biao		230	—	—	—	—	230
Zhang Bangyong		230	—	—	—	—	230
Mai Xiuhua		230	—	—	—	—	230
<b>Director who resigned</b>							
Ye Yunfei	(1)	—	864	809	86	103	1,862
<b>Total</b>		<b>4,830</b>	<b>8,814</b>	<b>12,149</b>	<b>762</b>	<b>925</b>	<b>27,480</b>

(1) Mr. Ye Yunfei resigned as an executive director in April 2021.

(2) The total amount of deferred emoluments for the above individuals in 2021 is RMB9.68 million as the Group has implemented the deferred emoluments regulation. The deferred emoluments have not been paid to them until 31 December 2021, and whether and how individuals will eventually be fully remunerated will be confirmed in accordance with the Group's policy based on the Group's actual operation and risk determination in the future.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 11 Emoluments of directors, supervisors and the highest-paid staff (Continued)

#### (b) Five highest paid individuals:

The five highest paid individuals comprises directors, supervisor and non-director and non-supervisor as below:

	Note	Year ended 31 December	
		2022	2021
Directors		3	3
Supervisor		1	2
Non-director and non-supervisor	(2)	2	—
<b>Total</b>		<b>6</b>	<b>5</b>

- (1) During the year ended 31 December 2022, the five highest paid individuals included six persons in total, two of them were with the same emoluments and being the highest paid individuals, and other four of them were with the same emoluments and being the third highest paid individuals.

During the year ended 31 December 2021, the five highest paid individuals included five persons in total, two of them were with the same emoluments and being the highest paid individuals.

- (2) The emoluments payable to the remaining individuals during the years ended 31 December 2022 and 2021 are as follows:

	Year ended 31 December	
	2022	2021
Salaries, subsidies and other benefits	2,456	—
Discretionary bonuses	2,076	—
Pension plan contributions	224	—
<b>Total</b>	<b>4,756</b>	<b>—</b>

The emoluments of the remaining individuals during the years ended 31 December 2022 and 2021 fell within the following band:

	Year ended 31 December	
	2022	2021
RMB2,000,000 to RMB2,500,000	2	—

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 11 Emoluments of directors, supervisors and the highest-paid staff (Continued)

#### (c) Other benefits and interests of directors and supervisors

For the years ended 31 December 2022 and 2021, the Group:

- paid no emoluments to any director, supervisor, senior management or any of the five highest paid individuals as its bonus for joining, or compensation for termination;
- paid no retirement benefits to any director, supervisor, senior management or any of five highest paid individuals except for enterprise Annuity Scheme and Pension Scheme (Note 2 (22) Employee benefits);
- paid no consideration to any third party for related services provided to the Group by directors or supervisors;
- no director or supervisor waived any emolument.

The loans issued by the Group to its directors, supervisors or certain controlled body corporates and connected entities of the directors or supervisors and the balances were disclosed in Note 40. The Group provided no guarantee or security for the loans of any directors, supervisors or certain controlled body corporates and connected entities of the directors or supervisors.

### 12 Expected credit losses and asset losses

	Year ended 31 December	
	2022	2021
Loans and advances to customers		
— Measured at amortised cost	1,964,019	1,948,070
— Measured at fair value through other comprehensive income	6,000	42,484
Financial investments		
— Measured at amortised cost	209,542	289,953
— Measured at fair value through other comprehensive income	(25,855)	88,247
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	(19,429)	21,697
Loan commitments and guarantee contracts	58,485	29,976
Other assets	46,061	22,740
<b>Total</b>	<b>2,238,823</b>	<b>2,443,167</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 13 Income tax expense

	Note	Year ended 31 December	
		2022	2021
Current income tax		<b>866,519</b>	775,806
Deferred income tax	24	<b>(664,982)</b>	(489,075)
Total		<b>201,537</b>	286,731

The actual amount of tax paid by the Group is different from the amount calculated based on the profit before tax of the Group and statutory tax rate applicable to the Group. The major adjustments are as follows:

	Note	Year ended 31 December	
		2022	2021
Profit before tax		<b>6,284,062</b>	5,989,651
Income tax calculated at statutory tax rate of 25%		<b>1,571,016</b>	1,497,413
Tax effect of income not taxable for tax purpose	(a)	<b>(1,339,105)</b>	(1,270,688)
Share of profits of associates		<b>(8,713)</b>	(8,814)
Non-deductible expenses		<b>63,923</b>	33,181
Recognition of previously unrecognised deductible temporary differences		<b>(23,472)</b>	—
Tax effect of unused tax losses not recognised		<b>(52,738)</b>	—
Effect of preferential tax rate applicable to a subsidiary		<b>(641)</b>	(1,908)
Adjustments for current tax of prior periods		<b>(8,733)</b>	37,547
Income tax expense		<b>201,537</b>	286,731

- (a) The non-taxable income of the Group includes interest income from PRC treasury bonds, municipal government bonds and dividend income.
- (b) From 1 January 2013 to 31 December 2030, the Group's subsidiary, Hezhou Babu Dongying County Bank Company Limited is entitled to a preferential income tax rate of 15%.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 14 Basic and diluted earnings per share

- (a) Basic earnings per share are calculated by dividing the net profit attributable to the shareholders of the Bank by the weighted average number of ordinary shares issued by the Bank during the years.

	Year ended 31 December	
	2022	2021
Net profit attributable to the shareholders of the Bank (RMB'000)	5,931,681	5,589,700
Weighted average number of ordinary shares (thousand shares)	6,888,546	6,027,478
Basic earnings per share (RMB)	0.86	0.93

### (b) Diluted earnings per share

For the years ended 31 December 2022 and 2021, the Bank had no potential diluted ordinary share, so the diluted earnings per share equaled the basic earnings per share.

### 15 Cash and balances with central bank

	Notes	As at 31 December	
		2022	2021
Cash		4,336,151	2,959,804
Mandatory reserve deposits with central bank	(a)	25,782,716	26,083,463
Surplus reserve deposits	(b)	9,777,726	6,978,180
Other deposits with the central bank	(c)	114,955	176,459
Sub-total		40,011,548	36,197,906
Accrued interest		13,288	13,405
<b>Total</b>		<b>40,024,836</b>	<b>36,211,311</b>

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 15 Cash and balances with central bank *(Continued)*

- (a) Mandatory reserve deposits with central bank represent the general reserve that the Group maintains with the People's Bank of China ("PBOC") in accordance with relevant regulations. The deposit ratios for the reserve of the Bank as at 31 December 2022 and 2021 were as follows, respectively:

	As at 31 December	
	2022	2021
Mandatory reserve rate for deposits denominated in RMB	5.75%	6.50%
Mandatory reserve rate for deposits denominated in foreign currencies	6.00%	9.00%

The aforementioned mandatory reserve deposits with central bank cannot be used for daily operating activities. The ratios for RMB deposits in the reserve of the Bank's subsidiaries are in accordance with regulations of the PBOC.

- (b) Surplus reserve deposits with central bank are mainly for the purpose of clearing and settlement.
- (c) Other deposits with the central bank primarily represent fiscal deposits that are not available for use in the Group's daily operations and usually are non-interest bearing from government.

### 16 Financial assets held under resale agreements and deposits and placements with banks and other financial institutions

	Note	As at 31 December	
		2022	2021
Deposits with domestic banks and other financial institutions		5,759,262	4,638,314
Deposits with oversea banks and other financial institutions		658,713	4,724,001
Placements with domestic banks and other financial institutions		6,738,230	1,640,000
Bonds held under resale agreements	(a)	2,390,500	4,826,568
Sub-total		15,546,705	15,828,883
Accrued interest		18,819	13,770
Provision for impairment losses		(50,445)	(69,874)
<b>Total</b>		<b>15,515,079</b>	<b>15,772,779</b>

- (a) At the end of the years ended 31 December 2022 and 2021, the Group did not use financial assets held under resale agreements as pledged or mortgaged assets for repurchase agreements with other financial institutions.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 17 Loans and advances to customers

(a) Loans and advances to customers are summarised as follows:

	As at 31 December	
	2022	2021
<b>Loans and advances to customers measured at amortised cost</b>		
Corporate loans and advances		
— Corporate loans	<b>185,397,315</b>	159,988,254
— Discounted bills	<b>3,772,333</b>	1,400,868
Subtotal	<b>189,169,648</b>	161,389,122
Personal loans and advances		
— Property mortgages	<b>38,939,465</b>	40,260,382
— Business loans	<b>38,675,434</b>	29,199,175
— Personal consumption loans	<b>30,053,733</b>	32,743,978
— Credit cards	<b>6,760,399</b>	6,663,366
Subtotal	<b>114,429,031</b>	108,866,901
Accrued interest	<b>670,422</b>	598,457
Total loans and advances to customers measured at amortised cost	<b>304,269,101</b>	270,854,480
Impairment provision for loans and advances measured at amortised cost		
— Provision for impairment losses	<b>(10,919,999)</b>	(9,028,895)
Net book value of loans and advances to customers at amortised cost	<b>293,349,102</b>	261,825,585
<b>Loans and advances to customers at fair value through other comprehensive income</b>		
Corporate loans and advances		
— Inter-bank discounted bills	<b>24,988,370</b>	24,465,703
— Other loans	<b>3,410,652</b>	3,393,246
Net loans and advances to customers	<b>321,748,124</b>	289,684,534

As at 31 December 2022 and 2021, the expected credit loss rates for loans and advances to customers at amortized cost of the Group were 3.59% and 3.33% respectively.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 17 Loans and advances to customers (Continued)

#### (b) Changes in provision for impairment losses of loans and advances to customers by assessment type:

##### The Group

Loans and advances to customers measured at amortised cost	Notes	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022		2,544,128	2,665,306	3,819,461	9,028,895
Net transfers in:					
— Stage 1		(2,422)	—	—	(2,422)
— Stage 2		—	(1,537,587)	—	(1,537,587)
— Stage 3		—	—	1,540,009	1,540,009
Originated or purchased		1,669,690	—	—	1,669,690
Remeasurement	(i)	892,869	1,067,045	2,404,605	4,364,519
Repayment or transfer out		(1,070,146)	(972,117)	(1,480,347)	(3,522,610)
Write-off	(ii)	—	—	(620,495)	(620,495)
As at 31 December 2022		<u>4,034,119</u>	<u>1,222,647</u>	<u>5,663,233</u>	<u>10,919,999</u>
As at 1 January 2021		3,183,981	1,952,684	2,204,152	7,340,817
Net transfers in:					
— Stage 1		(115,369)	—	—	(115,369)
— Stage 2		—	(715,883)	—	(715,883)
— Stage 3		—	—	831,252	831,252
Originated or purchased		1,512,997	—	—	1,512,997
Remeasurement	(i)	(642,413)	2,708,566	2,151,428	4,217,581
Repayment or transfer out		(1,395,068)	(1,280,061)	(549,430)	(3,224,559)
Write-off	(ii)	—	—	(817,941)	(817,941)
As at 31 December 2021		<u>2,544,128</u>	<u>2,665,306</u>	<u>3,819,461</u>	<u>9,028,895</u>

For the years ended 31 December 2022 and 2021, all the movements in ECL allowance on loans and advances to customers at fair value through other comprehensive income are in stage 1.

- (i) Remeasurement are caused by parameter changes or transfers between stages.
- (ii) The contractual amount outstanding on loans and advances to customers that were written off during the year ended 31 December 2022 and that are still subject to enforcement activity is RMB620 million (2021: RMB818 million).

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 17 Loans and advances to customers (Continued)

(c) Loans and advances to customers by assessment type:

As at 31 December 2022	Carrying amounts			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Total loans and advances to customers measured at amortised cost	293,271,521	3,485,316	7,512,264	304,269,101
Provision for impairment losses	(4,034,119)	(1,222,647)	(5,663,233)	(10,919,999)
Net loans and advances to customers measured at amortised cost	289,237,402	2,262,669	1,849,031	293,349,102
Total loans and advances to customers at fair value through other comprehensive income	28,399,022	—	—	28,399,022
Net loans and advances to customers	317,636,424	2,262,669	1,849,031	321,748,124

As at 31 December 2021	Carrying amounts			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Total loans and advances to customers measured at amortised cost	259,479,373	6,358,730	5,016,377	270,854,480
Provision for impairment losses	(2,544,128)	(2,665,306)	(3,819,461)	(9,028,895)
Net loans and advances to customers measured at amortised cost	256,935,245	3,693,424	1,196,916	261,825,585
Total loans and advances to customers at fair value through other comprehensive income	27,858,949	—	—	27,858,949
Net loans and advances to customers	284,794,194	3,693,424	1,196,916	289,684,534

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 18 Financial investments

	Notes	As at 31 December	
		2022	2021
Financial assets at fair value through profit or loss	18.1	<b>52,182,664</b>	43,512,900
Financial investments at amortised cost	18.2	<b>124,352,911</b>	108,445,277
Financial investments at fair value through other comprehensive income	18.3	<b>93,242,334</b>	90,303,467
<b>Total</b>		<b>269,777,909</b>	242,261,644

#### 18.1 Financial assets at fair value through profit or loss

	Notes	As at 31 December	
		2022	2021
Debt securities listed in Mainland China	(a)		
— Government bonds		<b>14,484,140</b>	5,105,750
— Financial institution bonds		<b>7,147,457</b>	13,882,059
— Corporate bonds		<b>569,449</b>	1,449,195
— Interbank certificates of deposits		<b>4,286,825</b>	574,207
<b>Sub-total</b>		<b>26,487,871</b>	21,011,211
Fund Investments		<b>22,278,539</b>	17,690,169
Trust beneficiary rights	(b)	<b>3,416,254</b>	4,811,520
<b>Sub-total</b>		<b>25,694,793</b>	22,501,689
<b>Total</b>		<b>52,182,664</b>	43,512,900

(a) Debt securities traded on the China Domestic Inter-bank Bond Market are included in “Listed in Mainland China”.

(b) At the end of the years ended 31 December 2022 and 2021, trust beneficiary rights are invested in loan, foreclosed assets.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 18 Financial investments (Continued)

#### 18.2 Financial investments at amortised cost

	Notes	As at 31 December	
		2022	2021
Debt securities listed in Mainland China	18.1(a)		
— Government bonds		<b>89,289,318</b>	74,839,362
— Financial institution bonds		<b>32,039,068</b>	21,327,897
— Corporate bonds		<b>1,125,375</b>	7,536,306
— Interbank certificates of deposits		<b>345,344</b>	2,819,457
<b>Sub-total</b>		<b>122,799,105</b>	106,523,022
Trust beneficiary rights	18.1(b)	—	270,000
Certificate treasury bonds		<b>241,840</b>	180,176
<b>Sub-total</b>		<b>241,840</b>	450,176
Accrued interest		<b>1,767,907</b>	1,882,996
Provision for impairment losses		<b>(455,941)</b>	(410,917)
<b>Total</b>		<b>124,352,911</b>	108,445,277

#### (1) Analyzed by movements in loss allowance:

	Note	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022		231,000	179,917	—	410,917
Net transfers in:					
— Stage 1		—	—	—	—
— Stage 2		—	—	—	—
— Stage 3		—	—	—	—
Originated or purchased		177,896	—	—	177,896
Remeasurement	(i)	125,375	(207)	—	125,168
Repayment or transfer out		(83,564)	(174,476)	—	(258,040)
As at 31 December 2022		<b>450,707</b>	<b>5,234</b>	—	<b>455,941</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 18 Financial investments (Continued)

#### 18.2 Financial investments at amortised cost (Continued)

##### (1) Analyzed by movements in loss allowance: (Continued)

	Note	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2021		99,883	3,112	17,969	120,964
Net transfers in:					
— Stage 1		(1,198)	—	—	(1,198)
— Stage 2		—	1,198	—	1,198
— Stage 3		—	—	—	—
Originated or purchased		102,477	—	—	102,477
Remeasurement	(i)	58,525	177,360	—	235,885
Repayment or transfer out		(28,687)	(1,753)	(17,969)	(48,409)
As at 31 December 2021		231,000	179,917	—	410,917

(i) Remeasurement are caused by parameter changes or transfers between stages.

#### 18.3 Financial investments at fair value through other comprehensive income

	Notes	As at 31 December	
		2022	2021
Debt instrument investments at fair value through other comprehensive income			
Debt securities listed in Mainland China	18.1(a)		
— Government bonds		62,308,628	61,518,638
— Financial institution bonds		25,161,016	17,310,117
— Corporate bonds		2,601,205	5,545,981
— Interbank certificates of deposit		1,029,710	3,919,660
<b>Sub-total</b>		<b>91,100,559</b>	88,294,396
Trust beneficiary rights	18.1(b)	30,777	28,966
Equity instruments designated at fair value through other comprehensive income			
— Listed equity investments		46,634	65,500
— Unlisted equity investments		648,603	632,353
<b>Sub-total</b>		<b>695,237</b>	697,853
Accrued interest		1,415,761	1,282,252
<b>Total</b>		<b>93,242,334</b>	90,303,467

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 18 Financial investments *(Continued)*

#### 18.3 Financial investments at fair value through other comprehensive income *(Continued)*

**(1) Analyzed by movements in loss allowance:**

	Note	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022		116,573	85,870	2,296,561	2,499,004
Net transfers in:					
— Stage 1		4,710	—	—	4,710
— Stage 2		—	(4,710)	—	(4,710)
— Stage 3		—	—	—	—
Originated or purchased		116,077	—	—	116,077
Remeasurement	(i)	38,294	19,731	(49,087)	8,938
Repayment or transfer out		(50,538)	(64,271)	(150,875)	(265,684)
Write-off		—	—	(346,636)	(346,636)
As at 31 December 2022		<u>225,116</u>	<u>36,620</u>	<u>1,749,963</u>	<u>2,011,699</u>

	Note	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2021		116,451	159,834	2,291,777	2,568,062
Net transfers in:					
— Stage 1		7,792	—	—	7,792
— Stage 2		—	(7,878)	—	(7,878)
— Stage 3		—	—	86	86
Originated or purchased		41,737	—	—	41,737
Remeasurement	(i)	6,993	11,822	324,831	343,646
Repayment or transfer out		(56,400)	(77,908)	(320,133)	(454,441)
As at 31 December 2021		<u>116,573</u>	<u>85,870</u>	<u>2,296,561</u>	<u>2,499,004</u>

(i) Remeasurement are caused by parameter changes or transfers between stages.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 19 Subsidiaries

	As at 31 December	
	2022	2021
Investment cost	<b>3,735,487</b>	3,735,487

Subsidiaries invested by the Bank are set out below:

Name of entity	Note	Place of incorporation and operation	Category of Legal Entity	Date of incorporation	Authorized/paid-in capital (million)	Percentage of equity interest (%) / voting rights (%)		Principal activities
						31 December 2022	31 December 2021	
Huizhou Zhongkai Dongying County Bank Company Limited		Huizhou, Guangdong	Joint Stock Company Limited	13 December 2010	RMB300	<b>51.00%</b>	51.00%	Banking
Yunfu Xinxing Dongying County Bank Company Limited		Yunfu, Guangdong	Joint Stock Company Limited	23 December 2011	RMB100	<b>51.00%</b>	51.00%	Banking
Hezhou Babu Dongying County Bank Company Limited		Hezhou, Guangxi	Joint Stock Company Limited	8 August 2012	RMB100	<b>51.00%</b>	51.00%	Banking
Dongguan Dalang Dongying County Bank Company Limited	(a)	Dongguan, Guangdong	Joint Stock Company Limited	25 June 2012	RMB100	<b>35.00%</b>	35.00%	Banking
Zhanjiang Rural Commercial Bank Co., Ltd.		Zhanjiang, Guangdong	Joint Stock Company Limited	26 October 2019	RMB1,655	<b>49.41%</b>	49.41%	Banking
Guangdong Chaoyang Rural Commercial Bank Co., Ltd.		Shantou, Guangdong	Joint Stock Company Limited	27 December 2020	RMB1,202	<b>67.03%</b>	67.03%	Banking

- (a) Dongguan Dalang Dongying County Bank Company Limited (“Dalang Dongying”) is a joint venture formed by the Bank and other 12 legal person shareholders, and the Bank holds 35% of its equity interests. The shareholders holding 16% of equity interest in Dalang Dongying agreed to vote in the direction of the Bank. Accordingly, the Bank effectively controls over Dalang Dongying through 51% of the voting rights.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 20 Share of profits of associates

	Year ended 31 December	
	2022	2021
Opening balance	455,392	432,990
Share of net profits	34,852	33,834
Dividends received	(9,823)	(11,432)
Ending balance	480,421	455,392

The Group's investments in associates are ordinary shares of non-listed companies, and the results of these associates and their assets and liabilities are summarized below:

Investee	Notes	Place of registration	Assets	Net assets	Revenue for the current year	Net profit for the current year	Shareholding (%)	Share of net profits
<b>As at 31 December 2022</b>								
Ya'an Rural Commercial Bank Co., Ltd.	(a)	Ya'an, Sichuan	28,598,602	2,136,291	1,162,011	146,255	15.00%	21,938
Guangdong Lechang Rural Commercial Bank Co., Ltd.	(b)	Lechang, Guangdong	10,724,521	930,220	243,616	69,666	8.00%	5,573
Guangdong Xuwen Rural Commercial Bank Co., Ltd.	(c)	Xuwen, Guangdong	11,451,170	861,184	353,778	92,450	7.94%	7,341
<b>As at 31 December 2021</b>								
Ya'an Rural Commercial Bank Co., Ltd.	(a)	Ya'an, Sichuan	25,614,966	2,076,382	1,097,164	134,942	15.00%	20,241
Guangdong Lechang Rural Commercial Bank Co., Ltd.	(b)	Lechang, Guangdong	10,070,915	927,047	221,093	80,889	8.00%	6,471
Guangdong Xuwen Rural Commercial Bank Co., Ltd.	(c)	Xuwen, Guangdong	10,810,159	791,149	325,446	89,689	7.94%	7,122

- (a) One of the nine members of the board of directors of Ya'an Rural Commercial Bank Co., Ltd. ("Ya'an RCB") is a representative of the Group, therefore the Group is able to exercise significant influence over Ya'an RCB and accounts for Ya'an RCB as an associate.
- (b) One of the nine members of the board of directors of Guangdong Lechang Rural Commercial Bank Co., Ltd. ("Lechang RCB") is a representative of the Group, therefore the Group is able to exercise significant influence over Lechang RCB and accounts for Lechang RCB as an associate.
- (c) One of the nine members of the board of directors of Guangdong Xuwen Rural Commercial Bank Co., Ltd. ("Xuwen RCB") is a representative of the Group, therefore the Group is able to exercise significant influence over Xuwen RCB and accounts for Xuwen RCB as an associate.

## Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB thousand, unless otherwise stated)

### 21 Property and equipment

	Buildings	Motor vehicles	Machinery and equipment	Construction in progress	Total
<b>Cost</b>					
As at 1 January 2022	2,594,558	40,766	1,086,632	876,447	4,598,403
Addition	74,634	1,566	43,363	104,523	224,086
Transfers in/(out)	106,492	212	11,299	(118,003)	—
Disposal	(96,186)	(3,882)	(13,876)	—	(113,944)
As at 31 December 2022	2,679,498	38,662	1,127,418	862,967	4,708,545
<b>Accumulated depreciation</b>					
As at 1 January 2022	(1,030,922)	(38,503)	(981,193)	—	(2,050,618)
Depreciation	(148,871)	(2,630)	(60,882)	—	(212,383)
Disposal	16,866	3,868	10,283	—	31,017
As at 31 December 2022	(1,162,927)	(37,265)	(1,031,792)	—	(2,231,984)
<b>Provision for impairment losses</b>					
As at 1 January 2022	(857)	—	—	—	(857)
Charge for the year	—	—	—	—	—
As at 31 December 2022	(857)	—	—	—	(857)
<b>Net book value</b>					
As at 31 December 2022	1,515,714	1,397	95,626	862,967	2,475,704

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 21 Property and equipment (Continued)

	Buildings	Motor vehicles	Machinery and equipment	Construction in progress	Total
<b>Cost</b>					
As at 1 January 2021	2,540,285	39,657	1,026,139	711,186	4,317,267
Addition	11,849	3,266	87,155	236,728	338,998
Transfers in/(out)	52,931	312	18,224	(71,467)	—
Disposal	(10,507)	(2,469)	(44,886)	—	(57,862)
As at 31 December 2021	2,594,558	40,766	1,086,632	876,447	4,598,403
<b>Accumulated depreciation</b>					
As at 1 January 2021	(907,525)	(35,497)	(941,121)	—	(1,884,143)
Depreciation	(129,707)	(4,117)	(62,533)	—	(196,357)
Disposal	6,310	1,111	22,461	—	29,882
As at 31 December 2021	(1,030,922)	(38,503)	(981,193)	—	(2,050,618)
<b>Provision for impairment losses</b>					
As at 1 January 2021	(351)	—	—	—	(351)
Charge for the year	(506)	—	—	—	(506)
As at 31 December 2021	(857)	—	—	—	(857)
<b>Net book value</b>					
As at 31 December 2021	1,562,779	2,263	105,439	876,447	2,546,928

As at 31 December 2022 and 2021, properties at original costs of RMB462 million and RMB493 million, with net values at RMB97 million and RMB137 million respectively, which the Group is still in the process of applying for the ownership certificates.

All properties of the Group and the Bank are located outside Hong Kong.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 22 Right-of-use assets and lease liabilities

	Property	Equipment	Land use rights	Total
<b>Right-of-use assets</b>				
<b>Cost</b>				
As at 1 January 2022	673,193	9,186	757,908	1,440,287
Increase	139,620	2,421	53,239	195,280
Decrease	(132,887)	(6,249)	(41,864)	(181,000)
As at 31 December 2022	679,926	5,358	769,283	1,454,567
<b>Accumulated depreciation</b>				
As at 1 January 2022	(320,627)	(4,540)	(189,635)	(514,802)
Increase	(102,072)	(4,500)	(15,956)	(122,528)
Decrease	108,544	6,231	4,461	119,236
As at 31 December 2022	(314,155)	(2,809)	(201,130)	(518,094)
<b>Provision for impairment losses</b>				
As at 1 January 2022	—	—	(2,355)	(2,355)
Increase	—	—	—	—
Decrease	—	—	—	—
As at 31 December 2022	—	—	(2,355)	(2,355)
<b>Net book value</b>				
As at 31 December 2022	365,771	2,549	565,798	934,118
<b>Lease liabilities</b>				
<b>Net book value</b>				
As at 31 December 2022	453,510	2,606	—	456,116

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 22 Right-of-use assets and lease liabilities (Continued)

	Property	Equipment	Land use rights	Total
<b>Right-of-use assets</b>				
<b>Cost</b>				
As at 1 January 2021	635,724	4,152	458,108	1,097,984
Increase	123,588	8,642	300,913	433,143
Decrease	(86,119)	(3,608)	(1,113)	(90,840)
As at 31 December 2021	673,193	9,186	757,908	1,440,287
<b>Accumulated depreciation</b>				
As at 1 January 2021	(302,165)	(2,409)	(178,891)	(483,465)
Increase	(104,095)	(5,739)	(11,328)	(121,162)
Decrease	85,633	3,608	584	89,825
As at 31 December 2021	(320,627)	(4,540)	(189,635)	(514,802)
<b>Provision for impairment losses</b>				
As at 1 January 2021	—	—	(2,355)	(2,355)
Increase	—	—	—	—
Decrease	—	—	—	—
As at 31 December 2021	—	—	(2,355)	(2,355)
<b>Net book value</b>				
As at 31 December 2021	352,566	4,646	565,918	923,130
<b>Lease liabilities</b>				
<b>Net book value</b>				
As at 31 December 2021	453,889	5,190	—	459,079

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 23 Goodwill

	Note	As at 31 December	
		2022	2021
Zhanjiang Rural Commercial Bank Co., Ltd. (Zhanjiang RCB)		181,381	181,381
Guangdong Chaoyang Rural Commercial Bank Co., Ltd. (Chaoyang RCB)		339,140	339,140
Impairment allowance	(i)	—	—
		<b>520,521</b>	<b>520,521</b>

(i) Impairment

For the business combination of Zhanjiang RCB and Chaoyang RCB, the recoverable amount of the asset group is based on the six-year budget and ten-year budget approved by the management respectively, which is then estimated based on a fixed growth rate (as described in the table below) and calculated using the cash flow forecast method.

Cash flow projections periods of the Group are determined based on the forecast of the local economic situation, the banking industry, and with reference to the Group's past operating experience. The Group estimated that Zhanjiang City and Shantou City, where the two banks are located, will experience a relatively high growth for a period more than 5 years until the economic growths of these two cities reach a stable level. In addition, the development of the banking industry is highly in line with the local economic development. Accordingly, the Group has incorporated the aforementioned factors into the cash projection by using six and ten years for Zhanjiang RCB and Chaoyang RCB respectively to reflect management's estimation of the future local economic forecasts and the related banking business growth.

	Zhanjiang RCB		Chaoyang RCB	
	As at 31 December 2022	As at 31 December 2021	As at 31 December 2022	As at 31 December 2021
Stable period growth rate	3.00%	3.00%	3.00%	3.00%
Pre-tax discount rate	15.24%	19.26%	16.00%	15.40%

The growth rate is the weighted average growth rate used by the Group to forecast the cash flow after six years for Zhanjiang RCB and ten years for Chaoyang RCB respectively. The management uses the cost of equity as the discount rate which can reflect the specific risks of the relevant asset group. The above assumptions are used to analyses the recoverable amounts of the asset group within the business division.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 23 Goodwill (Continued)

The amounts of recoverable amount exceeding the carrying amount are:

	As at 31 December	
	2022	2021
Zhanjiang RCB	69,877	28,249
Chaoyang RCB	65,321	352,171

The recoverable amounts of the asset group would equal its carrying amount if each of the key assumptions were to change as follows, with all other variables held constant:

	Zhanjiang RCB		Chaoyang RCB	
	As at 31 December 2022	As at 31 December 2021	As at 31 December 2022	As at 31 December 2021
Stable period growth rate	-0.40%	-0.14%	-0.57%	-2.06%
Pre-tax discount rate	0.23%	0.11%	0.25%	1.18%

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified other instances that could cause the carrying amount of the CGUs to exceed its recoverable amount.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 24 Deferred income tax

Deferred tax assets and liabilities can be offset only when the Group has the right to offset income tax assets and liabilities within the Group and the deferred tax assets and liabilities are associated with the same tax authority.

**(1) Main items of deferred tax assets and liabilities and their movements are as follows:**

	Provision for ECL/asset impairment	Changes in fair value of financial investments	Employee benefits payable	Accelerated depreciation of property and equipment	Deductible tax losses	Fair value gain from business combination	Others	Total
As at 1 January 2022	2,196,506	899,834	349,699	(33,141)	28,081	(109,858)	—	3,331,121
Recognised in profit or loss	325,883	337,810	(38,322)	978	2,600	14,120	21,913	664,982
Recognised in other comprehensive income	120,326	(56,882)	—	—	—	—	—	63,444
As at 31 December 2022	<u>2,642,715</u>	<u>1,180,762</u>	<u>311,377</u>	<u>(32,163)</u>	<u>30,681</u>	<u>(95,738)</u>	<u>21,913</u>	<u>4,059,547</u>
As at 1 January 2021	1,710,700	1,168,610	293,958	(15,733)	19,047	(122,399)	—	3,054,183
Recognised in profit or loss	479,139	(53,374)	55,741	(17,408)	9,034	15,943	—	489,075
Recognised in other comprehensive income	6,667	(215,402)	—	—	—	(3,402)	—	(212,137)
As at 31 December 2021	<u>2,196,506</u>	<u>899,834</u>	<u>349,699</u>	<u>(33,141)</u>	<u>28,081</u>	<u>(109,858)</u>	<u>—</u>	<u>3,331,121</u>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 24 Deferred income tax (Continued)

- (2) The deferred tax assets and liabilities before offsetting and the corresponding temporary differences are as follows:

	As at 31 December 2022		As at 31 December 2021	
	Deductible/(taxable) temporary differences	Deferred tax assets/(liabilities)	Deductible/(taxable) temporary differences	Deferred tax assets/(liabilities)
<b>Deferred tax assets:</b>				
Provision for ECL/asset impairment	10,570,860	2,642,715	8,786,379	2,196,506
Changes in fair value of financial investments	4,723,048	1,180,762	3,599,337	899,834
Employee benefits payable	1,245,508	311,377	1,398,798	349,699
Deductible tax losses	122,724	30,681	112,324	28,081
Others	87,652	21,913	—	—
Sub-total	16,749,792	4,187,448	13,896,838	3,474,120
<b>Deferred tax liabilities:</b>				
Fair value gain from business combination	(382,952)	(95,738)	(439,433)	(109,858)
Accelerated depreciation of property and equipment	(128,652)	(32,163)	(132,565)	(33,141)
Sub-total	(511,604)	(127,901)	(571,998)	(142,999)
<b>Total</b>	<b>16,238,188</b>	<b>4,059,547</b>	<b>13,324,840</b>	<b>3,331,121</b>

As at 31 December 2022, the Group did not recognise deferred income tax asset in respect of cumulative tax loss of approximately RMB1,187 million (31 December 2021: RMB1,424 million). The outcome of their actual utilisation may be different from management's estimation. These tax losses will expire in 2024, 2025 and 2026.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 25 Other assets

	Notes	As at 31 December	
		2022	2021
Precious metals		760,683	500,160
Long-term deferred expenses		172,336	157,847
Prepayments		163,714	122,500
Receivables from disposal of long-term assets		132,126	170,311
Research and development expenditure		130,792	96,024
Clearing and settlement		117,689	98,778
Foreclosed assets	(a)	86,310	107,783
Interest receivable	(b)	80,626	73,302
Intangible assets — software	(c)	45,535	63,562
Investment properties	(d)	10,565	12,232
Others		113,290	102,678
<b>Total</b>		<b>1,813,666</b>	<b>1,505,177</b>

#### (a) Foreclosed assets

	As at 31 December	
	2022	2021
Property and equipment	274,986	265,210
Land use rights	107,461	119,596
Subtotal	382,447	384,806
Provision for impairment losses	(296,137)	(277,023)
<b>Total</b>	<b>86,310</b>	<b>107,783</b>

#### (b) Interest receivable

	As at 31 December	
	2022	2021
Loans and advances to customers	86,953	64,930
Financial investments	151,776	171,852
Provision for impairment losses	(158,103)	(163,480)
<b>Total</b>	<b>80,626</b>	<b>73,302</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 25 Other assets (Continued)

#### (c) Intangible assets — software

	As at 31 December	
	2022	2021
<b>Cost</b>		
Opening balance	184,777	219,105
Addition	11,893	15,950
Decrease	(76)	(50,278)
Ending balance	196,594	184,777
<b>Accumulated amortisation</b>		
Opening balance	(121,215)	(117,704)
Amortisation	(29,847)	(20,811)
Decrease	3	17,300
Ending balance	(151,059)	(121,215)
<b>Net book value</b>		
Ending balance	45,535	63,562

#### (d) Investment properties

	As at 31 December	
	2022	2021
<b>Cost</b>		
Opening balance	67,237	68,290
Disposal	—	(1,053)
Ending balance	67,237	67,237
<b>Accumulated depreciation</b>		
Opening balance	(55,005)	(54,390)
Depreciation	(1,667)	(1,668)
Decrease	—	1,053
Ending balance	(56,672)	(55,005)
<b>Net book value</b>		
Ending balance	10,565	12,232

## Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB thousand, unless otherwise stated)

### 26 Borrowings from central bank

	As at 31 December	
	2022	2021
Medium-term Lending Facility	12,800,000	2,800,000
Refinancing loans	9,725,117	8,048,704
Re-discounted bills	558,831	360,470
Sub-total	23,083,948	11,209,174
Accrued interest	267,944	65,424
<b>Total</b>	<b>23,351,892</b>	<b>11,274,598</b>

As of 31 December 2022 and 2021, borrowings from central bank were refinancing loans, re-discounted bills and Medium-term Lending Facility. The collateral provided by the Group and the Bank under borrowing agreements are disclosed in Note 39 to this report.

### 27 Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions

	Note	As at 31 December	
		2022	2021
Deposits from domestic banks		7,009,437	8,983,021
Deposits from other domestic financial institutions		5,881,907	16,111,478
Placements from domestic banks		2,000,000	1,100,000
Bonds sold under repurchase agreements	(a)	22,592,631	12,732,949
Bills sold under repurchase agreements	(a)	6,828,782	1,004,938
Sub-total		44,312,757	39,932,386
Accrued interest		91,694	272,379
<b>Total</b>		<b>44,404,451</b>	<b>40,204,765</b>

(a) The securities provided by the Group as collateral under repurchase agreements are disclosed in Note 39 to this report.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 28 Financial liabilities at fair value through profit or loss

	Note	As at 31 December	
		2022	2021
Gold leasing		729,030	470,678
Gold deposit		18,979	21,970
Others	(a)	1,061,203	—
<b>Total</b>		<b>1,809,212</b>	<b>492,648</b>

- (a) On 20 December 2022, the Group has worked with Guangdong Utrust Investment Holdings Co., Ltd. (“Utrust Holdings”) in using the small and medium banks development supporting Special Bonds issued by Guangdong Provincial Government to replenish capital of Guangdong Puning Rural Commercial Bank Co., Ltd. (“Puning RCB”), and entered into transaction agreements in relation to the transfer of the shares of Puning RCB (“Subject Shares”) and the trust beneficial interest (“Subject Beneficial Interest”) with Utrust Holdings. Based on the transaction agreements, the Group shall acquire, by tranches, Subject Shares and the Subject Beneficial Interest held by Utrust Holdings. The total consideration payable by the Group to Utrust Holdings for the acquisition of the Subject Shares and the Subject Beneficial Interest should in any event be capped at the Special Bonds principal and interest plus the corresponding taxes and fees, less the disposal proceeds received. As of 31 December 2022, according to the value analysis report conducted by an independent asset appraisal company, the shortfall for the transaction agreements is RMB1.06 billion.

### 29 Deposits from customers

	As at 31 December	
	2022	2021
Corporate demand deposits	101,798,785	96,481,862
Corporate time deposits	79,565,638	72,505,963
Individual demand deposits	122,182,086	108,524,863
Individual time deposits	147,879,965	132,886,394
Pledged deposits	7,160,671	3,307,850
Other deposits	575,409	254,081
Sub-total	459,162,554	413,961,013
Accrued interest	6,526,247	5,104,504
<b>Total</b>	<b>465,688,801</b>	<b>419,065,517</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 30 Debt securities issued

	Notes	As at 31 December	
		2022	2021
Small and micro enterprises bond	(a)	4,998,866	4,820,655
Tier 2 capital bond	(b)	3,998,567	3,996,047
Sannong financial bond	(c)	1,999,663	1,918,527
Green financial bonds	(d)	999,851	2,969,399
Interbank certificates of deposit	(e)	51,895,941	53,830,658
Sub-total		63,892,888	67,535,286
Accrued interest		160,579	322,316
<b>Total</b>		<b>64,053,467</b>	<b>67,857,602</b>

- (a) The Bank issued a 3-year bond for small and micro enterprises amounting to RMB2 billion in March 2020 at a coupon rate of 2.94% per annum, and the bond pays interest annually. The Bank issued the first phase and second phase of 3-year small and micro enterprise financial bonds amounting to RMB2 billion and RMB1 billion in February and March 2021, with at a coupon rate of 3.58% and 3.52% per annum, respectively, and the bonds pay interest annually.
- (b) The Bank issued 10-year Tier-2 capital bond with a total amount of RMB4 billion in June 2017 and a total amount of RMB4 billion in December 2022 at a coupon rate of 5.00% and 4.30% per annum, and the bond pays interest annually. The Bank exercised the redemption right on 12 June 2022 on the bonds issued in 2017.
- (c) The Bank issued a 3-year bond for Sannong amounting to RMB2 billion in September 2020 at a coupon rate of 3.62% per annum, and the bond pays interest annually.
- (d) The Bank issued 3-year green financial bonds with a total amount of RMB2 billion and a total amount RMB1 billion January 2019 and December 2020 at a coupon rate of 3.50% and 3.75% per annum, and the bonds pay interest annually. The green financial bonds issued in 2019 was redeemed at maturity on 23 January 2022.
- (e) Interbank certificates of deposit are as follows:

	As at 31 December	
	2022	2021
Reference rates of return	1.83%–2.65%	2.55%–3.22%
Original maturity	3 to 12 months	3 to 12 months

As at 31 December 2022 and 2021, the Group did not have any overdue principal and interest on interbank certificates of deposit or other defaults.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 31 Taxes payable

	As at 31 December	
	2022	2021
Income tax	87,975	184,340
Land appreciation tax	95,339	116,787
VAT and others	273,990	282,262
<b>Total</b>	<b>457,304</b>	<b>583,389</b>

### 32 Other liabilities

	Notes	As at 31 December	
		2022	2021
Employee benefits payable	(a)	2,163,740	2,127,454
Accrued expenses		346,851	179,425
Purchases payable		292,831	298,340
Provisions	(b)	153,175	94,689
Clearing and settlement		116,497	287,176
Outstanding payments of foreclosed assets		88,976	88,976
Advances from disposal of long-term assets		11,085	47,450
Others		126,328	158,299
<b>Total</b>		<b>3,299,483</b>	<b>3,281,809</b>

#### (a) Employee benefits payable

	As at 31 December	
	2022	2021
Wages and salaries, bonuses, allowances and subsidies	1,770,022	1,787,549
Social security and benefits	156,487	128,638
Labour union funds and employee education funds	145,648	157,102
Enterprise annuity scheme	91,583	54,165
<b>Total</b>	<b>2,163,740</b>	<b>2,127,454</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 32 Other liabilities (Continued)

#### (b) Provisions

	Note	As at 31 December	
		2022	2021
Loan commitments and financial guarantee contracts	(1)	<b>153,175</b>	94,689

(1) Analysis of movements in provisions of loan commitments and financial guarantee contracts measured using the ECL model.

	Note	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022		83,354	1,675	9,660	94,689
Net transfers in:					
— Stage 1		(436)	—	—	(436)
— Stage 2		—	342	—	342
— Stage 3		—	—	94	94
Originated or purchased		91,750	—	—	91,750
Remeasurement	(i)	(5,067)	39,512	1,069	35,514
Decrease		(59,395)	(219)	(9,164)	(68,778)
As at 31 December 2022		<b>110,206</b>	<b>41,310</b>	<b>1,659</b>	<b>153,175</b>
As at 1 January 2021		55,628	509	8,576	64,713
Net transfers in:					
— Stage 1		1,346	—	—	1,346
— Stage 2		—	(1,109)	—	(1,109)
— Stage 3		—	—	(237)	(237)
Originated or purchased		53,531	—	—	53,531
Remeasurement	(i)	4,828	2,287	18,436	25,551
Decrease		(31,979)	(12)	(17,115)	(49,106)
As at 31 December 2021		<b>83,354</b>	<b>1,675</b>	<b>9,660</b>	<b>94,689</b>

(i) Remeasurement are caused by parameter changes or transfers between stages.

### 33 Share capital

	Number of shares (in thousand)	Nominal amount
As at 31 December 2022 and 31 December 2021	<b>6,888,546</b>	<b>6,888,546</b>

The share capital of the Bank consists of authorised share capital issued and fully paid, with par value of RMB1 per share.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 34 Revaluation reserve

	2022	2021
<b>As at January 1</b>	<b>789,488</b>	196,291
Changes in fair value recognized in other comprehensive income	<b>277,933</b>	1,013,353
Transfer to profit or loss upon disposal	<b>(461,451)</b>	(352,435)
Changes in impairment losses recognized in other comprehensive income	<b>(13,034)</b>	130,012
Less: Deferred income tax	<b>61,640</b>	(197,733)
<b>As at December 31</b>	<b>604,567</b>	789,488

### 35 Surplus reserve and general reserve

	Surplus reserve (a)	General reserve (b)
1 January 2022	<b>7,737,394</b>	<b>6,329,025</b>
Appropriation to surplus reserve	<b>586,041</b>	—
Appropriation to general reserve	—	<b>586,541</b>
31 December 2022	<b>8,323,435</b>	<b>6,915,566</b>
1 January 2021	7,177,594	5,767,735
Appropriation to surplus reserve	559,800	—
Appropriation to general reserve	—	561,290
31 December 2021	<b>7,737,394</b>	<b>6,329,025</b>

#### (a) Surplus reserve

The surplus reserve at the end of the years ended 31 December 2022 and 2021 represented statutory surplus reserve and discretionary surplus reserve.

Pursuant to the PRC Company Law and the Articles of Association of the Bank, the Bank is required to appropriate 10% of its net profit as on an annual basis determined under the PRC Generally Accepted Accounting Principles (“GAAP”) until the balance reaches 50% of its registered capital as statutory surplus reserve. The Bank may also appropriate to the discretionary surplus reserve in accordance with the resolution of the shareholders.

The Bank appropriated RMB586 million and RMB560 million to the statutory surplus reserve for the years ended 31 December 2022 and 2021, respectively.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 35 Surplus reserve and general reserve (Continued)

#### (b) General reserve

Pursuant to Caijin [2012] No. 20 “Requirements on Impairment Allowance for Financial Institutions” (the “Requirement”) issued by the MOF, effective 1 July 2012, in addition to impairment allowances, the Bank and its subsidiaries are required to establish and maintain a general reserve within equity through the appropriation of profit to address unidentified potential impairment risks. The general reserve should not be less than 1.5% of the aggregate amount of risk assets on an annual basis as defined by the Requirement.

### 36 Dividends

	Notes	As at 31 December	
		2022	2021
Dividends on ordinary shares declared			
Cash dividend related to 2021	(1)	1,997,678	—
Cash dividend related to 2020	(2)	—	2,353,585

Under the PRC Company Law and the Bank’s Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after:

- Making up prior year’s cumulative losses, if any;
- Allocations to the non-distributable statutory reserve of 10% of the net profit of the Bank.

#### (1) Distribution of final dividend for 2021

A dividend of RMB0.29 per share (tax inclusive) in respect of the year ended 31 December 2021, with a total of RMB1,998 million was approved in the annual general meeting on 23 May 2022.

#### (2) Distribution of final dividend for 2020

A dividend of RMB0.26 per share (tax inclusive) in respect of the year ended 31 December 2020, with a total of RMB1,493 million was approved in the annual general meeting on 23 April 2021.

In additional, pursuant to the resolutions of the shareholders general meeting on April 25, 2019, the Bank declared a special cash dividend of RMB1.5 per ten shares to its shareholders before the completion of the Global Offering and the listing. Following that, pursuant to the resolutions of the Board of Directors on September 6, 2021, the Bank confirmed to declare the special cash dividend to its shareholders whose name appear on the Bank’s register of members on August 31, 2021. The total amount of such dividend is approximately RMB861 million, which was paid on September 22, 2021.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 37 Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following amounts which have original maturities of less than three months and are used to meet short-term cash commitments:

	As at 31 December	
	2022	2021
Cash	4,336,151	2,959,804
Surplus reserve deposits with central bank	9,777,726	6,978,180
Deposits with banks and other financial institutions	5,691,977	8,964,291
Placements with banks and other financial institutions	4,390,000	1,240,000
Financial assets held under resale agreements	2,390,500	4,826,567
<b>Total</b>	<b>26,586,354</b>	<b>24,968,842</b>

### 38 Structured entities

#### (a) Consolidated structured entities

Structured entities consolidated by the Group include non-principal guaranteed WMPs and asset management plans, managed and/or invested by the Group. The Group controls these entities because the Group has power over, is exposed to, or has rights to, variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's returns.

As of 31 December 2022, the total consolidated structured entities were RMB7,702 million (31 December 2021: RMB10,856 million).

#### (b) Non-principal-guaranteed Wealth-Management Products ("WMPs") issued by the Group

Non-principal-guaranteed WMPs are not subject to any guarantee by the Group of the principal invested or interest to be paid.

The WMPs invest in a range of primarily fixed rate assets, most typically money market instruments, debt securities and other debt assets. As the manager of these WMPs, the Group invests, on behalf of the investors in these WMPs, the funds raised in the assets as described in the investment plan related to each WMP and receives fee and commission income.

Certain non-principal-guaranteed WMPs issued, managed and actually controlled by the Bank are consolidated in the financial information of the Group. As of 31 December 2022, the consolidated non-principal-guaranteed WMPs amounted to RMB3,490 million (31 December 2021: RMB5,754 million), the unconsolidated non-principal-guaranteed WMPs amounted to RMB39,792 million (31 December 2021: RMB40,271 million).

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 38 Structured entities *(Continued)*

#### (b) Non-principal-guaranteed Wealth-Management Products (“WMPs”) issued by the Group *(Continued)*

For the year ended 31 December 2022 and 2021, the Group’s interest in WMPs included fee and commission income of RMB298 million and RMB360 million, respectively.

#### (c) Unconsolidated structured entities set up in third-party organisations

The Group invests in other unconsolidated structured entities which are sponsored and managed by other entities for investment returns, and records trading gains or losses and interest income therefrom. At the end of the years ended 31 December 2022 and 2021, the carrying amounts of the Group’s interests in structured entities set up in third-party organisations by directly holding the investment were as follows:

	Note	As at 31 December	
		2022	2021
Financial assets at fair value through profit or loss	18		
— Fund investments		<b>22,278,539</b>	17,690,169
— Trust beneficiary rights		<b>3,416,254</b>	4,811,520
Financial investments at amortised cost			
— Trust beneficiary rights		—	269,433
Financial investments at fair value through other comprehensive income			
— Trust beneficiary rights		<b>30,777</b>	28,966
<b>Total</b>		<b>25,725,570</b>	22,800,088

At the end of the years ended 31 December 2022 and 2021, the maximum exposures of the above structured entities were their carrying amounts.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 39 Contingent liabilities and commitments

#### (a) Financial guarantees and other credit commitments

	As at 31 December	
	2022	2021
Unused limit of credit cards	9,594,259	10,562,244
Bank acceptances	6,838,020	2,897,495
Guarantees	3,873,420	3,088,837
Letters of credit	634,248	299,112
<b>Total</b>	<b>20,939,947</b>	<b>16,847,688</b>

#### (b) Credit risk weighted amounts of financial guarantees and credit commitments

	As at 31 December	
	2022	2021
Financial guarantees and credit commitments	5,996,448	5,007,087

Credit risk weighted amounts refer to amounts which depend on the status of counterparties and the maturity characteristics and are calculated in accordance with the CBIRC guidance. Risk weightings used for contingent liabilities and credit commitments range from 0% to 100%.

#### (c) Capital commitments

##### The Group

	As at 31 December	
	2022	2021
Contracted, but not provided for	603,106	705,405

#### (d) Legal proceedings

The litigation cases of the Group are not expected to have a significant impact on the Group.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 39 Contingent liabilities and commitments (Continued)

#### (e) Collateral

##### Assets as collateral

The fair value of the Group's assets pledged as collateral under repurchase agreements are as follows:

	As at 31 December	
	2022	2021
Debt securities	21,530,939	14,114,750
Bills	6,793,204	996,675
<b>Total</b>	<b>28,324,143</b>	<b>15,111,425</b>

The liabilities of above collateral were presented in Note 27. All repurchase agreements are due within 12 months from their effective dates.

The fair value of the Group's assets pledged as collateral under borrowings from central bank are as follows:

	As at 31 December	
	2022	2021
Debt securities	27,120,853	12,468,907
Loans	126,700	18,800
Bills	558,831	360,470
<b>Total</b>	<b>27,806,384</b>	<b>12,848,177</b>

The liabilities of above collateral were presented in Note 26.

##### Collateral accepted

The Group accepts bonds and notes as collateral in relevant securities borrowing and lending and repurchase agreement businesses. As at 31 December 2022 and 2021, the Group did not hold any collateral that can be resold or re-pledged.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 39 Contingent liabilities and commitments (Continued)

#### (f) Redemption commitments of certificate treasury bonds

The Group is entrusted by the MOF to underwrite certain government bonds. The investors of the government bonds have a right to redeem the bonds they hold at any time before their maturities, while the Group is obligated to meet redemption requests. The early redemption proceeds for these government bonds are the principal of the bonds plus unpaid interest accrued in accordance with the early redemption agreement.

As of 31 December 2022, the balance of the principals of the Group's government bonds with early redemption obligations was RMB1,499 million (31 December 2021: RMB1,341 million). The original maturities of these government bonds range from 3 to 5 years. Management expects the Group's exposure to early redemptions of these bonds will not be material. The MOF will not provide funding for the early redemptions of these government bonds on a back-to-back basis but will settle the principal and interest upon maturity.

### 40 Related party transactions

#### (a) Related parties of the Group

##### (i) Major shareholder

Major shareholder in the Bank is shown as follows:

Shareholding (%)	As at 31 December	
	2022	2021
Name of shareholder Guangdong Canvest Investment Co., Ltd.	4.34%	4.34%

##### (ii) Other related parties

Other related parties could be natural persons or legal persons, including directors, supervisors, senior managers of the Bank and their close family members; Entities controlled or jointly controlled by directors, supervisors, senior managers of the Bank and their closely related family members, and entities controlled or jointly controlled by the major shareholder of the Group as set out in Note 40(a)(i).

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 40 Related party transactions (Continued)

#### (b) Related party transactions and balances

##### (i) Transactions and balances with major shareholder

As at each of the balance sheet dates, the Group had the following transactions and balances with major shareholder:

	As at 31 December	
	2022	2021
Loans and advances to customers	42,000	44,070
Deposits from customers	1,404	939

The balances with related parties are trade in nature.

	Year ended 31 December	
	2022	2021
Interest income	2,147	2,256
Interest expense	52	40
Fee and commission income	2	3

Range of rates	Year ended 31 December	
	2022	2021
Loans and advances to customers	5.15%	5.22%
Deposits from customers	0.35%	0.35%

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 40 Related party transactions (Continued)

#### (b) Related party transactions and balances (Continued)

##### (ii) Transactions and balances with subsidiaries

As at each of the balance sheet dates, the Group had the following transactions and balances with subsidiaries:

	As at 31 December	
	2022	2021
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	53,384	91
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	213,375	290,839
Debt securities issued	51,507	656,684

The balances with related parties are trade in nature.

	Year ended 31 December	
	2022	2021
Interest income	139	50
Interest expense	8,016	2,017

Range of rates	Year ended 31 December	
	2022	2021
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	0.39%–1.94%	0.35%–2.80%
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	1.40%–2.42%	2.00%–3.80%
Debt securities issued	3.58%	2.94%–3.75%

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 40 Related party transactions (Continued)

#### (b) Related party transactions and balances (Continued)

##### (iii) Transactions and balances with associates

As at each of the balance sheet dates, the Group had the following transactions and balances with associates:

	As at 31 December	
	2022	2021
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	3,801	1
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	—	170,000

The balances with related parties are trade in nature.

	Year ended 31 December	
	2022	2021
Interest income	11	—
Interest expense	700	5,854

Range of rates	Year ended 31 December	
	2022	2021
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	0.28%–0.31%	0.28%–0.31%
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	—	1.60%–4.00%

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 40 Related party transactions (Continued)

#### (b) Related party transactions and balances (Continued)

##### (iv) Transaction and balances with other related parties

As at each of the balance sheet dates, the Group had the following transactions and balances with other related parties:

	Notes	As at 31 December	
		2022	2021
Loans and advances to customers		<b>15,166,819</b>	18,609,400
Deposits from customers		<b>2,529,562</b>	6,193,842
Non-principal-guaranteed WMPs issued by the Bank		<b>142,716</b>	2,075,274
Other liabilities — payable for civil engineering services		—	8,528
Right-of-use assets	(1)	<b>3,040</b>	13,182
Lease liabilities	(1)	<b>3,075</b>	14,461
Off-balance sheet item			
Credit Commitment		<b>55,352</b>	83,514

The balances with related parties are trade in nature.

	Year ended 31 December	
	2022	2021
Interest income	<b>746,527</b>	1,019,521
Interest expense	<b>31,390</b>	42,838
Fee and commission income	<b>268</b>	1,023
Leasing expenses	<b>2,813</b>	582

Range of rates	Year ended 31 December	
	2022	2021
Loans and advances to customers	<b>3.28%–7.04%</b>	3.87%–7.65%
Deposits from customers	<b>0.35%–5.50%</b>	0.35%–6.31%
Management fee rate of non-principal-guaranteed WMPs issued by the Bank	<b>0.10%–0.50%</b>	0.20%–4.90%

- (1) During the years ended 31 December 2022 and 2021, the Bank incurred RMB2.81 million and RMB0.58 million for lease contracts with related parties respectively. The lease term ranges from 1 year to 10 years. These leases were accounted for under IFRS 16 and the respective right-of-use assets and lease liabilities were recognised in the consolidated statement of financial position.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 40 Related party transactions *(Continued)*

#### (c) Remuneration of key management personnel

Key management personnel refer to those persons who have the authority and responsibility to plan, conduct and control the Bank's activities.

The remuneration of key management personnel in each of the reporting years is as follows:

	Year ended 31 December	
	2022	2021
Salaries and fees	12,705	14,781
Subsidies and physical benefits	729	849
Discretionary bonuses	8,561	13,367
Pension plan contributions	895	1,028
<b>Total</b>	<b>22,890</b>	<b>30,025</b>

#### (d) Loans and advances balances with directors, supervisors and their certain controlled body corporates and connected entities

	As at 31 December	
	2022	2021
Directors	19,900	11,973
Supervisors	20,000	647
Certain controlled body corporates and connected entities of the directors	13,487,927	14,937,163
Certain controlled body corporates and connected entities of the supervisors	1,421,149	1,420,794
<b>Total</b>	<b>14,948,976</b>	<b>16,370,577</b>

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 41 Segmental analysis

#### (a) Business segments

The Group manages its operations from both business and regional perspectives. From a business perspective, the Group mainly provides financial services through four business segments, which are listed below:

- **Corporate banking:** Corporate banking business segment covers financial products and services to corporate customers, governments, and financial institutions. These products and services include corporate loans and advances, trade finance, deposits, and various other corporate intermediary businesses.
- **Personal banking:** Personal banking business segment covers financial products and services to individual customers. These products and services include personal loans and advances, deposits, bank cards, and various other individual intermediary businesses.
- **Treasury:** Treasury segment covers the Group's money market transactions, repurchase transactions, debt instrument investments, wealth management products and precious metals.
- **Others:** The others segment covers the remaining businesses of the Group that cannot be directly attributed to the above segments, and some assets, liabilities, income or expenses of the Head Office that have not been properly allocated.

From a regional perspective, all businesses of the Group are conducted in Mainland China.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 41 Segmental analysis (Continued)

#### (a) Business segments (Continued)

	Year ended 31 December 2022				
	Corporate banking	Personal banking	Treasury	Others	Total
External interest income	11,878,729	4,567,051	6,334,411	—	22,780,191
External interest expense	(4,323,112)	(4,255,763)	(3,268,041)	—	(11,846,916)
Inter-segment net interest income or expense	(715,141)	4,410,079	(3,694,938)	—	—
<b>Net interest income</b>	<b>6,840,476</b>	<b>4,721,367</b>	<b>(628,568)</b>	<b>—</b>	<b>10,933,275</b>
<b>Net fee and commission income</b>	<b>30,450</b>	<b>583,760</b>	<b>55,614</b>	<b>16,154</b>	<b>685,978</b>
Net trading gains or losses	295,719	1,254	996,883	—	1,293,856
Net gains or losses on financial investments	—	—	1,146,783	(1,071,434)	75,349
Other operating income	154,877	(43)	(445)	93,110	247,499
<b>Operating income</b>	<b>7,321,522</b>	<b>5,306,338</b>	<b>1,570,267</b>	<b>(962,170)</b>	<b>13,235,957</b>
Operating expense	(1,692,262)	(1,828,391)	(1,101,942)	(125,329)	(4,747,924)
— Depreciation and amortisation	(114,973)	(176,333)	(126,855)	(4,960)	(423,121)
Expected credit losses and asset losses	(129,269)	(1,867,382)	(242,172)	—	(2,238,823)
Share of profits of associates	—	—	—	34,852	34,852
<b>Profit before tax</b>	<b>5,499,991</b>	<b>1,610,565</b>	<b>226,153</b>	<b>(1,052,647)</b>	<b>6,284,062</b>
<b>Capital expenditure</b>	<b>143,698</b>	<b>220,389</b>	<b>158,550</b>	<b>6,200</b>	<b>528,837</b>
Segment assets	185,197,988	114,836,258	350,741,597	2,854,582	653,630,425
Unallocated assets	—	—	—	—	4,059,547
<b>Total assets</b>	<b>185,197,988</b>	<b>114,836,258</b>	<b>350,741,597</b>	<b>2,854,582</b>	<b>657,689,972</b>
<b>Segment liabilities</b>	<b>188,673,213</b>	<b>279,900,992</b>	<b>134,651,058</b>	<b>644,780</b>	<b>603,870,043</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 41 Segmental analysis (Continued)

#### (a) Business segments (Continued)

	Year ended 31 December 2021				
	Corporate banking	Personal banking	Treasury	Others	Total
External interest income	10,117,166	4,908,077	6,932,592	—	21,957,835
External interest expense	(3,792,162)	(3,787,840)	(3,844,498)	—	(11,424,500)
Inter-segment net interest income or expense	(324,190)	3,477,795	(3,153,605)	—	—
<b>Net interest income</b>	<b>6,000,814</b>	<b>4,598,032</b>	<b>(65,511)</b>	<b>—</b>	<b>10,533,335</b>
<b>Net fee and commission income</b>	<b>107,143</b>	<b>626,542</b>	<b>52,003</b>	<b>6,621</b>	<b>792,309</b>
Net trading gains or losses	120,285	29,542	907,979	—	1,057,806
Net gains or losses on financial investments	—	—	481,188	39,744	520,932
Other operating income	2	673	—	91,257	91,932
<b>Operating income</b>	<b>6,228,244</b>	<b>5,254,789</b>	<b>1,375,659</b>	<b>137,622</b>	<b>12,996,314</b>
Operating expense	(1,559,854)	(2,247,121)	(673,228)	(117,127)	(4,597,330)
— Depreciation and amortisation	(87,857)	(221,263)	(80,387)	(5,377)	(394,884)
Expected credit losses and asset losses	(1,682,829)	(360,441)	(399,897)	—	(2,443,167)
Share of profits of associates	—	—	—	33,834	33,834
<b>Profit before tax</b>	<b>2,985,561</b>	<b>2,647,227</b>	<b>302,534</b>	<b>54,329</b>	<b>5,989,651</b>
<b>Capital expenditure</b>	<b>323,858</b>	<b>815,629</b>	<b>296,323</b>	<b>19,819</b>	<b>1,455,629</b>
Segment assets	165,551,396	126,838,944	294,949,376	2,690,255	590,029,971
Unallocated assets	—	—	—	—	3,331,122
<b>Total assets</b>	<b>165,551,396</b>	<b>126,838,944</b>	<b>294,949,376</b>	<b>2,690,255</b>	<b>593,361,093</b>
<b>Segment liabilities</b>	<b>174,102,294</b>	<b>248,067,924</b>	<b>120,300,907</b>	<b>907,855</b>	<b>543,378,980</b>

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 42 Financial risk management

#### Overview

The Group's activities expose it to a variety of financial risks. The Group analyses and evaluates its risk exposures and accepts and manages a certain level of such risks or combined risks. Financial risk management is critical to the financial industry in which the Group operates, and business operations inevitably involve financial risks. The Group's aim is to achieve an appropriate balance between risk and return to minimise potential adverse effects on the Group's financial statements.

The Group's risk management policies are designed to identify and analyse related risks, so as to set appropriate risk limits and control processes, and to monitor risks and their limits through reliable processes.

The Board of Directors of the Group is responsible for setting out the overall risk preference, reviewing and approving the Group's risk management objectives and strategies. Senior management is responsible for developing and implementing appropriate risk management policies and procedures based on risk management objectives and strategies. The Board of Supervisors is responsible for supervising and inspecting the risk management and internal control and spurring remedial measures where necessary.

The major financial risks faced by the Group are credit risk, market risk and liquidity risk, and market risk mainly comprises interest rate risk and foreign exchange risk.

#### 42.1 Credit risk

##### 42.1.1 Credit risk management

The Group is exposed to credit risk, which is the risk that a customer or counterparty will be unable or unwilling to meet its obligations under a contract. The concentrations of credit risk will increase when counterparties are within similar industry segments or geographical regions. On-balance-sheet credit exposure includes loans and advances to customers, financial investments, deposits and placements with banks and certain other financial assets. There is also off-balance-sheet credit exposure, such as credit commitments, letters of credit, guarantees, and acceptance notes. Currently, the Group's principal business is primarily concentrated in Dongguan City of Guangdong Province in China, which indicates that the Group is more susceptible to changes in regional economic conditions. As a result, the management monitors its credit risk prudently. The Risk Management Department at Head Office of the Group is responsible for the daily management of the Group's overall credit risk, and reports to the Group's senior management timely.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 42 Financial risk management *(Continued)*

#### 42.1 Credit risk *(Continued)*

##### 42.1.1 Credit risk management *(Continued)*

The Group adopts standardised management for the whole business procedure of credit business, including credit investigation and declaration, credit review and approval, loan issuance, post-lending monitoring and NPL management. It comprehensively improves the credit risk management level by strictly regulating credit operation procedures, strengthening end-to-end loan management from pre-lending investigation, rating and assigning credit limits, review and approval, loan drawdown review, to post-lending monitoring, improving the risk mitigation effect of collateral, accelerating the recovering and disposal of NPLs, and promoting the upgrading of credit management system.

For the year ended 31 December 2022 and 2021, the domestic economy was hit by various unexpected factors, and as a result, negative impact on the asset quality of the Group's credit assets and investments. In response to the government's policies, the Group delivered timely solutions to assist existing customers who had been affected by economic downswing, including relief measures, and at the same time, further enhanced its credit risk monitoring and early warning management system to step up credit risk monitoring. The Group and the Bank actively respond to the change of the credit environment by conducting regular analysis on credit risk situations and matters and taking precautionary risk control measures with a forward-looking vision.

The Non-performing Assets Management Committee is responsible for supervising the recovery and disposal of NPLs. The Group manages its NPLs mainly by the following methods: (1) collection; (2) restructuring; (3) disposal of collateral or seeking recourse against guarantors; (4) litigation or arbitration; and (5) write-off according to regulatory requirements, to minimise its losses from credit risks. If the Group, after executing all necessary procedures, still considers that it is not reasonably possible to expect to recover the whole or part of a loan, it shall be written off. For the years ended 31 December 2022 and 2021, the loans and advances to customers written off by the Group amounted to RMB620 million and RMB818 million respectively.

In addition to risks arising from credit assets, the Group manages the credit risk of treasury operations by carefully selecting banks and other financial institutions with appropriate credit levels as counterparties, balancing credit risk and investment return, comprehensively referring to internal and external credit rating information, grading credit, and using a timely credit line management system to review and adjust the credit line. In addition, the Group provides off-balance-sheet commitments and guarantees for customers. There is a possibility that the Group will make payments on behalf of customers due to their default, and bear the risk similar to loans. Therefore, the Group adopts risk control procedures and policies similar to the credit business to reduce the credit risk.

## Notes to the Consolidated Financial Statements (*Continued*)

(All amounts in RMB thousand, unless otherwise stated)

### 42 Financial risk management (*Continued*)

#### 42.1 Credit risk (*Continued*)

##### 42.1.2 Measurement of credit risk

###### (a) Loans

In accordance with the Guidelines for the Classification of Loan Risks issued by CBIRC, the Group establishes a management system regarding to the classification of loan risks, and implements five-level classification management. Loans are classified into five categories based on their risk levels, namely pass, special-mention, sub-standard, doubtful and loss, the latter three of which are regarded as non-performing loans. The primary factors considered in impairment assessment for loans include probability of loan repayment and recoverability of principal and interest, which reflect borrowers' repayment ability, repayment record and intention, profitability, guarantees or collateral and legal responsibility of repayment.

The five categories into which the Group classifies its loans and advances to customers are set out below:

- Pass: Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
- Special-mention: Although there is no doubt on the borrower's ability to repay at this point in time, there exist potential factors that may adversely affect its ability to repay in the future.
- Sub-standard: Borrowers' ability to service their loans is in question and they cannot rely entirely on normal operating revenues to repay the principal and interest. There is possibility of some loss even when guarantee is executed and collateral is realized.
- Doubtful: Borrowers cannot repay principal and interest in full and there is possibility of substantial loss even when guarantee is executed and collateral is realized.
- Loss: After exhausting all possible means of recovery or necessary legal procedures, there is still no recovery of principal and interests, or the recovery is negligible.

###### (b) Bonds and other notes

The Group manages its credit risk exposures to bonds and other notes by setting restriction of investment size, issuer profile and rating and also post-investment management.

## Notes to the Consolidated Financial Statements (*Continued*)

(All amounts in RMB thousand, unless otherwise stated)

### 42 Financial risk management (*Continued*)

#### 42.1 Credit risk (*Continued*)

##### 42.1.2 Measurement of credit risk (*Continued*)

(c) *Other financial investments*

Other financial investments mainly comprise trust beneficiary rights, fund investments and direct financing instruments for WMPs. The Group has rating-based access policies in place towards the cooperating trust companies, securities companies and fund companies. Subsequent risk management is carried out on a regular basis.

(d) *Interbank transactions*

The Group reviews and monitors credit risk of individual financial institutions periodically and credit quota has been maintained for each bank and other institutions that have transactions with the Group.

(e) *Financial guarantees and credit commitments*

The primary purpose of financial guarantees and credit commitments is to ensure that customers can acquire the funds needed. Guarantees, acceptances of bills and letters of credit represent irrevocable commitments of the Group to fulfil the obligations of payment to a third party when the customers are unable to do so, with the same credit risk as loans. The amount of potential credit risk faced by the Group is equal to the total amount of its financial guarantees and credit commitments.

##### 42.1.3 Risk limit control and mitigation measures

The Group prudently manages and controls the concentration of credit risk, including single borrower, group, industry and region. The Group has established related mechanism to set up credit risk limit which is bearable for single borrower, and makes an assessment on credit risk limit at least once a year.

The Group has established a series of policies and taken various measures to mitigate the credit risk. Obtaining collateral, deposits and corporates' or individuals' guarantee are important means for the Group to control the credit risk. The collateral policy established by the Group stipulates the type of specific collateral that is acceptable, mainly including:

- Housing;
- Business assets such as premises, inventory and accounts receivable;
- Financial instruments such as debt securities and stocks.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 42 Financial risk management (Continued)

#### 42.1 Credit risk (Continued)

##### 42.1.3 Risk limit control and mitigation measures (Continued)

The fair value of collateral or pledge is generally determined with the help of specialised valuation agencies recognized by the Group. In order to reduce the credit risk, the Group has defined the maximum loan-to-value ratio (the ratio of the loan amount to the fair value of collateral or pledge) for different collateral or pledge. The main types of collateral or pledge for loans and advances and the corresponding maximum loan-to-value ratio are as follows:

Collateral	Maximum loan-to-value ratio	Pledge	Maximum loan-to-value ratio
Real estate — residential	70%	Wealth Management Products	95%
Real estate — commercial	70%	Certificates of deposit	95%
Machineries	30%	Treasury bonds (certificate bonds and saving bonds)	95%
Means of transportation	40%	Bank acceptance bills	90%
Mining right	40%	Precious metal	80%
Forest rights	40%	Inventories	30%
Rural land use rights	50%	Shares of public company listed on main boards	60%
		Intellectual properties	20%

For loans guaranteed by a third-party guarantor, the Group will assess the financial condition, credit history and ability to meet obligations of the guarantor.

##### 42.1.4 Policies on provision for expected credit loss

The Group uses the “ECL model” to make provision for the impairment of financial investments measured at amortised cost and those designated at fair value through other comprehensive income, loan commitments and financial guarantee contracts.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 42 Financial risk management *(Continued)*

#### 42.1 Credit risk *(Continued)*

##### 42.1.4 Policies on provision for expected credit loss *(Continued)*

(1) *Division of stages*

For financial instruments included in the measurement of ECL, the Group applies the “three-stage” impairment model to measure the loss allowance and recognise the ECL in assessing whether the credit risk on a financial instrument has increased significantly since initial recognition.

- Stage 1: If the credit risk on a financial instrument has not increased significantly since initial recognition, the loss stage is classified as Stage 1.
- Stage 2: If the credit risk has increased significantly since initial recognition but it is not considered that the credit has been impaired on the financial instrument, the loss stage is classified as Stage 2.
- Stage 3: If the credit has been impaired on the financial instrument, the loss stage is classified as Stage 3.

The loss allowance for the financial instruments at Stage 1 is determined at the amount of the ECL 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 the ECL on the financial instrument within the lifetime.

Various factors, such as five-level classification, number of overdue days and changes in credit ratings, will be taken into account when the credit risk increases significantly during assessment. These three stages are transferable. Financial instruments in the Stage 1 should be downgraded into Stage 2 in case of significant deterioration of credit risk.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 42 Financial risk management *(Continued)*

#### 42.1 Credit risk *(Continued)*

##### 42.1.4 Policies on provision for expected credit loss *(Continued)*

###### (2) *Judgement criteria for significant increase in credit risk*

When one or more of the following quantitative and qualitative criteria or limit indicators are triggered, the Group considers that the credit risk of financial instrument has been significantly increased:

- The debtor breaches the contract and the principal or interest of the contract was overdue for more than 30 days.
- The significant negative influences appears in business, financing or economic position and indication for cash flow or liquidity problems for debtor.
- The principal or interest of bills, financial investments and financial assets with banks and other financial institutions was overdue for not more than 30 days.
- The debtor's external credit rating (issuer rating) is lower than the AA and higher than the CCC investment grade, comparing with its initial recognition date.
- There are significant changes in the economic, technical or legal environment in which the debtor is located in the current period or in the near future, and the Group will be affected adversely.

In response to the government's relief policies, the Group delivered relief measures to assist existing customers who had been affected. The Group prudently assesses the repayment ability of customers who apply for loan relief measures, and adopts measures, including deferred interest repayment, repayment plan adjustment, etc., for those meeting the policy standards, and at the same time, the Group also evaluates whether the credit risks of these customers have increased significantly.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 42 Financial risk management *(Continued)*

#### 42.1 Credit risk *(Continued)*

##### 42.1.4 Policies on provision for expected credit loss *(Continued)*

###### *(3) Definition of default and incurred loss*

A financial asset will be defined as defaulted if it meets one or more of the following quantitative and qualitative criteria or limit indicators. These criteria are consistent with the definition of incurred loss:

- The debtor breached the contract and the principal or interest of the contract was overdue for more than 90 days.
- The principal or interest of bills, financial investments and financial assets with banks and other financial institutions was overdue for more than 30 days.
- The debtor's external credit rating (issuer rating) is lower than the CCC (inclusive) investment grade, or a default has occurred, comparing with its initial recognition date.
- The debtor is likely to go bankrupt or face other financial restructuring.
- The issuer of the financial instruments held by the Group is experiencing significant financial difficulty.
- The Group, for economic or legal reasons, grants a concession to the debtor who has financial difficulty.
- The active market for relevant financial assets disappears due to the financial difficulty of the borrower.

The above criteria apply to all financial instruments held by the Group. The definition of default is consistently applied to the ECL calculation process of the Group, including the model building of probability of default (PD), exposure at default (EAD) and loss given default (LGD).

When a financial instrument does not qualify for default for six consecutive months, the Group no longer considers it as an asset in default (it has been reversed). The Group adopts an observation period of six months based on relevant analyses in which the Group has considered the possibility of a financial instrument being reclassified as the default status in various scenarios after it has been reversed.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 42 Financial risk management *(Continued)*

#### 42.1 Credit risk *(Continued)*

##### 42.1.4 Policies on provision for expected credit loss *(Continued)*

- (4) *Calculation of expected credit loss: description of parameters, assumptions, and estimation techniques*

The Group calculates the provision for impairment losses of different types of assets as 12-month ECL or lifetime ECL based on whether there was significant increase in credit risk and whether credit impairment occurred for assets. ECL is the product of exposure at default (EAD), probability of default (PD) and loss given default (LGD) after term adjustment and discount. Relevant definitions are as follows:

PD 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.

LGD refers to the percentage of the risk exposure loss in the event of default. LGD varies with the type of the counterparty in the transaction, and the accessibility of collateral and other credit supports.

EAD refers to the repayment due to the Group when default occurs in the next 12 months or during the rest of the lifetime. The Group's EAD is determined based on the expected repayment arrangements and different types of products will have different EAD. For loans repaid on an instalment basis or in a lump sum, the Group determines the EAD based on the repayment plan as agreed in the contract.

The Group determines the ECL by estimating the PD, LGD and EAD of an individual loan in each period. It multiplies these three values and adjusts their existence (in case of no early repayment or default). This approach can effectively calculate the ECL of each future period. The calculation results of all periods are then discounted to the reporting date and summed up. Discount rates used to calculate the ECL are the actual interest rate or the approximation thereof.

In 2022 and 2021, there was no significant change in the above estimation techniques or key assumptions.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 42 Financial risk management *(Continued)*

#### 42.1 Credit risk *(Continued)*

##### 42.1.4 Policies on provision for expected credit loss *(Continued)*

(5) *Forward-looking information in the expected credit loss model*

Through data analysis, the Group identifies key economic indicators that affect the credit risk and ECL of each business types, such as producer price index (PPI), stock of social financing scale (CNY loans), industrial added value, China real estate climate index, year-on-year (YOY) growth rate of money supply (M2).

As at 31 December 2022, the Group has assessed and forecasted the relevant macro economic indicators for 2023, of which the forecast value of 2023 YOY growth rate of M2 under each scenario is as follows: 9.20% under base scenario, 8.10% under upside scenario, and 10.10% under downside scenario.

The Group considers internal and external data, expert forecasts and statistical analysis to determine the relationship between these economic indicators and PD. The Group regularly conducts the forecast on three types of domestic macro scenarios and macro-economic indicators such as optimistic, basic and pessimistic for asset impairment model.

As at 31 December 2022, the weight of basis scenario of the Group is equal to the sum of the weights of non-basis scenario. 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 RMB216 million (31 December 2021: RMB152 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 RMB773 million (31 December 2021: RMB759 million).

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 42 Financial risk management *(Continued)*

#### 42.1 Credit risk *(Continued)*

##### 42.1.4 Policies on provision for expected credit loss *(Continued)*

###### (6) Grouping for ECL provision

The Group classified the exposures with similar characteristics when collectively assessing the ECL provision.

The characteristics for grouping are as follows:

Personal loans

- Product types (for instance, personal business loans, personal consumption loans, personal property mortgages, credit cards)

Corporate loans

- Industry

Exposures evaluated by impairment assessment

- Corporate loans in Stage 3

Credit risk team monitors and reviews the grouping appropriateness regularly.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 42 Financial risk management (Continued)

#### 42.1 Credit risk (Continued)

##### 42.1.5 Maximum exposures to credit risk before considering collateral held or other credit enhancements

The Group	Note	As at 31 December 2022				
		Stage 1	Stage 2	Stage 3	Not Applicable	Total
<b>Assets</b>						
Balances with central bank		35,688,685	—	—	—	35,688,685
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions		15,515,079	—	—	—	15,515,079
Derivative financial assets		—	—	—	340,047	340,047
Loans and advances to customers		317,636,424	2,262,669	1,849,031	—	321,748,124
Financial investments						
— Financial assets at fair value through profit or loss		—	—	—	52,182,664	52,182,664
— Financial investments at amortised cost		124,345,914	6,997	—	—	124,352,911
— Financial investments at fair value through other comprehensive income		92,214,128	131,789	201,180	695,237	93,242,334
Other financial assets	(i)	518,056	42,280	48,873	—	609,209
Sub-total		585,918,286	2,443,735	2,099,084	53,217,948	643,679,053
<b>Off-balance sheet items</b>						
Bank acceptances		6,830,010	8,010	—	—	6,838,020
Letters of credit		634,248	—	—	—	634,248
Guarantees		3,805,419	8,001	60,000	—	3,873,420
Unused limit of credit cards		9,562,511	7,221	24,527	—	9,594,259
Sub-total		20,832,188	23,232	84,527	—	20,939,947
<b>Total</b>		<b>606,750,474</b>	<b>2,466,967</b>	<b>2,183,611</b>	<b>53,217,948</b>	<b>664,619,000</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 42 Financial risk management (Continued)

#### 42.1 Credit risk (Continued)

##### 42.1.5 Maximum exposures to credit risk before considering collateral held or other credit enhancements (Continued)

The Group	Note	As at 31 December 2021				Total
		Stage 1	Stage 2	Stage 3	Not Applicable	
<b>Assets</b>						
Balances with central bank		33,251,507	—	—	—	33,251,507
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions		15,772,779	—	—	—	15,772,779
Derivative financial assets		—	—	—	148,556	148,556
Loans and advances to customers		284,794,194	3,693,424	1,196,916	—	289,684,534
Financial investments						
— Financial assets at fair value through profit or loss		—	—	—	43,512,900	43,512,900
— Financial investments at amortised cost		108,209,412	235,865	—	—	108,445,277
— Financial investments at fair value through other comprehensive income		88,973,606	454,548	177,460	697,853	90,303,467
Other financial assets	(i)	228,007	—	—	—	228,007
Sub-total		531,229,505	4,383,837	1,374,376	44,359,309	581,347,027
<b>Off-balance sheet items</b>						
Bank acceptances		2,896,674	—	821	—	2,897,495
Letters of credit		299,112	—	—	—	299,112
Guarantees		3,080,836	8,001	—	—	3,088,837
Unused limit of credit cards		10,506,279	5,173	50,792	—	10,562,244
Sub-total		16,782,901	13,174	51,613	—	16,847,688
<b>Total</b>		<b>548,012,406</b>	<b>4,397,011</b>	<b>1,425,989</b>	<b>44,359,309</b>	<b>598,194,715</b>

(i) Other financial assets include interest receivable and other receivables.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 42 Financial risk management (Continued)

#### 42.1 Credit risk (Continued)

##### 42.1.6 Loans and advances to customers

###### (a) Industry analysis

The Group	As at 31 December 2022		As at 31 December 2021	
	Amount	%	Amount	%
<b>Corporate loans and advances</b>				
Manufacturing	46,271,637	13.91%	37,127,691	12.43%
Leasing and commercial services	35,855,433	10.78%	29,694,458	9.94%
Wholesale and retail	34,720,332	10.44%	30,156,442	10.10%
Construction	24,204,722	7.28%	20,666,620	6.92%
Real estate	16,165,085	4.86%	14,443,950	4.84%
Production and supply of power, gas and water	6,268,004	1.88%	5,344,555	1.79%
Finance	5,579,271	1.68%	5,573,905	1.87%
Transportation, logistics and postal services	4,612,260	1.39%	3,169,693	1.06%
Education	3,921,895	1.18%	3,143,951	1.05%
Water, environment and public utilities management	2,901,710	0.87%	2,715,332	0.91%
Hotels and catering industries	2,540,994	0.76%	2,302,218	0.77%
Health, social security, and welfare	2,294,669	0.69%	2,877,962	0.96%
Agriculture, forestry, animal husbandry and fishery	2,002,141	0.60%	2,112,790	0.71%
Information transmission, software and IT services	905,328	0.27%	1,420,075	0.48%
Scientific research and technical services, and geological prospecting	575,550	0.17%	256,390	0.09%
Residential services and other services	227,719	0.07%	199,432	0.07%
Culture, sports, and entertainment	114,998	0.03%	134,320	0.04%
Mining	7,900	0.00%	13,300	0.00%
Public management and social organisations	—	0.00%	36,038	0.01%
Sub-total	189,169,648	56.86%	161,389,122	54.04%
<b>Personal loans and advances</b>				
Property mortgages	38,939,465	11.71%	40,260,382	13.48%
Business loans	38,675,434	11.63%	29,199,175	9.77%
Personal consumption loans	30,053,733	9.03%	32,743,978	10.95%
Credit cards	6,760,399	2.03%	6,663,366	2.23%
Sub-total	114,429,031	34.40%	108,866,901	36.43%
<b>Inter-bank discounted bills and other loans</b>	28,399,022	8.54%	27,858,949	9.33%
Accrued interest	670,422	0.20%	598,457	0.20%
<b>Total loans and advances to customers</b>	<b>332,668,123</b>	<b>100.00%</b>	<b>298,713,429</b>	<b>100.00%</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 42 Financial risk management (Continued)

#### 42.1 Credit risk (Continued)

##### 42.1.6 Loans and advances to customers (Continued)

(b) Type of collateral analysis

The Group	As at 31 December	
	2022	2021
Collateralised loans	<b>170,426,153</b>	156,304,340
Guaranteed loans	<b>84,448,418</b>	68,643,992
Pledged loans	<b>41,939,301</b>	41,152,064
Unsecured loans	<b>35,183,829</b>	32,014,576
Sub-total	<b>331,997,701</b>	298,114,972
Accrued interest	<b>670,422</b>	598,457
<b>Total</b>	<b>332,668,123</b>	298,713,429

(c) Concentration analysis by geographical regions

The Group	As at 31 December 2022		As at 31 December 2021	
	Amount	%	Amount	%
Dongguan	<b>264,363,531</b>	<b>79.47%</b>	236,567,843	79.20%
Zhanjiang	<b>17,099,446</b>	<b>5.14%</b>	16,258,307	5.44%
Others	<b>50,534,724</b>	<b>15.19%</b>	45,288,822	15.16%
Accrued interest	<b>670,422</b>	<b>0.20%</b>	598,457	0.20%
<b>Total</b>	<b>332,668,123</b>	<b>100.00%</b>	298,713,429	100.00%

Concentration analysis of overdue loans and advances to customers by geographical regions

The Group	As at 31 December 2022		As at 31 December 2021	
	Amount	%	Amount	%
Dongguan	<b>2,606,982</b>	<b>42.01%</b>	1,632,508	52.39%
Zhanjiang	<b>599,956</b>	<b>9.67%</b>	323,432	10.38%
Others	<b>2,999,219</b>	<b>48.32%</b>	1,159,851	37.23%
<b>Total</b>	<b>6,206,157</b>	<b>100.00%</b>	3,115,791	100.00%

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 42 Financial risk management (Continued)

#### 42.1 Credit risk (Continued)

##### 42.1.6 Loans and advances to customers (Continued)

(d) Analysis by overdue days and impairment evaluation

- (1) The maximum credit risk exposures of loans and advances are analysed by overdue days as follows:

The Group Loans and advances	As at 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Overdue days				
Not overdue	321,018,663	2,661,364	2,781,939	326,461,966
Between 0 and 30 days	651,880	225,028	1,850,645	2,727,553
Between 30 and 60 days	—	567,699	396,262	963,961
Between 60 and 90 days	—	31,225	161,491	192,716
More than 90 days/Default	—	—	2,321,927	2,321,927
Total	321,670,543	3,485,316	7,512,264	332,668,123
Provision for ECL	(4,034,119)	(1,222,647)	(5,663,233)	(10,919,999)
Net amount	317,636,424	2,262,669	1,849,031	321,748,124

The Group Loans and advances	As at 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Overdue days				
Not overdue	287,039,266	5,871,753	2,686,619	295,597,638
Between 0 and 30 days	299,056	137,254	77,519	513,829
Between 30 and 60 days	—	317,719	80,335	398,054
Between 60 and 90 days	—	32,004	246,730	278,734
More than 90 days/Default	—	—	1,925,174	1,925,174
Total	287,338,322	6,358,730	5,016,377	298,713,429
Provision for ECL	(2,544,128)	(2,665,306)	(3,819,461)	(9,028,895)
Net amount	284,794,194	3,693,424	1,196,916	289,684,534

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 42 Financial risk management (Continued)

#### 42.1 Credit risk (Continued)

##### 42.1.6 Loans and advances to customers (Continued)

(d) Analysis by overdue days and impairment evaluation (Continued)

(2) Overdue loans and advances to customers are set out by collateral type and overdue days as follows:

The Group	As at 31 December 2022				Total
	Overdue between 1 and 90 days (inclusive)	Overdue between 90 days and 1 year (inclusive)	Overdue between 1 and 3 years (inclusive)	Overdue for more than 3 years	
Guaranteed loans	2,013,196	50,357	287,059	6,299	2,356,911
Collateralised loans	1,078,920	436,292	668,361	93,203	2,276,776
Unsecured loans	555,114	263,499	249,154	18,885	1,086,652
Pledged loans	237,000	—	226,484	22,334	485,818
<b>Total</b>	<b>3,884,230</b>	<b>750,148</b>	<b>1,431,058</b>	<b>140,721</b>	<b>6,206,157</b>

The Group	As at 31 December 2021				Total
	Overdue between 1 and 90 days (inclusive)	Overdue between 90 days and 1 year (inclusive)	Overdue between 1 and 3 years (inclusive)	Overdue for more than 3 years	
Collateralised loans	586,993	598,298	333,467	8,552	1,527,310
Unsecured loans	462,388	208,488	110,014	7,912	788,802
Guaranteed loans	141,236	241,914	20,961	140,405	544,516
Pledged loans	—	224,100	6,393	24,670	255,163
<b>Total</b>	<b>1,190,617</b>	<b>1,272,800</b>	<b>470,835</b>	<b>181,539</b>	<b>3,115,791</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 42 Financial risk management (Continued)

#### 42.1 Credit risk (Continued)

##### 42.1.6 Loans and advances to customers (Continued)

###### (e) Loans and advances to customers impaired/at Stage 3

The total amounts of loans and advances to customers impaired/at Stage 3 are set out as follows:

The Group	As at 31 December	
	2022	2021
Corporate loans and advances	5,980,622	3,911,649
Personal loans and advances	1,531,642	1,104,728
<b>Total</b>	<b>7,512,264</b>	<b>5,016,377</b>
Fair value of collateral		
— Corporate loans and advances	2,214,508	3,503,138
— Personal loans and advances	758,700	469,552
<b>Total</b>	<b>2,973,208</b>	<b>3,972,690</b>

The fair value of collateral is determined based on the latest available external valuation prices, adjusted for the current experiences of collateral realisation and market conditions.

Concentration of loans and advances to customers impaired/at Stage 3 by geographical regions

The Group	As at 31 December 2022		As at 31 December 2021	
	Amount	%	Amount	%
Dongguan	5,063,202	67.40%	4,270,342	85.13%
Zhanjiang	190,002	2.53%	200,373	3.99%
Others	2,259,060	30.07%	545,662	10.88%
<b>Total</b>	<b>7,512,264</b>	<b>100.00%</b>	<b>5,016,377</b>	<b>100.00%</b>

As at 31 December 2022, the Group's loans and advances to customers impaired/at Stage 3 accounted for 2.26% (31 December 2021: 1.68%) of the loans.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 42 Financial risk management *(Continued)*

#### 42.1 Credit risk *(Continued)*

##### 42.1.7 Foreclosed assets

Foreclosed assets are disposed once they are sold and gains from the sale can be used to decrease the balance of liabilities. Usually the Group does not use recovered foreclosed assets for business activities. As at 31 December 2022 and 2021, foreclosed assets were listed under other assets.

##### 42.1.8 Debt instrument investments

The credit risks of debt instrument investments are classified mainly based on their external credit ratings.

(a) *Debt instrument investments classified by borrower ratings*

- (1) The exposures of financial investments at amortised cost are analysed as follows:

	Note	As at 31 December 2022			Total
		Stage 1	Stage 2	Stage 3	
<b>Credit ratings</b>					
AA to AAA		13,699,014	—	—	13,699,014
CCC+ to AA-		—	—	—	—
Unrated	(i)	111,097,607	12,231	—	111,109,838
<b>Total</b>		<b>124,796,621</b>	<b>12,231</b>	<b>—</b>	<b>124,808,852</b>
Provision for ECL		(450,707)	(5,234)	—	(455,941)
<b>Net book value</b>		<b>124,345,914</b>	<b>6,997</b>	<b>—</b>	<b>124,352,911</b>

	Note	As at 31 December 2021			Total
		Stage 1	Stage 2	Stage 3	
<b>Credit ratings</b>					
AA to AAA		18,787,277	—	—	18,787,277
CCC+ to AA-		—	415,782	—	415,782
Unrated	(i)	89,653,135	—	—	89,653,135
<b>Total</b>		<b>108,440,412</b>	<b>415,782</b>	<b>—</b>	<b>108,856,194</b>
Provision for ECL		(231,000)	(179,917)	—	(410,917)
<b>Net book value</b>		<b>108,209,412</b>	<b>235,865</b>	<b>—</b>	<b>108,445,277</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 42 Financial risk management (Continued)

#### 42.1 Credit risk (Continued)

##### 42.1.8 Debt instrument investments (Continued)

(a) Debt instrument investments classified by borrower ratings (Continued)

(2) The exposures of financial investments at fair value through other comprehensive income are analysed as follows:

		As at 31 December 2022			
	Note	Stage 1	Stage 2	Stage 3	Total
<b>Credit ratings</b>					
AA to AAA		17,362,167	—	—	17,362,167
CCC+ to AA-		—	131,789	—	131,789
CCC and below		—	—	—	—
Default		—	—	170,404	170,404
Unrated	(i)	74,851,961	—	30,776	74,882,737
<b>Net book value</b>		<b>92,214,128</b>	<b>131,789</b>	<b>201,180</b>	<b>92,547,097</b>

		As at 31 December 2021			
	Note	Stage 1	Stage 2	Stage 3	Total
<b>Credit ratings</b>					
AA to AAA		12,500,575	—	—	12,500,575
CCC+ to AA-		—	454,548	—	454,548
CCC and below		—	—	36,749	36,749
Default		—	—	140,711	140,711
Unrated	(i)	76,473,031	—	—	76,473,031
<b>Net book value</b>		<b>88,973,606</b>	<b>454,548</b>	<b>177,460</b>	<b>89,605,614</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 42 Financial risk management (Continued)

#### 42.1 Credit risk (Continued)

##### 42.1.8 Debt instrument investments (Continued)

(b) Debt instrument investments classified by facility ratings

As at 31 December 2022				
Note	Financial assets at fair value through profit or loss	Financial investments at amortised cost	Financial assets designated at fair value through other comprehensive income	Total
AA to AAA	5,373,803	47,648,507	34,041,642	87,063,952
CCC+ to AA-	12,743	—	44,969	57,712
CCC and below	—	—	38,571	38,571
Unrated (i)	46,796,118	76,704,404	58,421,915	181,922,437
<b>Total</b>	<b>52,182,664</b>	<b>124,352,911</b>	<b>92,547,097</b>	<b>269,082,672</b>

As at 31 December 2021				
Note	Financial assets at fair value through profit or loss	Financial investments at amortised cost	Financial assets designated at fair value through other comprehensive income	Total
AA to AAA	7,425,596	68,940,213	22,586,592	98,952,401
CCC+ to AA-	12,250	235,867	23,708	271,825
CCC and below	7,294	—	20,582	27,876
Unrated (i)	36,067,760	39,269,197	66,974,732	142,311,689
<b>Total</b>	<b>43,512,900</b>	<b>108,445,277</b>	<b>89,605,614</b>	<b>241,563,791</b>

(i) The Group's unrated debt instrument investments comprise mainly of treasury bonds, local government bonds, financial bonds issued by policy banks, commercial bank bonds, non-bank financial institutions bonds and rights of earnings on credit assets.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 42 Financial risk management *(Continued)*

#### 42.2 Market risk

##### 42.2.1 Overview

Market risk represents the potential loss arising from changes in market rates of interest and foreign exchange, as well as commodity and equity prices. Market risk arises from both the Group's proprietary positions and customer driven transactions, in both cases related to on and off-balance sheet activities.

The Group is primarily exposed to interest rate risk through its lending, fixed-income and funding activities. Interest rate risk is inherent in many of the Group's businesses and this situation is common among banks. It fundamentally arises through mismatches between the maturity and re-pricing dates of interest-earning assets and interest-bearing liabilities. As discussed further below, interest rate risk is actively managed by the Group.

Foreign exchange rate risk is the potential loss related to changes in foreign exchange rates affecting the translation of foreign currency denominated monetary assets and liabilities. The risk of loss results from movements in foreign currency exchange rates.

The Group's commodity risk is mainly from the fluctuation in price of gold. The Group considers that the market risk from commodity prices of trade and investment portfolios is not significant.

##### 42.2.2 Market analysis metrics

To enhance the effectiveness of market risk management, as well as the accuracy of determining the levels of regulatory capital required related to market risk, the Group segregates all financial instruments and commodities, both on-and off-balance sheet, into either the trading book or banking book. The trading book is comprised of financial instruments and commodity positions held for trading. Any other financial instruments are included in the banking book.

The Group manages market risk in the trading book through methodologies that include, monitoring and management of established limits, sensitivity analysis, duration analysis, exposure analysis and stress testing. The Group has formulated policies, which are subject to review annually or as circumstances otherwise dictate, to manage market risk. Further, in this regard, the Group's market risk management is focused on movements in domestic and global financial markets, as well as the composition of the trading book and management's trading strategies, within approved limits. Moreover, the Group has implemented more specific policies for financial instruments, closely monitoring the exposure to specific issuers and counterparties, as well as the tenor of individual positions and trading strategies.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 42 Financial risk management *(Continued)*

#### 42.2 Market risk *(Continued)*

##### 42.2.2 Market analysis metrics *(Continued)*

Market risk exposure limits are classified as either directive limits or indicative limits, based on the characteristics of the underlying instruments or transactions, including exposure limit monitoring, enforcement of stop-loss limits, and stress testing limits.

The Group is committed to continuous improvement of its market risk exposure limit management. The Group establishes exposure limits reflecting its risk appetite and continuously refines the categorization of market risk exposure limits. Further, it regularly monitors, reports, refines, and implements improvements to the market risk exposure limit process.

##### 42.2.3 Interest rate risk

The interest rate risk existing in the banking book broadly relates to the mismatch of the maturity or re-pricing dates of interest rate-sensitive financial assets and financial liabilities, as well as inconsistencies in the change of the benchmark interest rates on which most domestic interest rate-sensitive financial assets and financial liabilities are based.

The Group closely monitors changes in the macro-economic environment and the monetary policies of the PBOC, enabling it to timely and flexibly adjust its pricing strategy. The Group establishes comprehensive interest rate risk management policies and protocols and has improved the consistency of interest rate risk measurement, monitoring, analysis and management of interest rate risk across the Group.

The Group regularly measures and analyzes the Group's interest rate risk by conducting gap analysis, sensitivity analysis, scenario analysis and stress testing to manage interest rate risk within established limits.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 42 Financial risk management (Continued)

#### 42.2 Market risk (Continued)

##### 42.2.3 Interest rate risk (Continued)

The tables below summarize the contractual maturity or re-pricing date, whichever is earlier, of the Group's financial assets and liabilities at the end of each reporting period.

As at 31 December 2022	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
<b>Assets</b>						
Cash and balances with central bank	35,477,540	—	—	—	4,547,296	40,024,836
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	12,820,437	2,675,823	—	—	18,819	15,515,079
Derivative financial assets	—	—	—	—	340,047	340,047
Loans and advances to customers	197,873,252	77,175,457	42,996,976	3,033,966	668,473	321,748,124
Financial investments						
— Financial assets at fair value through profit or loss	11,980,845	9,085,309	4,964,309	1,879,369	24,272,832	52,182,664
— Financial investments at amortised cost	16,021,470	16,126,929	39,508,106	50,935,040	1,761,366	124,352,911
— Financial investments at fair value through other comprehensive income	3,523,463	15,464,877	46,688,106	25,454,890	2,110,998	93,242,334
Other financial assets	—	—	—	—	609,209	609,209
<b>Total financial assets</b>	<b>277,697,007</b>	<b>120,528,395</b>	<b>134,157,497</b>	<b>81,303,265</b>	<b>34,329,040</b>	<b>648,015,204</b>
<b>Liabilities</b>						
Borrowings from central bank	12,870,373	10,190,525	23,050	—	267,944	23,351,892
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	34,292,606	8,020,151	2,000,000	—	91,694	44,404,451
Financial liabilities at fair value through profit or loss	138,359	590,671	—	—	1,080,182	1,809,212
Derivative financial liabilities	—	—	—	—	349,317	349,317
Deposits from customers	270,081,155	90,522,725	97,923,174	—	7,161,747	465,688,801
Debt securities issued	10,294,307	46,601,040	2,998,974	3,998,567	160,579	64,053,467
Lease liabilities	30,825	84,691	276,210	64,390	—	456,116
Other financial liabilities	—	—	—	—	409,328	409,328
<b>Total financial liabilities</b>	<b>327,707,625</b>	<b>156,009,803</b>	<b>103,221,408</b>	<b>4,062,957</b>	<b>9,520,791</b>	<b>600,522,584</b>
<b>Interest rate gap</b>	<b>(50,010,618)</b>	<b>(35,481,408)</b>	<b>30,936,089</b>	<b>77,240,308</b>	<b>24,808,249</b>	<b>47,492,620</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 42 Financial risk management (Continued)

#### 42.2 Market risk (Continued)

##### 42.2.3 Interest rate risk (Continued)

As at 31 December 2021	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
<b>Assets</b>						
Cash and balances with central bank	32,948,289	—	—	—	3,263,022	36,211,311
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	15,370,349	388,660	—	—	13,770	15,772,779
Derivative financial assets	—	—	—	—	148,556	148,556
Loans and advances to customers	177,698,055	62,701,043	22,207,743	26,485,101	592,592	289,684,534
Financial investments						
— Financial assets at fair value through profit or loss	4,685,119	4,917,609	5,125,790	11,094,213	17,690,169	43,512,900
— Financial investments at amortised cost	6,345,971	28,051,654	49,771,359	24,276,293	—	108,445,277
— Financial investments at fair value through other comprehensive income	2,653,164	13,335,542	39,021,936	34,594,972	697,853	90,303,467
Other financial assets	—	—	—	—	228,007	228,007
<b>Total financial assets</b>	<u>239,700,947</u>	<u>109,394,508</u>	<u>116,126,828</u>	<u>96,450,579</u>	<u>22,633,969</u>	<u>584,306,831</u>
<b>Liabilities</b>						
Borrowings from central bank	1,741,601	9,467,573	—	—	65,424	11,274,598
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	26,876,947	13,055,439	—	—	272,379	40,204,765
Financial liabilities at fair value through profit or loss	—	—	—	—	492,648	492,648
Derivative financial liabilities	—	—	—	—	159,573	159,573
Deposits from customers	241,703,258	67,349,693	104,605,213	—	5,407,353	419,065,517
Debt securities issued	22,549,051	33,344,197	7,794,354	3,847,684	322,316	67,857,602
Lease liabilities	30,964	86,230	284,092	57,793	—	459,079
Other financial liabilities	—	—	—	—	585,516	585,516
<b>Total financial liabilities</b>	<u>292,901,821</u>	<u>123,303,132</u>	<u>112,683,659</u>	<u>3,905,477</u>	<u>7,305,209</u>	<u>540,099,298</u>
<b>Interest rate gap</b>	<u>(53,200,874)</u>	<u>(13,908,624)</u>	<u>3,443,169</u>	<u>92,545,102</u>	<u>15,328,760</u>	<u>44,207,533</u>

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 42 Financial risk management *(Continued)*

#### 42.2 Market risk *(Continued)*

##### 42.2.3 Interest rate risk *(Continued)*

The following table illustrates the potential impact, of a parallel upward or downward shift of 100 basis points in relevant interest rate curves on the Group's net profit and other comprehensive income for the next twelve months from the reporting date, based on the Group's positions of interest-earning assets and interest-bearing liabilities at the end of each reporting period. This analysis assumes that interest rates of all maturities move by the same amount, and does not reflect the potential impact of unparalleled yield curve movements.

The sensitivity analysis on net profit is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged, and does not take changes in customer behaviour, basis risk or any prepayment options on debt securities into consideration.

The sensitivity analysis on other comprehensive income reflects only the effect of changes in fair value of those financial assets at fair value through other comprehensive income held, whose fair value changes are recorded as an element of other comprehensive income.

	<b>Expected changes of net profit</b>	
	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
+100 basis point parallel move in all yield curves	<b>(814,469)</b>	(407,005)
-100 basis point parallel move in all yield curves	<b>828,920</b>	407,005
	<b><u>828,920</u></b>	<u>407,005</u>
	<b>Expected changes of other comprehensive income</b>	
	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
+100 basis point parallel move in all yield curves	<b>(2,180,974)</b>	(2,367,159)
-100 basis point parallel move in all yield curves	<b>2,086,620</b>	2,544,250
	<b><u>2,086,620</u></b>	<u>2,544,250</u>

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 42 Financial risk management *(Continued)*

#### 42.2 Market risk *(Continued)*

##### 42.2.3 Interest rate risk *(Continued)*

The assumptions do not reflect actions that might be taken under the Group's capital and interest rate risk management policy to mitigate changes to the Group's interest rate risk. Therefore the above analysis may differ from the actual situation.

In addition, the presentation of interest rate sensitivity above is for illustration purposes only, showing the potential impact on net interest income and other comprehensive income of the Group under different parallel yield curve movements, relative to their position at period-end.

##### 42.2.4 Foreign exchange risk

Foreign exchange rate risk relates to the mismatch of foreign currency denominated monetary assets and liabilities, and the potential loss related to changes in foreign exchange rates, which largely arises through operational activities.

The Group performs monitoring and sensitivity analysis of foreign exchange rate risk exposure, manages the mismatch of foreign currency denominated assets and liabilities to effectively manage foreign exchange rate risk exposure within acceptable limits.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 42 Financial risk management (Continued)

#### 42.2 Market risk (Continued)

##### 42.2.4 Foreign exchange risk (Continued)

The Group primarily conducts its business activities in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent, other currencies. The composition of all financial assets and liabilities at the end of each reporting period analyzed by currency is as follows:

As at 31 December 2022	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)
<b>Assets</b>			
Cash and balances with central bank	63,582	103,916	—
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	859,986	122,709	48,627
Loans and advances to customers	668,521	742	1,476
<b>Total financial assets</b>	<b>1,592,089</b>	<b>227,367</b>	<b>50,103</b>
<b>Liability</b>			
Deposits from customers	930,699	624,494	18,015
<b>Net on-balance sheet position</b>	<b>661,390</b>	<b>(397,127)</b>	<b>32,088</b>
<b>Net notional amount of derivatives</b>	<b>(40,447)</b>	<b>—</b>	<b>—</b>
<b>Financial guarantees and credit commitments</b>	<b>303,544</b>	<b>—</b>	<b>10,556</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 42 Financial risk management (Continued)

#### 42.2 Market risk (Continued)

##### 42.2.4 Foreign exchange risk (Continued)

As at 31 December 2021	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)
<b>Assets</b>			
Cash and balances with central bank	109,169	149,015	—
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	309,206	361,727	2,602
Loans and advances to customers	341,371	56,347	2,920
<b>Total financial assets</b>	<b>759,746</b>	<b>567,089</b>	<b>5,522</b>
<b>Liability</b>			
Deposits from customers	753,511	571,198	10,382
<b>Net on-balance sheet position</b>	<b>6,235</b>	<b>(4,109)</b>	<b>(4,860)</b>
<b>Net notional amount of derivatives</b>	<b>105,477</b>	<b>—</b>	<b>—</b>
<b>Financial guarantees and credit commitments</b>	<b>291,835</b>	<b>—</b>	<b>3,359</b>

The table below indicates the potential effect on net profit arising from a 10% appreciation or depreciation of RMB spot and forward foreign exchange rates against USD on the net positions of foreign currency monetary assets and liabilities in the consolidated statement of financial position.

	As at 31 December	
	2022	2021
USD/RMB10% appreciation	46,571	8,378
USD/RMB10% depreciation	(46,571)	(8,378)

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 42 Financial risk management *(Continued)*

#### 42.2 Market risk *(Continued)*

##### 42.2.4 Foreign exchange risk *(Continued)*

The effect on net profit and other comprehensive income is calculated based on the assumption that the Group's foreign currency sensitive exposures at the end of each reporting period remain unchanged. The Group mitigates its foreign exchange rate risk through active management of its foreign currency exposures, based on management expectation of future foreign currency exchange rate movements. Such analysis does not take into account the correlation effect of changes in different foreign currencies, nor any further actions that could be taken by management to mitigate the effect of foreign exchange differences. Therefore, the sensitivity analysis above may differ from actual results occurring through changes in foreign exchange rates.

#### 42.3 Liquidity risk

##### 42.3.1 Overview

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flows or maturity mismatches of assets and liabilities.

The Group's Assets and Liabilities Management Department and Financial Market Department manage its liquidity risk via:

- Optimising the asset and liability structures;
- Making projections of future cash flows, and evaluating the appropriate liquid asset position;
- Maintaining reasonable liquidity reserve;
- Conducting stress testing regularly.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 42 Financial risk management (Continued)

#### 42.3 Liquidity risk (Continued)

##### 42.3.2 Analysis of the undiscounted contractual cash flows

The tables below set forth undiscounted contractual cash flows of the Group's financial assets and liabilities by remaining contractual maturities at the end of the reporting period:

As at 31 December 2022	On demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
<b>Non-derivative financial assets</b>								
Cash and balances with central bank	14,127,166	—	—	—	—	—	25,897,670	40,024,836
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	5,423,476	4,744,038	2,797,685	2,739,541	—	—	—	15,704,740
Loans and advances to customers	5,599,316	11,911,801	22,326,883	87,935,015	90,134,698	202,222,035	—	420,129,748
Financial investments								
— Financial assets at fair value through profit or loss	22,278,558	4,877,643	7,281,213	9,575,549	6,315,916	3,031,891	12,743	53,373,513
— Financial investments at amortised cost	—	7,520,388	9,919,447	18,141,672	47,176,988	55,862,959	—	138,621,454
— Financial investments at fair value through other comprehensive income	—	767,816	3,275,243	17,431,016	51,170,137	26,226,395	896,418	99,767,025
Other financial assets	605,509	—	—	—	—	—	3,700	609,209
<b>Total financial assets</b>	<b>48,034,025</b>	<b>29,821,686</b>	<b>45,600,471</b>	<b>135,822,793</b>	<b>194,797,739</b>	<b>287,343,280</b>	<b>26,810,531</b>	<b>768,230,525</b>
<b>Non-derivative financial liabilities</b>								
Borrowings from central bank	—	3,114,353	9,953,139	10,467,449	25,032	—	—	23,559,973
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	581,455	30,533,680	3,337,909	8,160,166	2,014,308	—	—	44,627,518
Financial liabilities at fair value through profit or loss	—	10,002	128,357	590,671	—	—	1,080,182	1,809,212
Deposits from customers	229,343,008	17,320,892	28,520,103	94,534,104	108,268,905	—	—	477,987,012
Debt securities issued	—	—	10,474,359	47,364,919	3,106,800	4,172,000	—	65,118,078
Lease liabilities	—	10,981	22,088	91,369	304,387	76,042	—	504,867
Other financial liabilities	116,496	24,032	48,792	220,008	—	—	—	409,328
<b>Total financial liabilities</b>	<b>230,040,959</b>	<b>51,013,940</b>	<b>52,484,747</b>	<b>161,428,686</b>	<b>113,719,432</b>	<b>4,248,042</b>	<b>1,080,182</b>	<b>614,015,988</b>
<b>Net position</b>	<b>(182,006,934)</b>	<b>(21,192,254)</b>	<b>(6,884,276)</b>	<b>(25,605,893)</b>	<b>81,078,307</b>	<b>283,095,238</b>	<b>25,730,349</b>	<b>154,214,537</b>
<b>Derivative cash flows</b>								
Derivative financial instruments settled on a net basis	—	(119)	50	17,108	(29,417)	—	—	(12,378)
Derivative financial instruments settled on a gross basis								
— Total inflow	—	94,588	235,871	503,440	—	—	—	833,899
— Total outflow	—	(11,322)	(348,349)	(514,675)	—	—	—	(874,346)

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 42 Financial risk management (Continued)

#### 42.3 Liquidity risk (Continued)

##### 42.3.2 Analysis of the undiscounted contractual cash flows (Continued)

As at 31 December 2021	On demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Non-derivative financial assets								
Cash and balances with central bank	9,953,954	—	—	—	—	—	26,271,509	36,225,463
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	8,394,413	5,365,960	1,638,237	389,854	—	—	—	15,788,464
Loans and advances to customers	8,825,710	7,380,210	22,274,496	81,169,654	87,150,226	184,557,421	—	391,357,717
Financial investments								
— Financial assets at fair value through profit or loss	7,294	1,023,291	3,759,512	5,460,920	6,843,236	12,302,370	17,690,169	47,086,792
— Financial investments at amortised cost	—	3,548,508	3,357,689	30,510,512	57,948,086	28,574,116	—	123,938,911
— Financial investments at fair value through other comprehensive income	134,923	795,810	2,009,709	15,680,010	46,006,816	38,517,555	697,853	103,842,676
Other financial assets	172,080	—	—	—	—	—	55,927	228,007
<b>Total financial assets</b>	<b>27,488,374</b>	<b>18,113,779</b>	<b>33,039,643</b>	<b>133,210,950</b>	<b>197,948,364</b>	<b>263,951,462</b>	<b>44,715,458</b>	<b>718,468,030</b>
Non-derivative financial liabilities								
Borrowings from central bank	—	1,077,536	730,163	9,599,032	—	—	—	11,406,731
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	8,051,031	11,481,230	7,666,661	13,217,040	—	—	—	40,415,962
Financial liabilities at fair value through profit or loss	—	—	20,497	450,712	—	—	21,970	493,179
Deposits from customers	211,375,273	14,367,288	21,796,514	68,908,833	106,984,367	—	—	423,432,275
Debt securities issued	—	5,887,901	17,265,600	34,236,521	9,009,267	4,070,000	—	70,469,289
Lease liabilities	—	11,137	21,261	88,491	294,874	106,048	—	521,811
Other financial liabilities	287,176	24,862	49,723	223,755	—	—	—	585,516
<b>Total financial liabilities</b>	<b>219,713,480</b>	<b>32,849,954</b>	<b>47,550,419</b>	<b>126,724,384</b>	<b>116,288,508</b>	<b>4,176,048</b>	<b>21,970</b>	<b>547,324,763</b>
<b>Net position</b>	<b>(192,225,106)</b>	<b>(14,736,175)</b>	<b>(14,510,776)</b>	<b>6,486,566</b>	<b>81,659,856</b>	<b>259,775,414</b>	<b>44,693,488</b>	<b>171,143,267</b>
Derivative cash flows								
Derivative financial instruments settled on a net basis	—	(422)	253	10,607	(22,287)	—	—	(11,849)
Derivative financial instruments settled on a gross basis	—	224,117	134,903	209,970	—	—	—	568,990
— Total inflow	—	(119,256)	(134,626)	(209,631)	—	—	—	(463,513)
— Total outflow	—	—	—	—	—	—	—	—

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 42 Financial risk management (Continued)

#### 42.3 Liquidity risk (Continued)

##### 42.3.3 Analysis of the remaining contractual maturity of financial assets and financial liabilities

The table below summarises the maturity analysis of the carrying amounts of the Group's financial assets and liabilities by remaining contractual maturities at the end of the reporting period:

As at 31 December 2022	On demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
<b>Financial assets</b>								
Cash and balances with central bank	14,127,166	—	—	—	—	—	25,897,670	40,024,836
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	5,423,476	4,623,071	2,786,800	2,681,732	—	—	—	15,515,079
Derivative financial assets	—	29,471	43,290	180,774	86,512	—	—	340,047
Loans and advances to customers	5,560,244	11,277,505	22,213,620	87,694,412	79,260,688	115,741,655	—	321,748,124
Financial investments								
— Financial assets at fair value through profit or loss	22,278,558	4,755,593	7,242,605	9,363,815	5,786,762	2,742,588	12,743	52,182,664
— Financial investments at amortised cost	—	7,480,022	9,454,378	16,969,974	39,516,215	50,932,322	—	124,352,911
— Financial investments at fair value through other comprehensive income	—	690,975	3,251,759	16,260,186	46,688,106	25,454,890	896,418	93,242,334
Other financial assets	605,509	—	—	—	—	—	3,700	609,209
<b>Total financial assets</b>	<b>47,994,953</b>	<b>28,856,637</b>	<b>44,992,452</b>	<b>133,150,893</b>	<b>171,338,283</b>	<b>194,871,455</b>	<b>26,810,531</b>	<b>648,015,204</b>
<b>Financial liabilities</b>								
Borrowings from central bank	—	3,110,201	9,909,563	10,308,810	23,318	—	—	23,351,892
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	581,455	30,462,515	3,298,798	8,060,125	2,001,558	—	—	44,404,451
Financial liabilities at fair value through profit or loss	—	10,002	128,357	590,671	—	—	1,080,182	1,809,212
Derivative financial liabilities	—	32,113	37,942	163,331	115,931	—	—	349,317
Deposits from customers	229,343,008	17,071,372	28,121,182	91,823,285	99,329,954	—	—	465,688,801
Debt securities issued	—	—	10,428,667	46,627,259	2,998,974	3,998,567	—	64,053,467
Lease liabilities	—	10,240	20,585	84,691	276,210	64,390	—	456,116
Other financial liabilities	116,496	24,032	48,792	220,008	—	—	—	409,328
<b>Total financial liabilities</b>	<b>230,040,959</b>	<b>50,720,475</b>	<b>51,993,886</b>	<b>157,878,180</b>	<b>104,745,945</b>	<b>4,062,957</b>	<b>1,080,182</b>	<b>600,522,584</b>
<b>Net position</b>	<b>(182,046,006)</b>	<b>(21,863,838)</b>	<b>(7,001,434)</b>	<b>(24,727,287)</b>	<b>66,592,338</b>	<b>190,808,498</b>	<b>25,730,349</b>	<b>47,492,620</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 42 Financial risk management (Continued)

#### 42.3 Liquidity risk (Continued)

##### 42.3.3 Analysis of the remaining contractual maturity of financial assets and financial liabilities (Continued)

As at 31 December 2021	On demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
<b>Financial assets</b>								
Cash and balances with central bank	9,951,389	—	—	—	—	—	26,259,922	36,211,311
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	8,394,412	5,357,367	1,632,000	389,000	—	—	—	15,772,779
Derivative financial assets	—	13,233	5,262	119,761	10,300	—	—	148,556
Loans and advances to customers	2,708,817	6,833,277	21,616,872	78,043,537	79,278,665	101,203,366	—	289,684,534
Financial investments								
— Financial assets at fair value through profit or loss	7,294	934,221	3,743,604	4,917,609	5,125,790	11,094,213	17,690,169	43,512,900
— Financial investments at amortised cost	—	3,322,822	2,815,247	27,460,378	50,570,538	24,276,292	—	108,445,277
— Financial investments at fair value through other comprehensive income	134,923	567,271	1,835,969	13,335,542	39,136,937	34,594,972	697,853	90,303,467
Other financial assets	172,080	—	—	—	—	—	55,927	228,007
<b>Total financial assets</b>	<b>21,368,915</b>	<b>17,028,191</b>	<b>31,648,954</b>	<b>124,265,827</b>	<b>174,122,230</b>	<b>171,168,843</b>	<b>44,703,871</b>	<b>584,306,831</b>
<b>Financial liabilities</b>								
Borrowings from central bank	—	1,057,100	694,666	9,522,832	—	—	—	11,274,598
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	8,051,030	11,427,287	7,581,958	13,144,490	—	—	—	40,204,765
Financial liabilities at fair value through profit or loss	—	—	20,188	450,490	—	—	21,970	492,648
Derivative financial liabilities	—	13,366	4,772	108,849	32,586	—	—	159,573
Deposits from customers	209,035,804	14,198,154	21,547,854	68,142,487	106,141,218	—	—	419,065,517
Debt securities issued	—	5,770,245	16,886,423	33,503,334	7,831,553	3,866,047	—	67,857,602
Lease liabilities	—	10,205	20,759	86,230	284,092	57,793	—	459,079
Other financial liabilities	287,176	24,862	49,723	223,755	—	—	—	585,516
<b>Total financial liabilities</b>	<b>217,374,010</b>	<b>32,501,219</b>	<b>46,806,343</b>	<b>125,182,467</b>	<b>114,289,449</b>	<b>3,923,840</b>	<b>21,970</b>	<b>540,099,298</b>
<b>Net position</b>	<b>(196,005,095)</b>	<b>(15,473,028)</b>	<b>(15,157,389)</b>	<b>(916,640)</b>	<b>59,832,781</b>	<b>167,245,003</b>	<b>44,681,901</b>	<b>44,207,533</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 42 Financial risk management (Continued)

#### 42.3 Liquidity risk (Continued)

##### 42.3.4 Off-balance sheet items

The tables below summarize the amounts of credit commitments by remaining maturity. Financial guarantees are also included below at notional amounts and based on the earliest contractual maturity date.

As at 31 December 2022	Within 1 year	1 to 5 years	Over 5 years	Total
Bank acceptances	6,838,020	—	—	6,838,020
Letters of credit	634,248	—	—	634,248
Guarantees	2,746,052	1,097,790	29,578	3,873,420
Unused limit of credit cards	9,594,259	—	—	9,594,259
<b>Total</b>	<b>19,812,579</b>	<b>1,097,790</b>	<b>29,578</b>	<b>20,939,947</b>

As at 31 December 2021	Within 1 year	1 to 5 years	Over 5 years	Total
Bank acceptances	2,897,495	—	—	2,897,495
Letters of credit	299,112	—	—	299,112
Guarantees	2,529,030	535,458	24,349	3,088,837
Unused limit of credit cards	10,562,244	—	—	10,562,244
<b>Total</b>	<b>16,287,881</b>	<b>535,458</b>	<b>24,349</b>	<b>16,847,688</b>

#### 42.4 Fair value of financial assets and liabilities

##### (a) Fair value hierarchy

The Group classifies financial assets and financial liabilities into the following three levels based on the extent to which inputs to valuation techniques used to measure fair value of the financial assets and financial liabilities are observable.

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in an active market for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: fair value measurements are not based on observable market data.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 42 Financial risk management (Continued)

#### 42.4 Fair value of financial assets and liabilities (Continued)

##### (b) Financial instruments not measured at fair value

The tables below summarise the carrying amounts and fair values of financial assets and liabilities not measured at fair value. Financial assets and liabilities with similar carrying amounts and fair values, such as balances with central bank, financial assets held under resale agreements and deposits and placements with banks and other financial institutions, loans and advances to customers, borrowings from central bank, due to customers, financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions, and certificates of interbank deposit, are not included.

	As at 31 December 2022				
	Carrying amount	Fair value	Including:		
			Level 1	Level 2	Level 3
<b>Financial asset</b>					
Financial investments at amortised cost	<u>124,352,911</u>	<u>125,343,679</u>	<u>—</u>	<u>125,083,220</u>	<u>260,459</u>
<b>Financial liability</b>					
Bonds issued	<u>64,053,467</u>	<u>64,076,932</u>	<u>—</u>	<u>64,076,932</u>	<u>—</u>

	As at 31 December 2021				
	Carrying amount	Fair value	Including:		
			Level 1	Level 2	Level 3
<b>Financial asset</b>					
Financial investments at amortised cost	<u>108,445,277</u>	<u>109,542,123</u>	<u>—</u>	<u>109,079,280</u>	<u>462,843</u>
<b>Financial liability</b>					
Bonds issued	<u>67,857,602</u>	<u>68,039,927</u>	<u>—</u>	<u>68,039,927</u>	<u>—</u>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 42 Financial risk management (Continued)

#### 42.4 Fair value of financial assets and liabilities (Continued)

##### (c) Financial instruments measured at fair value

	Note	As at 31 December 2022			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
Derivative financial assets		—	340,047	—	340,047
Loans and advances to customers at fair value through other comprehensive income		—	—	28,399,022	28,399,022
Financial assets at fair value through profit or loss					
— Debt securities		—	26,487,871	—	26,487,871
— Fund investments		—	22,278,539	—	22,278,539
— Trust beneficiary rights	18.1(b)	—	—	3,416,254	3,416,254
Financial investments at fair value through other comprehensive income					
— Debt securities		—	92,345,916	170,404	92,516,320
— Trust beneficiary rights	18.1(b)	—	—	30,777	30,777
— Listed equity investment		46,634	—	—	46,634
— Unlisted equity investment		—	63,463	585,140	648,603
<b>Total</b>		<b>46,634</b>	<b>141,515,836</b>	<b>32,601,597</b>	<b>174,164,067</b>
<b>Financial liabilities</b>					
Financial liabilities at fair value through profit or loss		—	748,009	1,061,203	1,809,212
Derivative financial liabilities		—	349,317	—	349,317
<b>Total</b>		<b>—</b>	<b>1,097,326</b>	<b>1,061,203</b>	<b>2,158,529</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 42 Financial risk management (Continued)

#### 42.4 Fair value of financial assets and liabilities (Continued)

##### (c) Financial instruments measured at fair value (Continued)

	Note	As at 31 December 2021			Total
		Level 1	Level 2	Level 3	
Financial assets					
Derivative financial assets		—	148,556	—	148,556
Loans and advances to customers at fair value through other comprehensive income		—	—	27,858,949	27,858,949
Financial assets at fair value through profit or loss					
— Debt securities		—	21,011,211	—	21,011,211
— Fund investments		—	17,690,169	—	17,690,169
— Trust beneficiary rights	18.1(b)	—	—	4,811,520	4,811,520
Financial investments at fair value through other comprehensive income					
— Debt securities		—	89,428,153	148,495	89,576,648
— Trust beneficiary rights and asset management plan	18.1(b)	—	—	28,966	28,966
— Listed equity investment		65,500	—	—	65,500
— Unlisted equity investment		—	54,802	577,551	632,353
<b>Total</b>		<b>65,500</b>	<b>128,332,891</b>	<b>33,425,481</b>	<b>161,823,872</b>
<b>Financial liabilities</b>					
Financial liabilities at fair value through profit or loss		—	492,648	—	492,648
Derivative financial liabilities		—	159,573	—	159,573
<b>Total</b>		<b>—</b>	<b>652,221</b>	<b>—</b>	<b>652,221</b>

The fair values of financial assets and liabilities are determined as follows:

- If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;
- If not traded in active markets, fair values of financial assets and financial liabilities are determined by using valuation techniques. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 42 Financial risk management (Continued)

#### 42.4 Fair value of financial assets and liabilities (Continued)

##### (c) Financial instruments measured at fair value (Continued)

The Group has established an independent valuation process for financial assets and liabilities. Financial Market Department and Investment Banking and Wealth Management Department are responsible for carrying out the valuation of financial assets and financial liabilities. Valuation methods, parameters, assumptions and results are independently verified by the Comprehensive Risk Management Department; valuation results are obtained following the valuation process and accounted for in accordance with the accounting rules by the Operation Management Department; information on financial assets and liabilities for disclosure purposes is prepared by the Finance Department based on the independently reviewed valuation results. Valuation policies and procedures for various kinds of financial instruments are approved by the Group's Risk Management Committee. Any changes in valuation policies and procedures are required to be submitted to the Risk Management Committee for approval before being put into practice. For the years ended 31 December 2022 and 2021, there were no significant transfers between the fair value levels.

Information about the Level 3 fair value measurement using material unobservable inputs is as follows:

		As at 31 December 2022		
	Note	Fair value	Valuation technique	Unobservable inputs Item
Loans and advances to customers at fair value through other comprehensive income		28,399,022	Discounted cash flow	Risk-adjusted discount rate cash flow
Financial assets at fair value through profit or loss — Trust beneficiary rights	18.1(b)	3,416,254	Discounted cash flow	Risk-adjusted discount rate cash flow
Financial investments at fair value through other comprehensive income — Debt securities		170,404	Discounted cash flow	Risk-adjusted discount rate cash flow
— Trust beneficiary rights	18.1(b)	30,777	Discounted cash flow	Risk-adjusted discount rate cash flow
— Unlisted equity investments		585,140	Market approach	Price to book ratio (P/B) Haircuts for low liquidity

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 42 Financial risk management (Continued)

#### 42.4 Fair value of financial assets and liabilities (Continued)

##### (c) Financial instruments measured at fair value (Continued)

	Note	As at 31 December 2021		Unobservable inputs Item
		Fair value	Valuation technique	
Loans and advances to customers at fair value through other comprehensive income		27,858,949	Discounted cash flow	Risk-adjusted discount rate cash flow
Financial assets at fair value through profit or loss — Trust beneficiary rights	18.1(b)	4,811,520	Discounted cash flow	Risk-adjusted discount rate cash flow
Financial investments at fair value through other comprehensive income — Debt securities		148,495	Discounted cash flow	Risk-adjusted discount rate cash flow
— Trust beneficiary rights and asset management plan	18.1(b)	28,966	Discounted cash flow	Risk-adjusted discount rate cash flow
— Unlisted equity investments		577,551	Market approach	Price to book ratio (P/B) Haircuts for low liquidity

The sensitivity of the fair value on changes in unobservable inputs for Level 3 financial instruments is measured at fair value on an ongoing basis.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 42 Financial risk management (Continued)

#### 42.4 Fair value of financial assets and liabilities (Continued)

##### (c) Financial instruments measured at fair value (Continued)

The fair value of financial instruments is, in certain circumstances, measured using valuation models which incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data. The following table shows the sensitivity of fair value due to parallel movement of plus or minus 1 percent of change in fair value to reasonably possible alternative assumptions.

	Note	As at 31 December 2022			
		Effect on net profit		Effect on revaluation reserve	
		Favourable	(Unfavourable)	Favourable	(Unfavourable)
Loans and advances to customers at fair value through other comprehensive income		—	—	98,050	(97,021)
Financial assets at fair value through profit or loss					
— Trust beneficiary rights	18.1(b)	39,480	(37,507)	—	—
Financial investments at fair value through other comprehensive income					
— Debt securities		—	—	2,518	(2,442)
— Trust beneficiary rights	18.1(b)	—	—	429	(419)
— Unlisted equity investments		—	—	5,798	(5,790)
	Note	As at 31 December 2021			
		Effect on net profit		Effect on revaluation reserve	
		Favourable	(Unfavourable)	Favourable	(Unfavourable)
Loans and advances to customers at fair value through other comprehensive income		—	—	290,782	(290,508)
Financial assets at fair value through profit or loss					
— Trust beneficiary rights	18.1(b)	60,369	(60,072)	—	—
Financial investments at fair value through other comprehensive income					
— Debt securities		—	—	1,392	(1,394)
— Trust beneficiary rights and asset management plan	18.1(b)	—	—	269	(270)
— Unlisted equity investments		—	—	10,322	(10,220)

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 42 Financial risk management (Continued)

#### 42.4 Fair value of financial assets and liabilities (Continued)

##### (c) Financial instruments measured at fair value (Continued)

The movement of Level 3 fair value measurements is as follows:

	Note	1 January 2022	Transfer into Level 3	Purchases, sales and settlements		Total gains or losses		31 December 2022	Unrealised gains or losses included in profit or loss for assets and liabilities held at the end of the year
				Purchases	Sales and settlements	Recorded in profit or loss	Recorded in other comprehensive income		
<b>Assets</b>									
Loans and advances to customers at fair value through other comprehensive income		27,858,949	—	28,399,217	(27,950,305)	92,919	(1,758)	28,399,022	—
Financial assets at fair value through profit or loss — Trust beneficiary rights	18.1(b)	4,811,520	—	371,114	(1,827,900)	61,520	—	3,416,254	61,520
Sub-total		4,811,520	—	371,114	(1,827,900)	61,520	—	3,416,254	61,520
Financial investments at fair value through other comprehensive income — Debt securities		148,495	—	49,343	(27,434)	—	—	170,404	—
— Trust beneficiary rights	18.1(b)	28,966	—	—	(116,308)	—	118,119	30,777	—
— Unlisted equity investments		577,551	—	—	—	—	7,589	585,140	—
Sub-total		755,012	—	49,343	(143,742)	—	125,708	786,321	—
<b>Total</b>		<b>33,425,481</b>	<b>—</b>	<b>28,819,674</b>	<b>(29,921,947)</b>	<b>154,439</b>	<b>123,950</b>	<b>32,601,597</b>	<b>61,520</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 42 Financial risk management (Continued)

#### 42.4 Fair value of financial assets and liabilities (Continued)

##### (c) Financial instruments measured at fair value (Continued)

	Note	1 January 2021	Transfer into Level 3	Purchases, sales and settlements		Total gains or losses		31 December 2021	Unrealised gains or losses included in profit or loss for assets and liabilities held at the end of the year
				Purchases	Sales and settlements	Recorded in profit or loss	Recorded in other comprehensive income		
<b>Assets</b>									
Loans and advances to customers at fair value through other comprehensive income		27,817,116	—	27,862,255	(27,817,116)	—	(3,306)	27,858,949	—
Financial assets at fair value through profit or loss									
— Trust beneficiary rights	18.1(b)	3,434,843	—	2,684,000	(1,243,014)	(64,309)	—	4,811,520	(64,309)
— Other		27,304	—	—	(27,304)	—	—	—	—
Sub-total		3,462,147	—	2,684,000	(1,270,318)	(64,309)	—	4,811,520	(64,309)
Financial investments at fair value through other comprehensive income									
— Debt securities		364,975	13,041	—	(184,224)	—	(45,297)	148,495	—
— Direct financing instruments for WMPs		226,063	—	—	(226,063)	—	—	—	—
— Trust beneficiary rights and asset management plan	18.1(b)	446,175	—	—	(136,236)	—	(280,973)	28,966	—
— Unlisted equity investments		566,705	—	—	—	—	10,846	577,551	—
Sub-total		1,603,918	13,041	—	(546,523)	—	(315,424)	755,012	—
<b>Total</b>		<b>32,883,181</b>	<b>13,041</b>	<b>30,546,255</b>	<b>(29,633,957)</b>	<b>(64,309)</b>	<b>(318,730)</b>	<b>33,425,481</b>	<b>(64,309)</b>

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 42 Financial risk management *(Continued)*

#### 42.5 Capital management

The Group's capital management objectives are as follows:

- maintain an adequate capital base to support the development of its business;
- support the Group's financial stability and profitable growth;
- allocate capital through an efficient and risk based approach to optimize risk-adjusted return to shareholders; and
- safeguard the long-term sustainability of the Group's franchise so that it can continue to provide sufficient owner returns and benefits for other stakeholders.

Capital adequacy ratio and the use of regulatory capital are monitored quarterly by the Bank's management with employing techniques based on the guidelines developed by the Basel Committee, as implemented by the CBIRC, for supervisory purposes. The required information is filed with the CBIRC on a quarterly basis.

The Bank calculated the capital adequacy ratio based on the Rules for Regulating the Capital Adequacy of Commercial Banks (Trial) issued by CBIRC in June 2012. According to the approach, the Bank calculated the credit risk-weighted assets measurement by the weighted method, market risk-weighted assets measurement by the standard method, and operation risk-weighted assets measurement by the basic indicator method.

As at 31 December 2022 and 2021, the capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory financial statements prepared in accordance with PRC GAAP.

The CBIRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with the Rules for Regulating the Capital Adequacy of Commercial Banks (Trial). For systematically important banks, CBIRC requires minimum core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio of 8.50%, 9.50% and 11.50% respectively. For non-systematically important banks, CBIRC requires corresponding minimum ratios of 7.50%, 8.50% and 10.50%, respectively. At present, the Bank is fully compliant with legal and regulatory requirements.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 42 Financial risk management *(Continued)*

#### 42.5 Capital management *(Continued)*

The capital adequacy ratio of 31 December 2022 and 2021 under the Rules for Regulating the Capital Adequacy of Commercial Banks (Trial) is as follows:

	As at 31 December	
	2022	2021
Core tier 1 capital	<b>52,125,369</b>	48,302,837
Core tier 1 capital deductions	<b>(566,056)</b>	(614,169)
Net core tier 1 capital	<b>51,559,313</b>	47,688,668
Other tier 1 capital	<b>133,021</b>	123,227
Net tier 1 capital	<b>51,692,334</b>	47,811,895
Tier 2 capital	<b>8,432,236</b>	8,058,585
Net capital	<b>60,124,570</b>	55,870,480
Total risk-weighted assets	<b>376,335,100</b>	342,993,018
Core tier 1 capital adequacy ratio	<b>13.70%</b>	13.90%
Tier 1 capital adequacy ratio	<b>13.74%</b>	13.94%
Capital adequacy ratio	<b>15.98%</b>	16.29%

### 43 Events after the reporting period

#### 43.1 Dividend

Upon approval at the Board of Directors on 29 March, 2023, the Bank distributed cash dividend of RMB2.90 (tax inclusive) per ten shares, with a total amount of RMB1,998 million, to shareholders of the Bank, subject to the approval by the shareholders in the annual general meeting.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 44 Statement of financial position of the bank

	As at 31 December	
	2022	2021
<b>ASSETS</b>		
Cash and balances with central bank	35,060,737	30,909,919
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	12,602,436	11,212,384
Derivative financial assets	340,047	148,556
Loans and advances to customers	295,647,316	266,266,872
Financial investments	229,241,728	202,040,382
— Financial assets at fair value through profit or loss	46,075,374	42,887,490
— Financial investments at amortised cost	103,106,313	79,116,395
— Financial investments at fair value through other comprehensive income	80,060,041	80,036,497
Investment in subsidiaries	3,735,487	3,735,487
Investment in associates	480,421	455,392
Property and equipment	1,915,834	1,932,862
Right-of-use assets	786,565	761,640
Deferred tax assets	3,619,478	2,987,372
Other assets	1,646,093	1,323,048
<b>Total assets</b>	<b>585,076,142</b>	<b>521,773,914</b>
<b>LIABILITIES</b>		
Borrowings from central bank	22,427,782	10,514,168
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	42,475,318	37,881,929
Financial liabilities at fair value through profit or loss	1,809,212	492,648
Derivative financial liabilities	349,317	159,573
Deposits from customers	399,073,700	352,985,458
Debt securities issued	64,104,973	68,514,286
Taxes payable	442,884	551,157
Lease liabilities	320,588	309,792
Other liabilities	3,036,023	3,016,949
<b>Total liabilities</b>	<b>534,039,797</b>	<b>474,425,960</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousand, unless otherwise stated)

### 44 Statement of financial position of the bank (Continued)

	As at 31 December	
	2022	2021
<b>EQUITY</b>		
Share capital	6,888,546	6,888,546
Capital reserve	6,230,429	6,230,429
Revaluation reserve	581,429	755,768
Surplus reserve	8,323,435	7,737,394
General reserve	6,864,484	6,278,443
Retained earnings	22,148,022	19,457,374
<b>Total equity</b>	<b>51,036,345</b>	<b>47,347,954</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>585,076,142</b>	<b>521,773,914</b>

Approved and authorized for issue by the Board of Directors on 29 March 2023.

Wang Yaoqiu  
Chairman

Fu Qiang  
President

Zhong Guobo  
Person-in-charge of  
Accounting

Zhong Xuemei  
Head of the Accounting  
Department

### 45 Comparative figure

To conform with the presentation of the financial statements, the Group made reclassification adjustments to certain figures for comparative period.

## Notes to the Consolidated Financial Statements *(Continued)*

*(All amounts in RMB thousand, unless otherwise stated)*

### 46 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended December 31, 2022

Up to the date of issue of these financial statements, a number of amendments, new standards and interpretations are issued which are not yet effective for the year ended December 31, 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
IFRS 17, <i>Insurance Contracts</i>	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2, <i>Disclosure of Accounting Policies</i>	January 1, 2023
Amendments to IAS 8, <i>Definition of Accounting Estimates</i>	January 1, 2023
Amendments to IAS 12, <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	January 1, 2023
Amendments to IFRS 16, <i>Lease Liability in a Sale and Leaseback</i>	January 1, 2024
Amendments to IAS 1, <i>Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants</i>	January 1, 2024
Amendments to IFRS 10 and IAS 28, <i>Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture</i>	The effective date has now been deferred indefinitely

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

## APPENDIX: INFORMATION ON LEVERAGE RATIO

Accounting Items Corresponding to Leverage Regulatory Items and Differences between Regulatory Items and Accounting Items

(Unit: RMB'000)

No.	Item	December 31, 2022
1	Consolidated total assets	658,094,099
2	Consolidated adjustments	0
3	Adjustments on client assets	0
4	Derivatives adjustments	118,411
5	Securities financing transaction adjustments	0
6	Off-balance sheet item adjustments	10,872,432
7	Other adjustments	(566,056)
8	Adjusted balance of on-balance and off-balance sheet assets	668,518,886

Notes:

- (1) The consolidated total assets and off-balance sheet item adjustments are reviewed data on a Group consolidated basis, and others are based on off-site supervision statement of the CBIRC on a Group consolidated basis.
- (2) Adjusted balance of on-and off-balance sheet assets = consolidated total assets + consolidated adjustments + adjustments on client assets + derivatives adjustments + securities financing transaction adjustments + off-balance sheet item adjustments + other adjustments.

## Chapter XI Financial Report

Leverage Ratio Level, Net Tier 1 Capital, Adjusted On-Balance and Off-Balance Sheet Assets and Related Details

(Unit: RMB'000)

Item	December 31, 2022
On-balance sheet assets (except derivatives and securities financing transactions)	<b>634,908,397</b>
Less: Tier 1 capital deductions	<b>(566,056)</b>
Adjusted balance of on-balance sheet assets (excluding derivatives and securities financing transactions)	<b>634,342,341</b>
Replacement cost of various derivatives (net of qualifying margin)	<b>246,982</b>
Potential exposures of various derivatives	<b>123,918</b>
Total collateral been deducted from the balance sheet	—
Less: Assets receivable due to provision of qualified margin	—
Less: Derivative product asset balance formed from transactions with central counterparties when providing clearing services to clients	—
Notional principal for selling credit derivatives	—
Less: Deductible balance of sold credit derivatives assets	—
Derivative asset balance	<b>370,900</b>
Balance of accounting asset for securities financing transactions	<b>21,653,700</b>
Less: balance of securities financing transaction assets that can be deducted	—
Counterparty credit exposure for securities financing transactions	<b>1,279,514</b>
Asset balance of securities financing transactions formed by agency securities financing transactions	—
Asset balance of securities financing transactions	<b>22,933,213</b>
Off-balance sheet item balance	<b>20,939,948</b>
Less: Balance of off-balance sheet items decreased due to credit conversion	<b>(10,067,516)</b>
Adjusted off-balance sheet item balance	<b>10,872,432</b>
Net Tier 1 capital	<b>51,692,334</b>
Adjusted balance of on-and off-balance sheet assets	<b>668,518,886</b>
Leverage ratio	<b>7.73%</b>

Notes:

- (1) Net Tier 1 capital, Tier 1 capital deductions, off-balance sheet item balance and adjusted off-balance sheet item balance are reviewed data of the Group, on-balance sheet assets (except derivatives and securities financing transactions) are calculated based on the reviewed data of the Group in accordance with relevant regulatory standard, and other items are based on off-site supervision statement of the CBIRC on a Group consolidated basis.
- (2) The leverage ratio is calculated by dividing the net Tier 1 capital by the adjusted balance of on-and off-balance sheet assets.



东莞农村商业银行  
DRC Bank