ICBC

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

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

Stock Code: 1398

2021 Annual Report

Company Profile

Industrial and Commercial Bank of China was established on 1 January 1984. On 28 October 2005, the Bank was wholly restructured to a joint-stock limited company. On 27 October 2006, the Bank was successfully listed on both Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.

Through its continuous endeavor and stable development, the Bank has developed into the leading bank in the world, possessing an excellent customer base, a diversified business structure, strong innovation capabilities and market competitiveness. The Bank regards service as the very foundation to seek further development and adheres to creating value through services while providing a comprehensive range of financial products and services to over 9.691 million corporate customers and 704 million personal customers. The Bank has been consciously integrating the social responsibilities with its development strategy and operation and management activities, and gaining wide recognition in the aspects of supporting pandemic containment, promoting inclusive finance, backing rural revitalization, developing green finance and participating in public welfare undertakings.

The Bank always keeps in mind its underlying mission of serving the real economy with its principal business, and along with the real economy it prospers, suffers and grows. Taking a risk-based approach and never overstepping the bottom line, it constantly enhances its capability of controlling and mitigating risks. Besides, the Bank remains steadfast in understanding and following the business rules of commercial banks to strive to be a century-old bank. It also stays committed to seeking progress with innovation while maintaining stability, continuously enhances the key development strategies, actively develops the FinTech and accelerates the digital transformation. The Bank unswervingly delivers specialized services, and pioneers a specialized business model, thus making it "a craftsman in large banking".

The Bank was ranked the 1st place among the Top 1000 World Banks by *The Banker*, the 1st place in the Global 2000 by *Forbes*, and the 1st place in the list of commercial banks of the Global 500 in *Fortune* for the ninth consecutive year, and took the 1st place among the Top 500 Banking Brands of *Brand Finance* for the sixth consecutive year.

Strategic Objective:

Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, ICBC will adhere to the general principle of pursuing progress while ensuring stability, apply the new development philosophy, modernize its governance system and capacity, and turn ICBC into a world-class and modern financial enterprise with global competitiveness.

Strategic Significance:

Adhere to the guidance of the Party building theory and exercising rigorous corporate governance:	ICBC upholds the Party's leadership over the financial work, and strives to improve the scientific decision-making as well as the effectiveness of corporate governance through enhanced governance system and capacity building.
Adhere to putting the customer first and serving the real economy:	ICBC remains steadfast in serving the real economy and commits to satisfying people's new expectations and demands for financial services, making every effort to build the No.1 Personal Finance Bank.
Adhere to technology-driven development and value creation:	ICBC empowers its business operations and management with FinTech, and creates superior value for the real economy, shareholders, customers, employees and the society as a whole.
Adhere to a broad international vision and globalized operations:	ICBC proactively taps resources from both domestic and overseas markets, and undertakes to constantly promote international development, which well-integrates with China's high-level opening-up.
Adhere to pushing for pragmatic business transformation and progressing through reform:	Keeping pace with changing times, ICBC endeavors to advance reforms in key areas and critical steps, seeking room for development through transformation and vitality for growth through reform.
Adhere to laying a solid foundation for risk control and achieving development through talent cultivation:	ICBC safeguards the lifeline of asset quality by reinforcing bottom-line thinking with a combination of prevention and control measures. Meanwhile, corporate culture formation and caring for staff are strengthened to increase group cohesion.

Mission

Excellence for You

Excellent services for clients
Maximum returns to shareholders
Real success for employees
Great contribution to society

Vision

To build a world-class, globally competitive modern financial institution in all aspects, and become a long-lasting and ever-prosperous bank

Values

Integrity Leads to Prosperity

Integrity

Humanity

Prudence

Innovation

Excellence

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Definitions

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

Articles of Association	The Articles of Association of Industrial and Commercial Bank of China Limited
Bank ICBC (JSC)	Bank ICBC (Joint stock company)
Capital Regulation	Regulation Governing Capital of Commercial Banks (Provisional) promulgated in June 2012
CBIRC	China Banking and Insurance Regulatory Commission
Company Law	Company Law of the People's Republic of China
CSRC	China Securities Regulatory Commission
HKEX	Hong Kong Exchanges and Clearing Limited
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Huijin	Central Huijin Investment Ltd.
ICBC (Almaty)	Industrial and Commercial Bank of China (Almaty) Joint Stock Company
ICBC (Argentina)	Industrial and Commercial Bank of China (Argentina) S.A.
ICBC (Asia)	Industrial and Commercial Bank of China (Asia) Limited
ICBC (Austria)	ICBC Austria Bank GmbH
ICBC (Brasil)	Industrial and Commercial Bank of China (Brasil) S.A.
ICBC (Canada)	Industrial and Commercial Bank of China (Canada)
ICBC (Europe)	Industrial and Commercial Bank of China (Europe) S.A.
ICBC (Indonesia)	PT. Bank ICBC Indonesia
ICBC (London)	ICBC (London) PLC
ICBC (Macau)	Industrial and Commercial Bank of China (Macau) Limited
ICBC (Malaysia)	Industrial and Commercial Bank of China (Malaysia) Berhad
ICBC (Mexico)	Industrial and Commercial Bank of China Mexico S.A.
ICBC (New Zealand)	Industrial and Commercial Bank of China (New Zealand) Limited
ICBC (Peru)	ICBC PERU BANK
ICBC (Thai)	Industrial and Commercial Bank of China (Thai) Public Company Limited
ICBC (Turkey)	ICBC Turkey Bank Anonim Şirketi
ICBC (USA)	Industrial and Commercial Bank of China (USA) NA
ICBC Credit Suisse Asset Management	ICBC Credit Suisse Asset Management Co., Ltd.
ICBC International	ICBC International Holdings Limited
ICBC Investment	ICBC Financial Asset Investment Co., Ltd.
ICBC Investments Argentina	ICBC Investments Argentina S.A. Sociedad Gerente de Fondos Comunes de Inversión
ICBC Leasing	ICBC Financial Leasing Co., Ltd.
ICBC Standard Bank	ICBC Standard Bank PLC
ICBC Technology	ICBC Information and Technology Co., Ltd.
ICBC Wealth Management	ICBC Wealth Management Co., Ltd.
ICBC-AXA	ICBC-AXA Assurance Co., Ltd.
ICBCFS	Industrial and Commercial Bank of China Financial Services LLC
IFRSs	The International Financial Reporting Standards promulgated by the International Accounting Standards Board, which comprise the International Accounting Standards
Inversora Diagonal	Inversora Diagonal S.A.
MOF	Ministry of Finance of the People's Republic of China
New Rules on Asset Management	The Guiding Opinions on Regulating the Asset Management Business of Financial Institutions jointly promulgated by PBC, CBIRC, CSRC and State Administration of Foreign Exchange in 2018 and relevant rules
PBC	The People's Bank of China
PRC GAAP	Accounting Standards for Business Enterprises promulgated by MOF
Securities and Futures Ordinance of Hong Kong	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SEHK	The Stock Exchange of Hong Kong Limited
SSE	Shanghai Stock Exchange
SSF	National Council for Social Security Fund
Standard Bank	Standard Bank Group Limited
State Council	The State Council of the People's Republic of China
The Bank/The Group	Industrial and Commercial Bank of China Limited; or Industrial and Commercial Bank of China Limited and its subsidiaries

Major Ranking and Rewards in 2021

Ranking the 1st place

Among the Top 1000 World Banks for the ninth consecutive year

The Banker

Ranking the 1st place

In the Global 2000 for the ninth consecutive year

Forbes

Ranking the 1st place

Among commercial banks in the Global 500 for the ninth consecutive year

Fortune

Ranking the 1st place

Among the Top 500 Banking Brands for the sixth consecutive year

Brand Finance

Ranking the 1st place

In the "Corporate Brand Value List" for the sixth time

China Council for Brand Development

Ranking the 1st place

In the 2021 GYROSCOPE assessment system among national commercial banks

China Banking Association

Special Award of FinTech Development Award — ECOS Project

People's Bank of China

Data Management Capability Maturity (DCMM) — The highest **Level 5** certification

China Federation of Electronics and Information Industry

World's **Best** Bank in Emerging Markets
Best Bank in Asia-Pacific
Best Bank in China
Best Corporate Bank in China

Global Finance

Best Bank in China

Finance Asia

Best Bank, China
Best Bond Advisor, China
Best Insurance Custodian Bank in China

The Asset

Best Asian International Cash Management Bank in Asia Pacific
Best RMB Clearing Bank in Asia Pacific
Best Custodian Bank in China (Mega Bank)

The Asian Banker

Important Notice

The Board of Directors, the Board of Supervisors, Directors, Supervisors and Senior Management members of Industrial and Commercial Bank of China Limited undertake that the information in this report contains no false record, misleading statement or material omission, and assume individual and joint and several liability for the authenticity, accuracy and completeness of the information in this report.

The 2021 Annual Report of the Bank and its abstract have been considered and approved at the meeting of the Board of Directors of the Bank held on 30 March 2022. There were 14 directors eligible for attending the meeting, of whom 13 directors attended the meeting in person and 1 director by proxy, namely, Mr. Nout Wellink appointed Mr. Anthony Francis Neoh to attend the meeting and exercise the voting right on his behalf.

The 2021 financial statements prepared by the Bank in accordance with PRC GAAP and IFRSs have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu in accordance with Chinese and International Standards on Auditing respectively, with standard unqualified auditors' reports being issued.

The Board of Directors of the Bank proposed distributing cash dividends for ordinary shares of RMB2.933 (pre-tax) for each ten shares for 2021. The distribution plan will be submitted for approval to the Annual General Meeting for the Year 2021. The Bank did not convert capital reserve to share capital.

The Board of Directors of Industrial and Commercial Bank of China Limited

30 March 2022

Mr. Chen Siqing, Legal Representative of the Bank, Mr. Liao Lin, President in charge of finance of the Bank, and Mr. Liu Yagan, General Manager of the Finance and Accounting Department of the Bank, hereby warrant that the financial statements contained in the Annual Report are authentic, accurate and complete.

The report contains forward-looking statements on the Bank's financial position, business performance and development. The statements are based on existing plans, estimates and forecasts, and bear upon future external events or the Group's future finance, business or performance in other aspects, and may involve future plans which do not constitute substantive commitment to investors. Hence, investors and persons concerned shall be fully aware of the risks and understand the difference between plans, estimates and commitments.

The Bank is primarily exposed to credit risk, market risk, interest rate risk in the banking book, liquidity risk, operational risk, reputational risk and country risk. The Bank has actively adopted measures to effectively manage various types of risks. Please refer to the section headed "Discussion and Analysis — Risk Management" for detailed information.

(This report is prepared in both Chinese and English. In the case of discrepancy between the two versions, the Chinese version shall prevail.)

Corporate Information

Legal name in Chinese
中國工商銀行股份有限公司(「中國工商銀行」)

Legal name in English
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED ("ICBC")

Legal Representative
Chen Siqing

Registered address and office address
55 Fuxingmennei Avenue, Xicheng District, Beijing, China
Postal code: 100140
Telephone: 86-10-66106114
Business enquiry and complaint hotline: 86-95588
Website: www.icbc.com.cn, www.icbc-ltd.com

Principal place of business in Hong Kong
33/F, ICBC Tower, 3 Garden Road, Central, Hong Kong SAR, China

Authorized representatives
Liao Lin and Guan Xueqing

Board Secretary and Company Secretary
Guan Xueqing
Address: 55 Fuxingmennei Avenue, Xicheng District, Beijing, China
Telephone: 86-10-66108608
Facsimile: 86-10-66107571
E-mail: ir@icbc.com.cn

Selected newspaper for information disclosure
China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily

Website of SSE for disclosure of the annual report in respect of A shares
www.sse.com.cn

The "HKEXnews" website of HKEX for disclosure of the annual report in respect of H shares
www.hkexnews.hk

Legal Advisors

Chinese mainland
King & Wood Mallesons
17–18/F, East Tower, World Financial Center, 1 East 3rd Ring Middle Road, Chaoyang District, Beijing, China

Haiwen & Partners
20/F, Fortune Financial Center, 5 East 3rd Ring Middle Road, Chaoyang District, Beijing, China

Hong Kong SAR, China
Allen & Overy
9/F, Three Exchange Square, Central, Hong Kong SAR, China

Freshfields Bruckhaus Deringer
55th Floor, One Island East, 18 Westlands Road, Quarry Bay, Hong Kong SAR, China

Share Registrars

A Share
China Securities Depository and Clearing Corporation Limited, Shanghai Branch
188 Yanggao South Road, Pudong New Area, Shanghai, China
Telephone: 86-4008058058

H Share
Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong SAR, China
Telephone: 852-28628555
Facsimile: 852-28650990

Location where copies of this annual report are kept
Board of Directors' Office of the Bank

Place where shares are listed, and their names and codes

A Share
Shanghai Stock Exchange
Stock name: 工商銀行
Stock code: 601398

H Share
The Stock Exchange of Hong Kong Limited
Stock name: ICBC
Stock code: 1398

Domestic Preference Share
Shanghai Stock Exchange
Stock name: 工行優1
Stock code: 360011

Stock name: 工行優2
Stock code: 360036

Offshore Preference Share
The Stock Exchange of Hong Kong Limited
Stock name: ICBC 20USDPREF
Stock code: 4620

Name and office address of Auditors

Domestic Auditor
Deloitte Touche Tohmatsu Certified Public Accountants LLP
30/F, 222 East Yan'an Road, Huangpu District, Shanghai, China
CPAs (Practicing): Wu Weijun and Zeng Hao

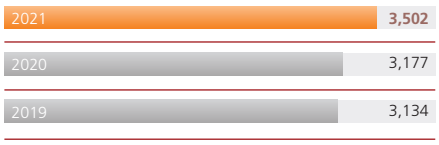
International Auditor
Deloitte Touche Tohmatsu
35/F, One Pacific Place, 88 Queensway, Hong Kong SAR, China

Financial Highlights

Net profit

Unit: RMB100 millions

3,502



Total assets

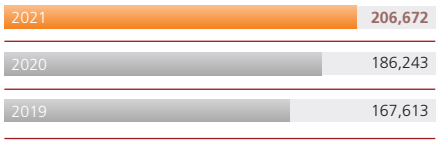
Unit: RMB100 millions

351,714

Total loans and advances to customers

Unit: RMB100 millions

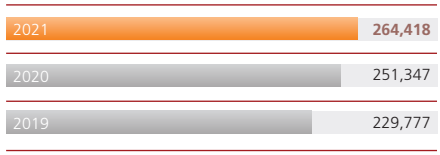
206,672



Due to customers

Unit: RMB100 millions

264,418



Corporate customers

9,691 thousand

Up 1,048 thousand

Personal customers

704 million

Up 23.41 million

Business outlets

15,767

Self-service banks

24,145

Net tier 1 capital

Unit: RMB100 millions

32,413.64

Capital adequacy ratio

18.02%

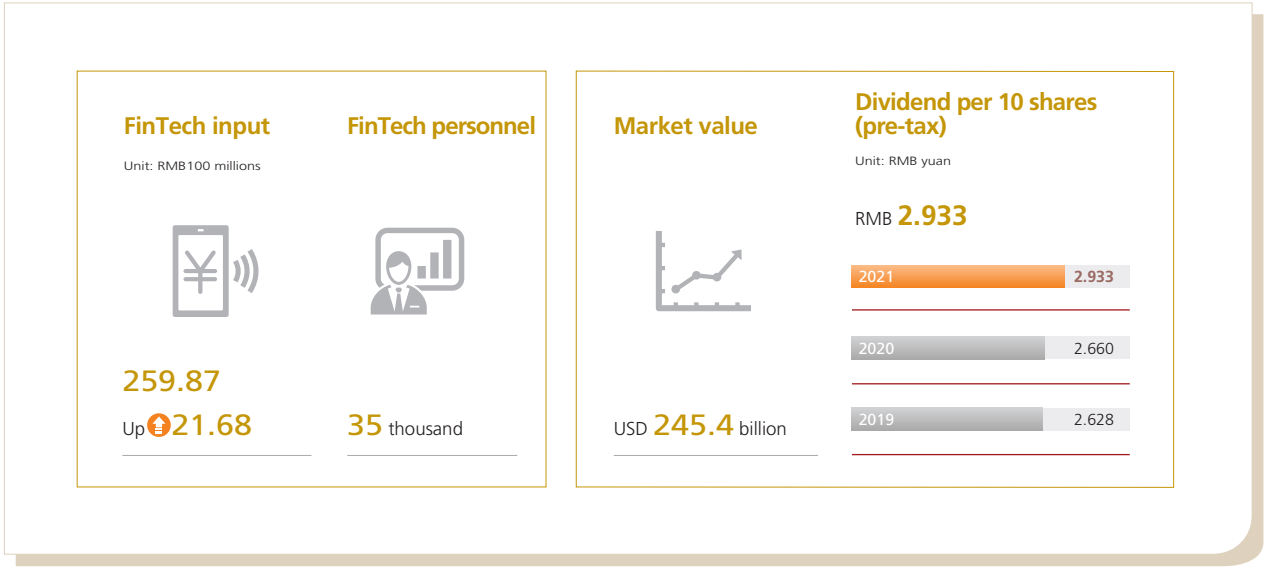
Non-performing loans ratio

1.42%

Down 0.16 percentage points

Cost-to-income ratio

26.36%



(Financial data and indicators in this annual report are prepared in accordance with IFRSs and, unless otherwise specified, are consolidated amounts of the Bank and its subsidiaries and denominated in Renminbi.)

Financial Data

	2021	2020	2019	2018	2017
Annual operating results (in RMB millions)					
Net interest income	690,680	646,765	632,217	593,677	522,078
Net fee and commission income	133,024	131,215	130,573	124,394	139,625
Operating income	860,880	800,075	776,002	725,121	675,654
Operating expenses	236,227	206,585	207,776	194,203	186,194
Impairment losses on assets	202,623	202,668	178,957	161,594	127,769
Operating profit	422,030	390,822	389,269	369,324	361,691
Profit before taxation	424,899	392,126	391,789	372,413	364,641
Net profit	350,216	317,685	313,361	298,723	287,451
Net profit attributable to equity holders of the parent company	348,338	315,906	312,224	297,676	286,049
Net cash flows from operating activities	360,882	1,557,616	481,240	529,911	770,864

Financial Data (continued)

	2021	2020	2019	2018	2017
As at the end of reporting period (in RMB millions)					
Total assets	35,171,383	33,345,058	30,109,436	27,699,540	26,087,043
Total loans and advances to customers	20,667,245	18,624,308	16,761,319	15,419,905	14,233,448
Corporate loans	12,194,706	11,102,733	9,955,821	9,418,894	8,936,864
Personal loans	7,944,781	7,115,279	6,383,624	5,636,574	4,945,458
Discounted bills	527,758	406,296	421,874	364,437	351,126
Allowance for impairment losses on loans[1]	603,983	531,161	478,730	413,177	340,482
Investment	9,257,760	8,591,139	7,647,117	6,754,692	5,756,704
Total liabilities	31,896,125	30,435,543	27,417,433	25,354,657	23,945,987
Due to customers	26,441,774	25,134,726	22,977,655	21,408,934	19,562,936
Corporate deposits	13,331,463	12,944,860	12,028,262	11,481,141	10,705,465
Personal deposits	12,497,968	11,660,536	10,477,744	9,436,418	8,568,917
Other deposits	250,349	261,389	234,852	268,914	288,554
Accrued interest	361,994	267,941	236,797	222,461	—
Due to banks and other financial institutions	2,921,029	2,784,259	2,266,573	1,814,495	1,706,549
Equity attributable to equity holders of the parent company	3,257,755	2,893,502	2,676,186	2,330,001	2,127,491
Share capital	356,407	356,407	356,407	356,407	356,407
Net core tier 1 capital[2]	2,886,378	2,653,002	2,457,274	2,232,033	2,030,108
Net tier 1 capital[2]	3,241,364	2,872,792	2,657,523	2,312,143	2,110,060
Net capital base[2]	3,909,669	3,396,186	3,121,479	2,644,885	2,406,920
Risk-weighted assets[2]	21,690,349	20,124,139	18,616,886	17,190,992	15,902,801
Per share data (in RMB yuan)					
Net asset value per share[3]	8.15	7.48	6.93	6.30	5.73
Basic earnings per share	0.95	0.86	0.86	0.82	0.79
Diluted earnings per share	0.95	0.86	0.86	0.82	0.79
Credit rating					
S&P[4]	A	A	A	A	A
Moody's [4]	A1	A1	A1	A1	A1

Notes: (1) Calculated by adding allowance for impairment losses on loans and advances to customers measured at amortised cost with allowance for impairment losses on loans and advances to customers measured at fair value through other comprehensive income.

(2) Calculated in accordance with the Capital Regulation.

(3) Calculated by dividing equity attributable to equity holders of the parent company after deduction of other equity instruments at the end of the reporting period by the total number of ordinary shares at the end of the reporting period.

(4) The rating results are in the form of "long-term foreign currency deposits rating".

Financial Indicators

	2021	2020	2019	2018	2017
Profitability (%)					
Return on average total assets[1]	1.02	1.00	1.08	1.11	1.14
Return on weighted average equity[2]	12.15	11.95	13.05	13.79	14.35
Net interest spread[3]	1.92	1.97	2.12	2.20	2.10
Net interest margin[4]	2.11	2.15	2.30	2.36	2.22
Return on risk-weighted assets[5]	1.68	1.64	1.75	1.81	1.89
Ratio of net fee and commission income to operating income	15.45	16.40	16.83	17.15	20.67
Cost-to-income ratio[6]	26.36	24.76	25.79	25.71	26.45
Asset quality (%)					
Non-performing loans ("NPLs") ratio[7]	1.42	1.58	1.43	1.52	1.55
Allowance to NPLs[8]	205.84	180.68	199.32	175.76	154.07
Allowance to total loans ratio[9]	2.92	2.85	2.86	2.68	2.39
Capital adequacy (%)					
Core tier 1 capital adequacy ratio[10]	13.31	13.18	13.20	12.98	12.77
Tier 1 capital adequacy ratio[10]	14.94	14.28	14.27	13.45	13.27
Capital adequacy ratio[10]	18.02	16.88	16.77	15.39	15.14
Total equity to total assets ratio	9.31	8.73	8.94	8.47	8.21
Risk-weighted assets to total assets ratio	61.67	60.35	61.83	62.06	60.96

Notes:
(1) Calculated by dividing net profit by the average balance of total assets at the beginning and at the end of the reporting period.
(2) Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 — Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010) issued by CSRC.
(3) Calculated by the spread between yield on average balance of interest-generating assets and cost on average balance of interest-bearing liabilities.
(4) Calculated by dividing net interest income by the average balance of interest-generating assets.
(5) Calculated by dividing net profit by the average balance of risk-weighted assets at the beginning and at the end of the reporting period.
(6) Calculated by dividing operating expenses (less taxes and surcharges) by operating income.
(7) Calculated by dividing the balance of NPLs by total balance of loans and advances to customers.
(8) Calculated by dividing allowance for impairment losses on loans by total balance of NPLs.
(9) Calculated by dividing allowance for impairment losses on loans by total balance of loans and advances to customers.
(10) Calculated in accordance with the Capital Regulation.

Quarterly Financial Data

	2021				2020			
(In RMB millions)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Operating income	214,120	212,286	217,489	216,985	206,187	196,159	197,901	199,828
Net profit attributable to equity holders of the parent company	85,730	77,743	88,348	96,517	84,494	64,296	79,885	87,231
Net cash flows from operating activities	612,669	(235,123)	588,904	(605,568)	1,907,890	(34,157)	146,709	(462,826)

Chairman **Chen Siqing**

The year 2021 was a milestone in the history of the Communist Party of China ("CPC" or the "Party") and the country as we celebrated the 100th anniversary of the founding of the Party. ICBC adhered to Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, earnestly implemented the decisions and arrangements of the CPC Central Committee and the State Council, stayed committed to the general principle of pursuing progress while ensuring stability, and continued to uphold the "48-character" guideline. Based on the reality of the new development stage, we applied the new development philosophy, actively served and integrated into the new development paradigm, responded to COVID-19 and pursued financial security and business development in a well-coordinated way, and contributed to high-quality economic development while striving to pursue our own high-quality development. As a result, we delivered a solid performance to celebrate the Party's centenary.

We kept in mind national priorities and did our best to serve high-quality development. In line with the new development paradigm and the requirements for the implementation of the 14th Five-Year Plan, we implemented the guidance of macro policies, and promoted high-level coordination of investment and financing in terms of quality, scale, pace and price. We continued to refine financial services in key areas and weak links, and led the market in terms of credit scale in manufacturing, technological innovation and green sectors, with the growth of inclusive finance loans topping the rankings. To promote common prosperity, we set up special agencies to serve rural revitalization, launched the brand "ICBC Xingnongtong", and delivered helpful assistance to micro, small and medium-sized enterprises and industries in need. We strengthened global service synergy, and actively promoted opening-up at a higher level and the high-quality development of the Belt and Road Initiative. We ensured financial support for epidemic prevention and control, energy supply, flood control and relief, and vigorously built up our image as a responsible large bank.

We adhered to the bottom-line thinking and spared no effort to promote high-quality risk control. We continued to plan ahead, see the big from the small, remedy in time and draw inferences. By doing so we improved the enterprise risk management system, and helped maintain economic and financial stability. We planned in a well-coordinated way, and managed with clear accounting. We improved the risk identification, early-warning and risk mitigation mechanism across the entire chain, and coordinated efforts to guard against and control traditional and emerging risks, risks on and off the balance sheet, domestic and overseas, online and offline. We tightened control over all kinds of credit risks, and increased efforts to improve the asset quality, with continuous improvement in the operating capacity of risk assets, and simultaneous decline in the NPL ratio and overdue loan ratio. We stayed alert to the volatility of the financial market, adhered to prudent trading strategies, strictly controlled the risk exposure, and kept the market risk at an overall stable level.

We advanced reform more vigorously and strived to achieve high-quality development. We focused on improving the governance system and capacity, and deepened the organic integration of Party leadership and corporate governance. We pushed forward the arrangements of "bringing out our strengths to make up for our weaknesses and laying a solid foundation and base." Headways were made in our implementation of key strategies such as the No.1 Personal Bank, the Preferred Bank for Foreign Exchange Business, Sharpening Competitive Edge in Key Regions and Urban-Rural Collaborative Development. We accelerated the bank-wide digital transformation. Our intelligent banking ecosystem ECOS project was awarded PBC's special award of the "FinTech Development Awards", and our data management capability was given the highest rating by the Ministry of Industry and Information Technology. Last year, we delivered financial services for the China International Import Expo, the China Import and Export Fair, the China International Fair for Trade in Services and the China International Consumer Products Expo. We initiated the China-Europe Business Council, and promoted the development of Belt and Road Bankers Roundtable ("BRBR"). We played an active part in international governance of green finance and launched the Beijing Initiative on Climate-Friendly Banks.

We made every effort to promote the head start of the new development plan. We acted swiftly and efficiently to implement key strategies and tasks, with notable achievements made. We performed well in major operating indicators and we became "stronger, better and bigger."

The foundation for strong development was further consolidated. Our capital strength was further strengthened. The capital adequacy ratio exceeded 18%, one of the highest among the large banks in the world. The balance of provisions surpassed RMB600.0 billion, and the allowance to NPLs rebounded to over 200% for the first time in the past seven years. For the ninth consecutive year, the Bank ranked first among Global 2000 by *Forbes* and the Top 1000 World Banks by *The Banker*.

The quality of business performance was further improved. Our operating efficiency continued to improve, with the return on assets ("ROA") and return on equity ("ROE") reaching 1.02% and 12.15% respectively. Through meticulous management and internal potential tapping, the change in our net interest margin ("NIM") was better than most peers, and the cost-to-income ratio was 26.36%, lower than most large banks in the world.

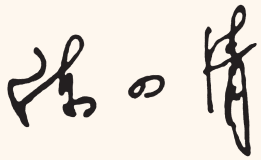
Our scale merits were further augmented. Our assets exceeded RMB35 trillion, operating income topped RMB860.0 billion, and net profit surpassed RMB350.0 billion, consolidating our lead in the banking sector. We maintained the first place in assets, capital, deposits and loans among banks in the world, and the first place in market value and total dividends among Chinese banks.

On behalf of the Board of Directors, I would like to express my sincere gratitude to people from all walks of society for their care and support to ICBC, to the Board of Supervisors for its effective supervision, and to the Management and all employees for their dedication and contribution. Based on our good business performance, the Board of Directors proposed a dividend of RMB2.933 per ten ordinary shares for 2021, which will be submitted to the Shareholders' General Meeting for deliberation.

From our practices in the past year, we have deepened our understanding on improving our financial work. We will always follow the guidance of Party building, firmly carry out financial work in the right direction, adhere to the people-centered principle, and fulfill our responsibility of serving the real economy. We will foster and uphold the correct view on business performance, unswervingly follow the qualitative development path of quality-first, efficiency-prioritized and innovation-driven development, and strive to become stronger, better and bigger. We will stick to the bottom-line thinking, take the initiative to guard against and defuse risks, and promote the realization of the dynamic balance between high-quality development and high-level security. We shall actively shoulder our due responsibilities, address difficulties on development through reform, and stick to the path of financial development with Chinese characteristics.

At present, as the world is experiencing a pandemic and changes unseen in the past century, a fast-changing global political and economic landscape, and chain reactions arising from geopolitical conflicts, the global finance, energy, transportation and supply chain stability are faced with great shocks, and the global banks are facing an ever-complex external environment and new challenges in their operations. However, the fundamentals of the Chinese economy remain unchanged, and they will maintain long-term growth and demonstrate strong resilience and vitality. As China moves faster to construct a new development pattern and implements macro policies in full, the Chinese economy is being stimulated on all fronts for steady, sound and high-quality growth. The domestic banking sector is facing a favorable environment for development.

In 2022, we will continue to follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, make economic stability our top priority and pursue progress while ensuring stability, thus contributing to the goal of achieving a stable performance of the macro economy. We will further improve the quality and efficiency of services for the real economy, and make more progress in achieving high-quality development. We will remedy problems identified by the central inspection team, and in the course push forward the implementation of various reforms to produce real effects. We will work hard to build the Bank into a world-class modern financial enterprise with Chinese characteristics and set the stage for the Party's 20th National Congress with concrete actions and remarkable achievements.



Chairman: Chen Siqing

30 March 2022

President's Statement

President **Liao Lin**

In 2021, in the face of the complicated and severe external environment, the Bank conscientiously implemented the decisions and arrangements of the CPC Central Committee and the State Council, acted upon the "48-character" guideline, stepped foot in the new development stage, applied the new development philosophy in full, in the right way and in all fields, and actively served and integrated into the new development paradigm. We coordinated COVID-19 containment efforts and financial work, went to all lengths to accomplish the "Three Tasks" of financial work, and achieved stable and even more remarkable business performance. We made great headway in our new development plan and took solid steps toward high-quality development.

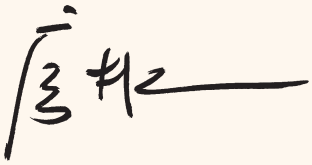
In 2021, the Group recorded RMB860.9 billion in operating income, representing an increase of 7.6% from the previous year. Profit before provision was RMB627.5 billion, representing an increase of 5.5% from the previous year. Net profit reached RMB350.2 billion, representing an increase of 10.2% from the previous year. Return on total average assets and return on weighted average equity were both higher than the previous year. Capital adequacy ratio stood at 18.02%. NPL ratio was 1.42%, down 0.16 percentage points from the end of the previous year. Allowance to NPLs reached 205.84%. These indicators fully reflect the balance and coordination between value creation, market standing, risk management and capital constraints and demonstrate the Bank's strong momentum for high-quality development and extraordinary development resilience.

Such resilience is firmly rooted in our commitments to fulfilling our original aspirations and serving the real economy. According to the cross-cyclical and counter-cyclical policy adjustments, the Bank earnestly implemented the requirements for "ensuring stability on six key fronts" and "maintaining security in six key areas". We arranged the aggregate volume, pace and structure of investment and financing in a well-coordinated way, and continuously improved the adaptability, competitiveness and inclusiveness of financial services, so as to better meet the diversified financial needs of the real economy and the general public. The Bank registered new domestic RMB loans of RMB2.12 trillion, RMB243.3 billion more than the increment last year, hitting the new high for the same period. Bond investments grew by RMB763.2 billion, with the balance remaining at the first position among peers. We took precise and targeted actions to support the key fields and weak areas of the real economy. Loans to manufacturing increased by RMB319.7 billion, with the medium to long-term loans to manufacturing growing by RMB242.7 billion. We improved financial service modes for sci-tech enterprises, and the balance of loans to key state-supported high-tech fields surpassed RMB1 trillion. We actively pushed forward green and low-carbon transformation and witnessed the total amount of green loans exceeding RMB2.4 trillion, indicating a growth rate of 34.4%. We made vigorous efforts in the development of digital inclusive finance and supply chain finance, and scaled up small and micro loans. We launched the "ICBC Xingnongtong" brand, to expand the breadth and depth of our financial support for the endeavor of rural revitalization. Our inclusive loans grew by over 50% in the year.

Such resilience is built upon our solid measures for safeguarding the bottom line of risk management and continuously enhancing our ability to defuse risks. The Bank placed equal emphasis on development and security, adopted a holistic risk management approach to people, money and policy system, and upgraded the enterprise risk management system through "active prevention, smart control and comprehensive management". We strengthened the implementation of policies and fully implemented new credit review regulations across domestic institutions. We carried out special actions to improve asset quality, systematically inspected and managed risks in key areas and related to key customers, and redoubled efforts in the collection and disposal of NPLs. The overdue rate, overdue amount and price scissors between overdue loans and NPLs continued to decline. We overdid the task of reducing existing wealth management products. We stayed vigilant against market risk and took effective measures to forestall emerging risks such as climate risk and model risk. We comprehensively improved the effectiveness of internal control and case prevention, and achieved notable results in customer complaint management.

Such resilience stems from our thorough efforts to advance transformation and innovation and continuously inspire business vitality and growth momentum. In alignment with the 14th Five-Year Plan, the Bank launched its new development plan, followed through on the pattern of "bringing out our strengths to make up for our weaknesses and laying a solid foundation and base" and pushed forward the implementation of the No.1 Personal Bank Strategy, the Preferred Bank Strategy for Foreign Exchange Business, the Strategy for Sharpening Competitive Edge in Key Regions and the Urban-Rural Collaborative Development Strategy. We worked hard to cultivate and shape new advantages for high-quality development, advanced the transformation of asset management, private banking, bank card and other businesses in an orderly manner, and comprehensively improved our service quality. We accelerated digital transformation and deepened the fusion of technology and business. We vigorously developed service scenarios in smart government, smart social security, smart education and other fields with a focus to help improve people's livelihoods, further strengthened the interactions among government, business and consumption ("GBC"), and achieved substantial results in fundamental work such as fund taking and "net making and patching" program. With more than 700 million personal customers and 9.69 million corporate customers, the Bank has a well-coordinated customer ecosystem encompassing large, medium, small and micro customers, laying a solid foundation for high-quality development.

2022 is of great significance in the development progress of the Party and the country, as the Communist Party of China will hold its 20th National Congress. The Bank will continue to fully implement the decisions and arrangements of the CPC Central Committee and the State Council, and stick to the general principle of pursuing progress while ensuring stability. In light of the "48-character" guideline, we, with the trust and support of all shareholders and people from all walks of society, will concentrate on our core responsibilities and businesses, place a greater emphasis on integrity and innovation, focus on "action, implementation and promotion", and adhere to the pattern of "bringing out our strengths to make up for our weaknesses and laying a solid foundation and base". We will strive for mid-term breakthroughs in the implementation of our new plan, step up efforts to build a world-class modern financial institution, and stick to the path of financial development with Chinese characteristics. We will welcome the convening of the Party's 20th National Congress with concrete actions aimed at serving the new development paradigm and promoting high-quality development.



President: Liao Lin

30 March 2022

Chairman of the Board of Supervisors **Huang Liangbo**

ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENTS

In 2021, the global economy recovered on the whole, but in the second half of the year, affected by the impact of the epidemic, energy shortage, supply chain bottleneck and other factors, the economic recovery momentum witnessed marginal slowdown and rising inflation. The monetary policy shift of major developed economies accelerated, with increasing fluctuation in the international financial market.

China's economy continued to recover steadily. In 2021, China's gross domestic product (GDP), retail sales of consumer goods, fixed asset investment (excluding rural households), industrial added value of enterprises above designated size, and total (RMB-denominated) imports and exports of trade in goods rose by 8.1%, 12.5%, 4.9%, 9.6% and 21.4% year on year respectively, while consumer price index (CPI) increased mildly by 0.9% year on year.

Proactive fiscal policy was implemented to improve quality and efficiency. China deepened the reform of the fiscal and tax systems, carried out the tax and fee reduction policy, optimized the management of special bonds of local governments, and improved the regular mechanism for targeted allocation of fiscal funds. It continuously increased investment in science and technology and people's livelihood, and stabilized the industrial chain and supply chain. Moreover, China promoted coordinated development between urban and rural areas, and supported the effective link between the achievements of poverty alleviation and rural revitalization.

The prudent monetary policy was flexible, targeted and appropriate. PBC maintained reasonable and adequate liquidity by comprehensive use of various tools such as reserve requirement ratio (RRR) cut and structural policies. It created tools supporting carbon emission reduction, launched special relending for clean and efficient utilization of coal, and made good use of relending for supporting agriculture and small enterprises and two directly targeting instruments, to strengthen support for key areas such as scientific and technological innovation, manufacturing, small and micro enterprises and green development. By playing a role of the Loan Prime Rate (LPR), PBC pushed forward to reduce comprehensive financing cost of enterprises while maintaining it at an overall stable level, and optimized the method of determining the self-disciplined capping of deposit interest rate, to improve the freedom and accuracy of independent pricing of deposit interest rate of commercial banks and promote orderly competition in the industry. Besides, PBC deepened the market-oriented reform of exchange rates and kept the flexibility of RMB exchange rates.

Regulatory policies have supported high-quality development. The real estate loan concentration management, green finance evaluation plan, education opinion of "easing the burden of excessive homework and off-campus tutoring for students undergoing compulsory education" and measures for regulating the economic development of internet platforms were promulgated and implemented to prevent risks and monopolies in promoting development. The Guidelines on Macro Prudential Policies (Trial), the Measures for Regulatory Rating of Commercial Banks and the Additional Regulation on Systemically Important Banks (Trial) were successively issued to enhance risk management capability and prudential operation of banks. The Guidelines on Corporate Governance of Banking and Insurance Institutions and other regulations were issued to strengthen shareholder equity supervision and regulate the performance of directors and supervisors. The pilot program of pension wealth management products was launched, and relevant policies on equity-convertible capital bonds were improved to support capital replenishment of small and medium-sized banks.

The financial system ran smoothly. At the end of 2021, the balance of broad money supply (M2) was RMB238.3 trillion, up 9.0% year on year. The existing social financing scale size stood at RMB314.1 trillion, up 10.3% year on year. The outstanding RMB loans reached RMB192.7 trillion, increasing by 11.6% year on year. The balance of RMB deposits amounted to RMB232.3 trillion, up 9.3% year on year. The total issuance amount of various bonds in the bond market reached RMB61.4 trillion, up 7.8% year on year. The stock market index fluctuated upward, with the Shanghai Composite Index and the Shenzhen Component Index increasing by 4.8% and 2.7% respectively over the end of last year. The central parity of RMB against the US dollar was RMB6.3757, an appreciation of 2.3% from the end of last year.

The asset scale of commercial banks grew steadily, with continuously improving asset quality, stronger risk offsetting capacity, robust profitability and steadily enhanced global competitiveness. At the end of 2021, the RMB and foreign-currency assets of commercial banks totaled RMB288.6 trillion, up 8.6% year on year. The balance of NPLs reached RMB2.8 trillion, with a NPL ratio of 1.73% and allowance to NPLs of 196.9%. The capital adequacy ratio was 15.13%. Specifically, the RMB and foreign-currency assets of large commercial banks totaled RMB138.4 trillion, accounting for 48.0%. The balance of NPLs of large commercial banks reached RMB1.1 trillion, with a NPL ratio of 1.37% and allowance to NPLs of 239.2%. The capital adequacy ratio was 17.29%. Among the Top 1000 World Banks 2021 by *The Banker*, six major state-owned commercial banks ranked in the top 15.

In 2021, ICBC steadily pushed forward the strategic pattern of "bringing out our strengths to make up for our weaknesses and laying a solid foundation and base", reinforced the working method of "Three Comparisons, Three Reviews and Three Improvements" and achieved operating results of making progress while maintaining stability and improving quality. The Bank continued to consolidate its scale advantage, and ranked first in the industry in terms of asset scale, green loans, loans to strategic emerging industries, balance of loans to manufacturing and balance of deposits. The Bank continued to enhance its profitability, and maintained a leading position among peers in terms of income scale and total profit. Asset quality continued to be consolidated and the risk offsetting capacity continued to be enhanced. The Bank maintained its advantage in international influence, ranking the 1st place among the Top 1000 World Banks by *The Banker*, the 1st place in the Global 2000 by *Forbes*, and the 1st place in the list of commercial banks of the Global 500 in *Fortune* for the ninth consecutive year.

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Income Statement Analysis

In 2021, facing the complicated and tough business environment, the Bank maintained sound business quality, constantly elevated the quality and efficiency of financial services, and further improved its capability in balancing and coordinating sustainable development. In the year, the Bank realized a net profit of RMB350,216 million, representing an increase of RMB32,531 million or 10.2% as compared to the previous year. Return on average total assets stood at 1.02%, and return on weighted average equity was 12.15%. Operating income amounted to RMB860,880 million, representing an increase of 7.6%, of which, net interest income grew by 6.8% to RMB690,680 million; non-interest income was RMB170,200 million, up by 11.0%. Operating expenses amounted to RMB236,227 million, representing an increase of 14.3%, and the cost-to-income ratio was 26.36%. Impairment losses on assets were RMB202,623 million. Income tax expense rose by 0.3% to RMB74,683 million.

CHANGES OF KEY INCOME STATEMENT ITEMS

In RMB millions, except for percentages

Item	2021	2020	Increase/ (decrease)	Growth rate (%)
Net interest income	690,680	646,765	43,915	6.8
Non-interest income	170,200	153,310	16,890	11.0
Operating income	860,880	800,075	60,805	7.6
Less: Operating expenses	236,227	206,585	29,642	14.3
Less: Impairment losses on assets	202,623	202,668	(45)	(0.0)
Operating profit	422,030	390,822	31,208	8.0
Share of results of associates and joint ventures	2,869	1,304	1,565	120.0
Profit before taxation	424,899	392,126	32,773	8.4
Less: Income tax expense	74,683	74,441	242	0.3
Net profit	350,216	317,685	32,531	10.2
Attributable to: Equity holders of the parent company	348,338	315,906	32,432	10.3
Non-controlling interests	1,878	1,779	99	5.6

Net Interest Income

In 2021, net interest income was RMB690,680 million, RMB43,915 million or 6.8% higher than that of last year, accounting for 80.2% of the Bank's operating income. Interest income grew by RMB69,697 million or 6.4% to RMB1,162,218 million and interest expenses increased by RMB25,782 million or 5.8% to RMB471,538 million. Net interest spread and net interest margin ("NIM") came at 1.92% and 2.11% respectively, down 5 basis points and 4 basis points respectively from the previous year, mainly because the Bank continued to provide favorable fee policy for the real economy and further reduced the financing cost of enterprises.

AVERAGE YIELD OF INTEREST-GENERATING ASSETS AND AVERAGE COST OF INTEREST-BEARING LIABILITIES

In RMB millions, except for percentages

Item	2021			2020		
	Average balance	Interest income/ expense	Average yield/ cost (%)	Average balance	Interest income/ expense	Average yield/ cost (%)
Assets						
Loans and advances to customers	19,996,414	832,136	4.16	17,979,409	766,407	4.26
Investment	7,999,530	262,827	3.29	7,223,638	243,545	3.37
Due from central banks[2]	2,888,381	42,027	1.46	2,848,543	42,022	1.48
Due from banks and other financial institutions[3]	1,772,522	25,228	1.42	2,003,882	40,547	2.02
Total interest-generating assets	**32,656,847**	**1,162,218**	**3.56**	**30,055,472**	**1,092,521**	**3.64**
Non-interest-generating assets	2,659,895			2,865,115		
Allowance for impairment losses on assets	(574,932)			(506,316)		
Total assets	**34,741,810**			**32,414,271**		
Liabilities						
Deposits	24,477,111	397,625	1.62	22,670,373	364,173	1.61
Due to banks and other financial institutions[3]	3,287,917	44,387	1.35	2,938,129	51,477	1.75
Debt securities issued	1,072,667	29,526	2.75	1,028,929	30,106	2.93
Total interest-bearing liabilities	**28,837,695**	**471,538**	**1.64**	**26,637,431**	**445,756**	**1.67**
Non-interest-bearing liabilities	1,991,928			2,114,998		
Total liabilities	**30,829,623**			**28,752,429**		
Net interest income		**690,680**			**646,765**	
Net interest spread			**1.92**			**1.97**
Net interest margin			**2.11**			**2.15**

Notes: (1) The average balances of interest-generating assets and interest-bearing liabilities represent their daily average balances. The average balances of non-interest-generating assets, non-interest-bearing liabilities and the allowance for impairment losses on assets represent the average of the balances at the beginning of the year and at the end of the year.

(2) Due from central banks mainly includes mandatory reserves and surplus reserves with central banks.

(3) Due from banks and other financial institutions includes the amount of reverse repurchase agreements, and due to banks and other financial institutions includes the amount of repurchase agreements etc.

ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSE

In RMB millions

Item	Comparison between 2021 and 2020		
	Increase/(decrease) due to		Net increase/ (decrease)
	Volume	Interest rate	
Assets			
Loans and advances to customers	83,708	(17,979)	65,729
Investment	25,061	(5,779)	19,282
Due from central banks	575	(570)	5
Due from banks and other financial institutions	(3,296)	(12,023)	(15,319)
Changes in interest income	**106,048**	**(36,351)**	**69,697**
Liabilities			
Deposits	31,185	2,267	33,452
Due to banks and other financial institutions	4,663	(11,753)	(7,090)
Debt securities issued	1,272	(1,852)	(580)
Changes in interest expenses	**37,120**	**(11,338)**	**25,782**
Changes in net interest income	**68,928**	**(25,013)**	**43,915**

Note: Changes in volume are measured by the changes in average balances, while the changes in interest rate are measured by the changes in average interest rates. Changes resulted from the combination of volume and interest rate have been allocated to the changes resulted from business volume.

Interest Income

Interest Income on Loans and Advances to Customers

Interest income on loans and advances to customers was RMB832,136 million, RMB65,729 million or 8.6% higher as compared to that of last year, mainly due to the increase in the size of loans and advances to customers.

ANALYSIS OF THE AVERAGE YIELD OF LOANS AND ADVANCES TO CUSTOMERS BY MATURITY STRUCTURE

In RMB millions, except for percentages

Item	2021			2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Short-term loans	4,045,145	142,549	3.52	3,934,831	143,043	3.64
Medium to long-term loans	15,951,269	689,587	4.32	14,044,578	623,364	4.44
Total loans and advances to customers	**19,996,414**	**832,136**	**4.16**	**17,979,409**	**766,407**	**4.26**

ANALYSIS OF THE AVERAGE YIELD OF LOANS AND ADVANCES TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

Item	2021			2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	10,787,207	439,575	4.08	9,461,995	400,605	4.23
Discounted bills	380,678	10,266	2.70	443,764	11,883	2.68
Personal loans	7,415,770	349,572	4.71	6,606,897	314,940	4.77
Overseas business	1,412,759	32,723	2.32	1,466,753	38,979	2.66
Total loans and advances to customers	**19,996,414**	**832,136**	**4.16**	**17,979,409**	**766,407**	**4.26**

Interest Income on Investment

Interest income on investment amounted to RMB262,827 million, representing an increase of RMB19,282 million or 7.9% as compared to that of last year, mainly due to the increased scale in investment.

Interest Income on Due from Banks and Other Financial Institutions

Interest income on due from banks and other financial institutions was RMB25,228 million, representing a decrease of RMB15,319 million or 37.8% as compared to that of last year, principally due to the factors such as reduced lending size and low interest rate environment.

Interest Expense

Interest Expense on Deposits

Interest expense on deposits amounted to RMB397,625 million, representing an increase of RMB33,452 million or 9.2% over the previous year, principally due to the expansion in the size of due to customers.

ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

In RMB millions, except for percentages

Item	2021			2020		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time deposits	4,929,388	121,230	2.46	4,757,009	111,977	2.35
Demand deposits	7,133,857	58,618	0.82	6,787,204	53,752	0.79
Subtotal	**12,063,245**	**179,848**	**1.49**	**11,544,213**	**165,729**	**1.44**
Personal deposits						
Time deposits	6,337,635	189,118	2.98	5,723,692	167,153	2.92
Demand deposits	5,091,927	18,678	0.37	4,509,984	17,243	0.38
Subtotal	**11,429,562**	**207,796**	**1.82**	**10,233,676**	**184,396**	**1.80**
Overseas business	**984,304**	**9,981**	**1.01**	**892,484**	**14,048**	**1.57**
Total deposits	**24,477,111**	**397,625**	**1.62**	**22,670,373**	**364,173**	**1.61**

Interest Expense on Due to Banks and Other Financial Institutions

Interest expense on due to banks and other financial institutions was RMB44,387 million, RMB7,090 million or 13.8% lower than that of last year, principally attributable to the decline in cost as affected by the factors such as market interest rates and product maturities.

Interest Expense on Debt Securities Issued

Interest expense on debt securities issued was RMB29,526 million, indicating a decrease of RMB580 million or 1.9% over last year. Please refer to "Note 35. to the Consolidated Financial Statements: Debt Securities Issued" for the debt securities issued by the Bank.

Non-interest Income

In 2021, non-interest income was RMB170,200 million, RMB16,890 million or 11.0% higher than that of last year, accounting for 19.8% of the operating income. Specifically, net fee and commission income increased by 1.4% to RMB133,024 million, and other non-interest related gains rose by 68.3% to RMB37,176 million.

Net Fee and Commission Income

In RMB millions, except for percentages

Item	2021	2020	Increase/ (decrease)	Growth rate (%)
Settlement, clearing business and cash management	41,270	39,101	2,169	5.5
Personal wealth management and private banking services	30,001	29,630	371	1.3
Investment banking business	22,416	21,460	956	4.5
Bank card business	16,679	18,623	(1,944)	(10.4)
Corporate wealth management services	15,165	15,554	(389)	(2.5)
Guarantee and commitment business	9,756	10,101	(345)	(3.4)
Asset custody business	8,738	7,545	1,193	15.8
Trust and agency services	1,808	1,617	191	11.8
Other	2,894	3,037	(143)	(4.7)
Fee and commission income	**148,727**	**146,668**	**2,059**	**1.4**
Less: Fee and commission expense	**15,703**	**15,453**	**250**	**1.6**
Net fee and commission income	**133,024**	**131,215**	**1,809**	**1.4**

In 2021, the Bank's net fee and commission income was RMB133,024 million, an increase of RMB1,809 million over last year. Specifically, income from settlement, clearing business and cash management increased by RMB2,169 million, mainly driven by the growth of third party payment business income; income from investment banking business registered an increase of RMB956 million, mainly due to the income increase from securitization service etc.; asset custody business income increased by RMB1,193 million, principally attributable to the increasing income from mutual fund custody business. The Bank adhered to the business transformation and implemented the policy of fee reduction and profit concessions, resulting in the income decrease on bank card, corporate wealth management, guarantee and commitment businesses.

Other Non-Interest Related Gains

In RMB millions, except for percentages

Item	2021	2020	Increase/ (decrease)	Growth rate (%)
Net trading income	8,955	2,222	6,733	303.0
Net gains on financial investments	16,440	11,829	4,611	39.0
Other operating income, net	11,781	8,044	3,737	46.5
Total	**37,176**	**22,095**	**15,081**	**68.3**

Other non-interest related gains amounted to RMB37,176 million, RMB15,081 million or 68.3% higher than that of the previous year. Specifically, the increase in net trading income was mainly attributable to the increase in gains on derivative financial instruments; the increase in net gains on financial investments was primarily due to the increase in gains on equity instruments and bond investments; and the increase in other net operating income was mainly because of the increase in net gains on exchange and exchange rate products.

Operating Expenses

In RMB millions, except for percentages

Item	2021	2020	Increase/ (decrease)	Growth rate (%)
Staff costs	139,363	126,572	12,791	10.1
Property and equipment expenses	28,822	27,960	862	3.1
Taxes and surcharges	9,318	8,524	794	9.3
Amortisation	3,125	2,607	518	19.9
Other	55,599	40,922	14,677	35.9
Total	**236,227**	**206,585**	**29,642**	**14.3**

In 2021, operating expenses amounted to RMB236,227 million, an increase of RMB29,642 million or 14.3% over last year.

Impairment Losses on Assets

In 2021, the Bank set aside the impairment losses on assets of RMB202,623 million, a decrease of RMB45 million as compared to that of last year. Specifically, the impairment losses on loans was RMB168,267 million, indicating a decrease of RMB3,563 million or 2.1%. Please refer to "Note 23. to the Consolidated Financial Statements: Loans and Advances to Customers; Note 14. to the Consolidated Financial Statements: Impairment Losses on Assets" for details.

Share of Results of Associates and Joint Ventures

Share of results of associates and joint ventures stood at RMB2,869 million, representing an increase of RMB1,565 million or 120.0% over last year, mainly due to the increase in the Bank's share of results from Standard Bank, an associate of the Bank.

Income Tax Expense

Income tax expense increased by RMB242 million or 0.3% to RMB74,683 million as compared to the previous year. The effective tax rate stood at 17.58%. Please see "Note 15. to the Consolidated Financial Statements: Income Tax Expense" for the reconciliation of income tax expense applicable to profit before tax at the PRC statutory income tax rate and the effective income tax expense.

Summary Geographical Segment Information

In RMB millions, except for percentages

Item	2021 Amount	2021 Percentage (%)	2020 Amount	2020 Percentage (%)
Operating income	**860,880**	**100.0**	**800,075**	**100.0**
Head Office	135,419	15.8	107,705	13.5
Yangtze River Delta	136,544	15.9	130,424	16.3
Pearl River Delta	107,474	12.5	102,902	12.9
Bohai Rim	145,660	16.9	145,927	18.1
Central China	105,357	12.2	98,851	12.4
Western China	126,799	14.7	121,336	15.2
Northeastern China	29,582	3.4	32,342	4.0
Overseas and other	74,045	8.6	60,588	7.6
Profit before taxation	**424,899**	**100.0**	**392,126**	**100.0**
Head Office	58,031	13.6	34,092	8.7
Yangtze River Delta	83,920	19.8	75,295	19.2
Pearl River Delta	59,699	14.1	67,383	17.2
Bohai Rim	64,383	15.2	76,322	19.4
Central China	47,115	11.1	42,655	10.9
Western China	65,477	15.4	66,598	17.0
Northeastern China	1,259	0.3	2,593	0.7
Overseas and other	45,015	10.5	27,188	6.9

Note: Please see "Note 48. to the Consolidated Financial Statements: Segment Information" for details.

Balance Sheet Analysis

In 2021, in response to the changes in external development trends, the Bank earnestly implemented macro-economic and financial policies and regulatory requirements, and continued to enhance the foresight, scientificity and initiative of asset and liability management, and appropriately arranged the aggregate amount, structure and pace of assets and liabilities. While maintaining a moderate growth of the total assets and liabilities, the Bank earnestly followed the regulatory orientation, continued to promote liability quality management, and gradually established a liability quality management system that is commensurate with the development of liability business. Besides, it strived to cement the foundation for deposit development, and maintained steady development of liability business. The Bank deeply promoted the continuous optimization of the asset and liability structure and coordinated development of quantity and price, and enhanced the adaptability, competitiveness and inclusiveness of serving the real economy.

Assets Deployment

As at the end of 2021, total assets of the Bank amounted to RMB35,171,383 million, RMB1,826,325 million or 5.5% higher than that at the end of the previous year. Specifically, total loans and advances to customers (collectively referred to as "total loans") increased by RMB2,042,937 million or 11.0% to RMB20,667,245 million, investment increased by RMB666,621 million or 7.8% to RMB9,257,760 million, and cash and balances with central banks decreased by RMB439,357 million or 12.4% to RMB3,098,438 million.

In RMB millions, except for percentages

Item	At 31 December 2021		At 31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	20,667,245	—	18,624,308	—
Add: Accrued interest	45,719	—	42,320	—
Less: Allowance for impairment losses on loans and advances to customers measured at amortised cost	603,764	—	530,300	—
Net loans and advances to customers[1]	20,109,200	57.2	18,136,328	54.4
Investment	9,257,760	26.3	8,591,139	25.8
Cash and balances with central banks	3,098,438	8.8	3,537,795	10.6
Due from banks and other financial institutions	827,150	2.4	1,081,897	3.2
Reverse repurchase agreements	663,496	1.9	739,288	2.2
Other	1,215,339	3.4	1,258,611	3.8
Total assets	**35,171,383**	**100.0**	**33,345,058**	**100.0**

Note: (1) Please see "Note 23. to the Consolidated Financial Statements: Loans and Advances to Customers".

Loan

The Bank continued to improve the quality and efficiency of serving the real economy, actively supported the construction of ongoing infrastructure projects and major projects for making up shortcomings, and implemented strategic arrangements such as new urbanization initiatives and building a country with strong transportation network. It fully supported the high-quality development of the manufacturing industry, served the state's energy supply security and low-carbon transformation strategy, and grasped the development opportunities of green finance comprehensively. It mainly supported the state's food security, stable production and supply of important agricultural products, transformation and upgrading of agricultural industries and integrated development of industrial chains. As at the end of 2021, total loans amounted to RMB20,667,245 million, RMB2,042,937 million or 11.0% higher compared with the end of the previous year, of which RMB denominated loans of domestic branches were RMB18,929,925 million, up by RMB2,124,707 million or 12.6%.

DISTRIBUTION OF LOANS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2021		At 31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate loans	**12,194,706**	**59.0**	**11,102,733**	**59.6**
Short-term corporate loans	2,737,742	13.2	2,643,212	14.2
Medium to long-term corporate loans	9,456,964	45.8	8,459,521	45.4
Discounted bills	**527,758**	**2.6**	**406,296**	**2.2**
Personal loans	**7,944,781**	**38.4**	**7,115,279**	**38.2**
Residential mortgages	6,362,685	30.8	5,728,315	30.8
Personal consumption loans	187,316	0.9	183,716	0.9
Personal business loans	702,441	3.4	521,638	2.8
Credit card overdrafts	692,339	3.3	681,610	3.7
Total	**20,667,245**	**100.0**	**18,624,308**	**100.0**

Corporate loans rose by RMB1,091,973 million or 9.8% from the end of last year. Specifically, short-term corporate loans and medium to long-term corporate loans increased by RMB94,530 million and RMB997,443 million respectively. The Bank continued to increase credit allocation to manufacturing, strategic emerging industries, inclusive finance, green finance, rural revitalization and other key fields, and the Bank's corporate loans in key strategic areas such as the Beijing-Tianjin-Hebei region, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, Central China and Chengdu-Chongqing economic circle continued to grow.

Personal loans increased by RMB829,502 million or 11.7% from the end of last year. Specifically, residential mortgages grew by RMB634,370 million or 11.1%; personal business loans increased by RMB180,803 million or 34.7%, and the rapid growth is mainly because of the good reputation and increasing market shares of online inclusive finance product "e-Mortgage Quick Loan".

Please see the section headed "Discussion and Analysis — Risk Management" for detailed analysis of the Bank's loans and their quality.

Investment

In 2021, the Bank continued to reinforce its financial service capability for the real economy and scaled up its investments in local government bonds, green bonds and other bonds. As at the end of 2021, investment amounted to RMB9,257,760 million, representing an increase of RMB666,621 million or 7.8% from the end of the previous year. Among these, bonds rose by RMB763,152 million or 9.5% to RMB8,817,345 million.

In RMB millions, except for percentages

Item	At 31 December 2021		At 31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Bonds	8,817,345	95.2	8,054,193	93.8
Equity instruments	190,186	2.1	175,698	2.0
Funds and other	148,166	1.6	262,800	3.1
Accrued interest	102,063	1.1	98,448	1.1
Total	**9,257,760**	**100.0**	**8,591,139**	**100.0**

DISTRIBUTION OF INVESTMENT IN BONDS BY ISSUERS

In RMB millions, except for percentages

Item	At 31 December 2021		At 31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	6,371,607	72.3	5,737,368	71.2
Central bank bonds	38,207	0.4	32,072	0.4
Policy bank bonds	754,719	8.6	725,625	9.0
Other bonds	1,652,812	18.7	1,559,128	19.4
Total	**8,817,345**	**100.0**	**8,054,193**	**100.0**

In terms of distribution by issuers, government bonds increased by RMB634,239 million or 11.1% over the end of last year, mainly due to the increase in local government bonds and national bonds; central bank bonds increased by RMB6,135 million or 19.1%; policy bank bonds went up by RMB29,094 million or 4.0%; and other bonds increased by RMB93,684 million or 6.0%.

DISTRIBUTION OF INVESTMENT IN BONDS BY REMAINING MATURITY

In RMB millions, except for percentages

Remaining maturity	At 31 December 2021		At 31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Undated[1]	167	0.0	35	0.0
Less than 3 months	514,685	5.8	495,137	6.1
3 to 12 months	1,228,144	13.9	978,923	12.2
1 to 5 years	3,517,415	39.9	3,493,342	43.4
Over 5 years	3,556,934	40.4	3,086,756	38.3
Total	**8,817,345**	**100.0**	**8,054,193**	**100.0**

Note: (1) Refers to overdue bonds.

DISTRIBUTION OF INVESTMENT IN BONDS BY CURRENCY

In RMB millions, except for percentages

Item	At 31 December 2021		At 31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
RMB-denominated bonds	8,110,061	92.0	7,388,349	91.8
USD-denominated bonds	450,447	5.1	436,381	5.4
Other foreign currency bonds	256,837	2.9	229,463	2.8
Total	**8,817,345**	**100.0**	**8,054,193**	**100.0**

In terms of currency structure, RMB-denominated bonds rose by RMB721,712 million or 9.8% over the end of last year; USD-denominated bonds increased by an equivalent of RMB14,066 million or 3.2%; other foreign currency bonds increased by an equivalent of RMB27,374 million or 11.9%. During the reporting period, the Bank improved the investment portfolio structure of foreign currency bonds and moderately increased the investment in bonds denominated in other currencies.

DISTRIBUTION OF INVESTMENT BY MEASURING METHOD

In RMB millions, except for percentages

Item	At 31 December 2021		At 31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial investments measured at fair value through profit or loss	623,223	6.7	784,483	9.1
Financial investments measured at fair value through other comprehensive income	1,803,604	19.5	1,540,988	17.9
Financial investments measured at amortised cost	6,830,933	73.8	6,265,668	73.0
Total	**9,257,760**	**100.0**	**8,591,139**	**100.0**

As at the end of 2021, the Group held RMB1,607,183 million of financial bonds[1], including RMB754,719 million of policy bank bonds and RMB852,464 million of bonds issued by banks and non-bank financial institutions, accounting for 47.0% and 53.0% of financial bonds, respectively.

1 Financial bonds refer to the debt securities issued by financial institutions on the bond market, including bonds issued by policy banks, banks and non-bank financial institutions but excluding debt securities related to restructuring and central bank bonds.

TOP 10 FINANCIAL BONDS HELD BY THE BANK

In RMB millions, except for percentages

Bond name	Nominal value	Annual interest rate (%)	Maturity date	Allowance for impairment losses[1]
Policy bank bonds 2015	20,700	4.21	13 April 2025	–
Policy bank bonds 2020	19,461	3.23	23 March 2030	–
Policy bank bonds 2020	18,440	2.96	17 April 2030	–
Policy bank bonds 2019	17,663	3.45	20 September 2029	–
Policy bank bonds 2019	17,071	3.48	8 January 2029	–
Policy bank bonds 2015	16,250	4.29	7 April 2025	–
Policy bank bonds 2020	15,135	3.79	26 October 2030	–
Policy bank bonds 2020	14,256	3.70	20 October 2030	–
Policy bank bonds 2020	13,500	3.74	16 November 2030	–
Policy bank bonds 2015	13,435	3.81	5 February 2025	–

Note: (1) Excludes stage 1 allowance for impairment losses set aside in accordance with the expected credit loss model.

Liabilities

As at the end of 2021, total liabilities reached RMB31,896,125 million, an increase of RMB1,460,582 million or 4.8% compared with the end of last year.

In RMB millions, except for percentages

Item	At 31 December 2021		At 31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Due to customers	26,441,774	82.9	25,134,726	82.6
Due to banks and other financial institutions	2,921,029	9.2	2,784,259	9.1
Repurchase agreements	365,943	1.1	293,434	1.0
Debt securities issued	791,375	2.5	798,127	2.6
Other	1,376,004	4.3	1,424,997	4.7
Total liabilities	**31,896,125**	**100.0**	**30,435,543**	**100.0**

Due to Customers

Due to customers is the Bank's main source of funds. As at the end of 2021, due to customers was RMB26,441,774 million, RMB1,307,048 million or 5.2% higher than that at the end of the previous year. In terms of customer structure, corporate deposits increased by RMB386,603 million or 3.0%; and personal deposits increased by RMB837,432 million or 7.2%. In terms of maturity structure, time deposits increased by RMB952,110 million or 8.0%, while demand deposits increased by RMB271,925 million or 2.1%. In terms of currency structure, RMB deposits stood at RMB24,914,524 million, an increase of RMB1,342,532 million or 5.7%. Foreign currency deposits were equivalent to RMB1,527,250 million, a decrease of RMB35,484 million or 2.3%.

DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2021		At 31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate deposits				
Time deposits	5,798,353	21.9	5,489,700	21.8
Demand deposits	7,533,110	28.5	7,455,160	29.7
Subtotal	**13,331,463**	**50.4**	**12,944,860**	**51.5**
Personal deposits				
Time deposits	7,107,386	26.9	6,463,929	25.7
Demand deposits	5,390,582	20.4	5,196,607	20.7
Subtotal	**12,497,968**	**47.3**	**11,660,536**	**46.4**
Other deposits[(1)]	**250,349**	**0.9**	**261,389**	**1.0**
Accrued interest	**361,994**	**1.4**	**267,941**	**1.1**
Total	**26,441,774**	**100.0**	**25,134,726**	**100.0**

Note: (1) Includes outward remittance and remittance payables.

DISTRIBUTION OF DUE TO CUSTOMERS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

Item	At 31 December 2021		At 31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	38,290	0.1	42,611	0.2
Yangtze River Delta	5,436,282	20.6	5,057,963	20.0
Pearl River Delta	3,495,325	13.2	3,335,179	13.3
Bohai Rim	6,885,411	26.0	6,733,969	26.8
Central China	3,900,441	14.8	3,608,490	14.4
Western China	4,320,355	16.3	4,072,459	16.2
Northeastern China	1,410,376	5.3	1,308,155	5.2
Overseas and other	955,294	3.7	975,900	3.9
Total	**26,441,774**	**100.0**	**25,134,726**	**100.0**

Shareholders' Equity

As at the end of 2021, shareholders' equity totaled RMB3,275,258 million, RMB365,743 million or 12.6% higher than that at the end of the previous year. Equity attributable to equity holders of the parent company recorded an increase of RMB364,253 million or 12.6% to RMB3,257,755 million. Please refer to the "Consolidated Financial Statements: Consolidated Statement of Changes in Equity" for details.

Off-balance Sheet Items

The off-balance sheet items of the Bank mainly include derivative financial instruments, contingencies and commitments. For details on the nominal amount and fair value of derivatives financial instruments, please refer to "Note 21. to the Consolidated Financial Statements: Derivative Financial Instruments". For details on contingencies and commitments, please refer to "Note 46. to the Consolidated Financial Statements: Commitments and Contingent Liabilities".

Analysis on Statement of Cash Flows

Net cash inflows from operating activities amounted to RMB360,882 million, representing a decrease of RMB1,196,734 million as compared to last year, principally due to the decrease of cash inflows resulted from the decrease of net increase of due to customers and due to banks and other financial institutions. Specifically, cash outflows of operating assets increased by RMB8,130 million; and cash inflows of operating liabilities decreased by RMB1,185,927 million.

Net cash outflows from investing activities amounted to RMB674,556 million. Specifically, cash inflows were RMB2,718,919 million, representing an increase of RMB613,048 million over last year, mainly due to the increased cash proceeds from the sale and redemption of financial investments; and cash outflows were RMB3,393,475 million, representing an increase of RMB152,507 million, mainly due to the increase in cash payment for financial investments.

Net cash outflows from financing activities amounted to RMB11,553 million. Specifically, cash inflows were RMB975,234 million, representing an increase of RMB27,759 million over last year, mainly due to the increased cash proceeds from the issuance of other equity instruments; and cash outflows were RMB986,787 million, representing a decrease of RMB7,637 million mainly due to the decreased cash payment for repayment of debt securities.

Reconciliation of Differences between the Financial Statements Prepared under PRC GAAP and Those under IFRSs

In respect of the financial statements of the Bank prepared under PRC GAAP and those under IFRSs, net profit attributable to equity holders of the parent company for the year ended 31 December 2021 and equity attributable to equity holders of the parent company as at the end of the reporting period have no differences.

BUSINESS OVERVIEW

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SUMMARY OPERATING SEGMENT INFORMATION

In RMB millions, except for percentages

Item	2021 Amount	2021 Percentage (%)	2020 Amount	2020 Percentage (%)
Operating income	**860,880**	**100.0**	**800,075**	**100.0**
Corporate banking	398,373	46.3	393,661	49.2
Personal banking	346,172	40.2	318,058	39.7
Treasury operations	111,278	12.9	83,931	10.5
Other	5,057	0.6	4,425	0.6
Profit before taxation	**424,899**	**100.0**	**392,126**	**100.0**
Corporate banking	140,569	33.1	146,903	37.5
Personal banking	195,658	46.0	174,469	44.5
Treasury operations	85,326	20.1	68,199	17.4
Other	3,346	0.8	2,555	0.6

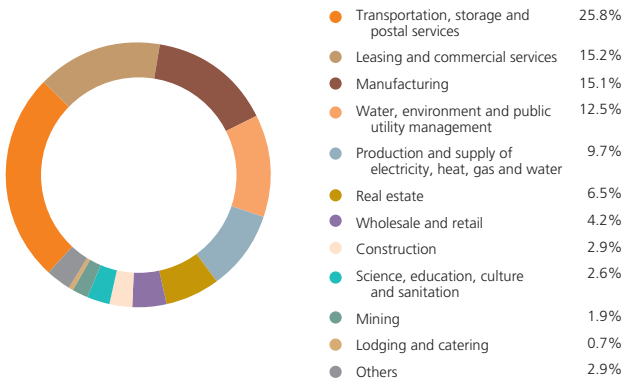
Note: Please see "Note 48. to the Consolidated Financial Statements: Segment Information" for details.

Corporate Banking

Adhering to using corporate banking services as an important means to boost the high-quality development of the real economy, the Bank innovated the corporate credit layout of new manufacturing, new services, new basic industries and high-tech customer groups, improved the supply of financial resources for the key areas and weak links in the real economy, and actively shouldered the responsibilities as a large bank. At the end of 2021, corporate loans reached RMB12,194,706 million, representing an increase of RMB1,091,973 million or 9.8% over the end of last year. Corporate deposits stood at RMB13,331,463 million, representing an increase of RMB386,603 million or 3.0%.

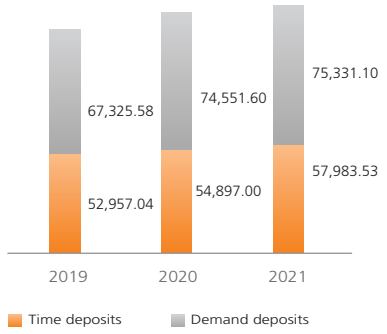
- New breakthroughs have been achieved in customer base. The Bank deeply conducted the "net making and patching" program, expanded the customer base, improved customer quality, activated customer transactions, and enhanced customer expansion and maintenance capability. While focusing on high-quality customer marketing, the Bank vigorously expanded medium-sized enterprise customer groups to establish a coordinated, active and loyal customer base comprising large, medium and small enterprises. At the end of 2021, the number of corporate customers increased by 12.1% over the end of the previous year to 9,691 thousand.

Corporate loans of domestic branches by industry of loan customers



Corporate Deposits

Unit: RMB100 millions



- The Bank served the high-quality development of the manufacturing. It has carried out the campaign of "Year of Financial Services for Manufacturing" for three consecutive years, and has signed a strategic cooperation agreement with the Ministry of Industry and Information Technology to strengthen product innovation and resource guarantee. At the end of 2021, the balance of manufacturing loans exceeded RMB2 trillion, ranking first among peers in terms of both the balance and increment.
- The Bank supported the high-level self-reliance and self-improvement in science and technology. It upgraded the financial service system for technological innovation, signed a strategic cooperation agreement with the Ministry of Science and Technology, carried out the campaign of "Financial Service for National High-tech Industrial Development Zones and High-tech Enterprises" and initially formed a service pattern driven by "technological innovation and strategic emerging industries". At the end of 2021, the balance of loans to enterprises in key high-tech fields and strategic emerging industries supported by the state both exceeded RMB1 trillion.
- The Bank provided comprehensive financial services for private enterprises. It implemented the "Eight Comprehensive Measures" to serve private enterprises, and carried out the "Project of Improving Services for Private Enterprise Partners". At the end of 2021, the balance of loans to private enterprises reached RMB3.39 trillion.
- The Bank drove green development with green finance. It actively supported green and low-carbon transformation, especially the financial needs of green industries such as clean energy and green transportation. At the end of 2021, the balance of green loans amounted to RMB2.48 trillion. The Bank, as the lead underwriter, underwrote RMB63,637 million worth of green bonds (including carbon neutrality bonds) in the year.
- The Bank actively integrated into the regional coordinated development strategy. It stepped up financial support focusing on coordinated development of the Beijing-Tianjin-Hebei region, integrated development of the Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, the rise of central China, and the Chengdu-Chongqing economic circle. At the end of 2021, RMB corporate loans in key regions reached RMB7.54 trillion, accounting for 71% of the balance of RMB corporate loans of domestic branches, representing an increase of RMB884.0 billion over the end of the previous year.

Inclusive Finance

In light of China's 14th Five-Year Plan and vision for the year 2035, the Bank implemented the new development concept, served the new development paradigm, and promoted high-quality development in the new development stage. With the high-quality development of inclusive finance as an important measure to better serve the real economy and enhance its competitiveness, the Bank continued to push forward product innovation, strengthen service channels, improve comprehensive services and promote the high-quality and sustainable development of inclusive financial services.

- The Bank continuously provided stable and efficient inclusive credits. It adhered to digital inclusive development, accelerated the improvement of the centralized operation system and online and offline integrated service channels in line with the characteristics of "digital inclusive finance", and supported the sustained and rapid growth of inclusive loans and customers.
- The Bank provided targeted support for the key links of inclusive finance. Catering for the needs of the real economy, it increased first loans, loan renewal, credit loans and manufacturing loans for small and micro enterprises. It optimized the regional layout, and promoted the rapid business growth in the regions with active operation of small and micro enterprises, to attain the key regions-driven development. It stepped up support for regions with weak business foundation to achieve sustainable regional development.
- Innovation of inclusive finance products was advanced constantly. The Bank upgraded the "Quick Lending for Operation", accelerated the integration and application of multidimensional data, and improved the non-contact service mode. The Bank launched innovative scenarios such as "Technical Innovation Loan", "Prosperous Agriculture Loan" and "Solar Power Loan" to better meet the needs of market segments. The Bank continued to promote the online transformation of the whole process of "e-Mortgage Quick Loan" product, to improve business processing efficiency and customer experience; "e-Enterprise Quick Loan", an innovative financing product, was launched to further enrich online collateral products. The Bank optimized the financial service platform for supply chain, created a unified service portal for digital supply chain financing, and further enhanced its service capability.
- The Bank continuously enhanced the capability of inclusive finance services. It deeply identified customer needs, strengthened strategic coordination, and leveraged the Group's comprehensive business advantages to render the inclusive finance services that combined financing, consulting and commercial services; it continued to carry out a series of activities such as "ICBC Inclusive Finance Travel", "One Thousand Experts Serving Small and Micro Enterprises", "Ten Thousand Small and Micro Enterprises Growth Plan" and "Specialization, Refinement, Differentiation and Innovation • Chunfeng Action", and gradually formed a set of inclusive finance service models with strategic value; it gave full play to the advantages of the Group's domestic and foreign service outlets, upgraded and built version 2.0 of the "ICBC Business Matchmaker", a cross-border matchmaking platform that provides intelligent, full-process and closed-loop cross-border matchmaking services consisting of five features, i.e. events, marketplace, feature zone, financial service and information message, and allows 7×24-hour, one-point access to the global industrial chain for small and medium enterprises.
- At the end of 2021, inclusive small and micro enterprise loans amounted to RMB1,099,012 million, representing an increase of RMB378,448 million or 52.5% over the beginning of the year; inclusive small and micro enterprise loan customers numbered 795 thousand, representing an increase of 204 thousand; the average interest rate of newly granted inclusive loans was 4.10%. The balance of agriculture-related loans was RMB2,661,317 million, representing an increase of RMB404,101 million or 17.9% over the beginning of the year; the Bank had 1,182 thousand agriculture-related loan customers, representing an increase of 240 thousand; the average interest rate of newly granted agriculture-related loans was 4.13%, down 19 basis points from the previous year. The Bank had 342 small and micro financial business centers, up 18 over the end of the previous year.

Institutional Banking

- The Bank consolidated its dominant position in traditional fields such as finance and social security, and served the national reform. In the financial field, the Bank strengthened basic financial services for financial funds and provided high-quality financial services to financial departments and budget units at all levels; in the field of social security, "ICBC e Social Security" services were made available in all provinces and autonomous regions in China; in the field of agriculture, rural areas and farmers, it took the lead in the industry to launch the "Digital Villages" comprehensive service platform to assist agricultural and rural authorities at all levels in strengthening the standardized management of rural collective economy and improving the smart public services and social governance in rural areas, which have covered 31 provinces, 260 prefectures and cities across the country. The Bank has established information technology-based cooperation with 770 district and county-level agricultural and rural departments. Its project was rated as "2021 Excellent Project of New Technology, New Product and New Model of Digital Agriculture in Rural Areas" by the Ministry of Agriculture and Rural Affairs.

- The Bank gave full play to the advantages of FinTech and tapped the growth potential in education, healthcare, public resources, social organizations and other fields. In the field of education, it took the lead in the industry to launch the "Education and Training Cloud" supervision platform, carried out IT-based fund supervision cooperation with 938 education authorities at all levels in China, and assisted to strengthen the management of education and training institutions and the supervision of training funds. In the medical field, the Bank launched the "ICBC Cloud Healthcare", an open platform of intelligent healthcare, and formed a matrix of intelligent healthcare products and services in 45 sub-categories out of five categories, covering all services and products in line with the major policies on the national "healthcare, medical insurance and medicine" interconnection reform. It was awarded the "excellent case of digital healthcare innovation services" at the 16th China Health Information Technology Application and Exchange Conference of the Information Center of the National Health Commission. In the field of public resource trading, the Bank independently developed the "e-Enterprise Guarantee", a blockchain e-guarantee platform that provides a new online service mode of e-guarantee with automatic processing, real-time receiving and whole-process management in the field, and helps improve the business environment. In the field of social organizations, the Bank launched a "Civil Affairs Capital Verification Link" and cooperated with local civil affairs departments to provide online capital verification services for new social organizations.

- The Bank built a new model of cooperation in financial institutions to serve the real economy. It improved the mechanism for customer service, established a "systematic, digital, ecological and professional" service system, and served thousands of customers of different types identified by level, class, group or category. It launched the "Gong Tong Ying", an innovative comprehensive service platform for financial customers, which provides customers with all-round and one-stop services. The Bank deepened financial infrastructure cooperation, optimized innovation support for exchanges, registration and settlement, guarantee funds, payment systems and other financial infrastructure customers, and facilitated the development of financial institutions through platform services. It was among those first successfully participating in the commodity clearing business in Shanghai Clearing House, and ranked first in the market in terms of contractual customers and clearing amount. It was also among those first obtaining the online financing qualification of standard warehouse receipts on Dalian Commodity Exchange and carried out the first interbank transaction. The Bank served the building of multi-level capital market, strove to be the capital hub and leading bank in the capital market, and signed a tripartite strategic cooperation agreement with the National Equities Exchange and Quotations Co., Ltd. and Beijing Stock Exchange. It helped with interbank risk prevention and control through FinTech, and provided nearly 30 small and medium banks, securities companies, insurance and other interbank customers with five categories of scientific and technological products, including "ICBC BRAINS" intelligent anti-money laundering system and credit management system.

Settlement and Cash Management

- The Bank provided high-quality account services in a customer-centric manner. It actively implemented the requirements for "delegating power, streamlining administration and optimizing government services" and strengthened the digital convenient service coverage of settlement accounts in various typical scenarios. It enhanced cooperation with government departments, and provided enterprises with source account opening services through the "Enterprise Link" business. It broadened customer base by platform, and made the account opening appointment interface available to help improve the business environment.

- The Bank deeply served the broadest customer base, and made a breakthrough in "net making and patching" program. It gave full play to the advantages of settlement finance to serve large customers, and provided comprehensive financial services for group enterprises and large and medium enterprises relying on the advantages of cash management business. It served medium-sized customers with high-quality settlement products, upgraded the "ICBC Pooling" platform, embedded the "ICBC E Enterprise Payment" into the trading platform, and provided efficient online payment and settlement services for traders. It offered digital batch service for small and micro customers, embedded "non-financial + financial" services in enterprise operation and management through small and micro financial service platform, realized targeted marketing, big data operation and digital risk control, and effectively improved the coverage and capability of services for small and micro enterprises.

- At the end of 2021, the Bank maintained 11,216 thousand corporate settlement accounts, representing an increase of 1,110 thousand over the end of the previous year. It had 1,609 thousand cash management customers, including 9,615 global cash management customers. The volume of corporate settlements reached RMB2,598.13 trillion.

Strengthening Settlement Finance Support and Coordination to Serve the Bank's Strategy

Facilitating to build the "No.1 Personal Bank". The Bank promoted the interactions among government, business and consumption ("GBC") through ICBC e BillPay. In 2021, it handled payment services of RMB713 billion for customers, served 144 million individual customers in total, and saw an increase in the flows of both corporate and individual customer. In 2021, ICBC e BillPay was awarded the "Best Aggregate Payment Product in China" by *The Asian Banker*.

Facilitating to build the "Preferred Bank for Foreign Exchange Business". It took a global response approach to extend global cash management services to more than 80 countries and regions. It deepened bank-enterprise cooperation, and effectively served 64 "going global" state-owned enterprises directly under the central government, accounting for 77% of total, and 149 customers out of the Fortune Global 500. In 2021, the Bank was awarded the "Best Asian International Cash Management Bank in Asia Pacific" by *The Asian Banker*.

Facilitating to implement the Strategy for Sharpening Competitive Edge in Key Regions. Focusing on the building of two zones in Beijing, it launched the pilot project of domestic and foreign currency integrated cash pool. Focusing on the building of Guangdong-Hong Kong-Macao Greater Bay Area, the Bank took the lead in the industry to launch the universal free trade (FT) cash pool business in Guangzhou and Hengqin. Focusing on the Yangtze River Delta Integration, the Bank provided strategic customers with innovative services for cross-border cash pool under the Shanghai Free Trade Zone policy.

Facilitating to implement the Urban-Rural Collaborative Development Strategy. It was the first to launch the "rural collective intelligent account opening service", provided door-to-door services with portable intelligent terminals, and comprehensively improved the service experience of agro-related non-enterprise accounts. It carried out chain marketing with a focus on leading enterprises in agricultural industrialization, and assisted high-quality enterprises with reserve grain purchase projects.

Investment Banking

- The Bank served the high-quality development of the real economy, focusing on key areas such as the reform of state-owned enterprises, capital market, industrial integration, and the Belt and Road Initiative. As the first bank to issue more than RMB1 trillion of M&A financing accumulatively, the Bank increased credit supply in manufacturing industry and maintained a leading position in domestic and overseas M&A markets. By number of M&A deals led by the Bank, the Bank ranked first in China in Refinitiv's ranking of Any Chinese Involvement Completed and first in the ranking of China Outbound Announced M&A.
- The Bank assisted with the supply-side structural reform through the new model of investment-loan interconnection and interaction between commercial banking and investment banking. The Bank actively participated in publicly offered REITs to support infrastructure construction, and strengthened services for scientific and technological innovation, advanced manufacturing, green environmental protection and other industries. The Bank innovated equity financing products to help enterprises optimize their capital structure and provide fund support for major infrastructure projects. The Bank expanded actively managed asset securitization business to meet the needs of enterprises for comprehensive financial services. The Bank accelerated the financing rearrangement and enterprise debt restructuring, and mitigated the liquidity pressure and potential risks of customers. The Bank enriched the mobile scenarios of customer services, upgraded the functions of "ICBC e Confirmation Service", "ICBC e Intelligence", "ICBC e Security", "ICBC e RM" and "ICBC ISP" and enhanced the new driving force of digital services.
- In 2021, the Bank acted as the lead underwriter for 2,673 Chinese bond projects with a total value of RMB1,807,765 million, ranking first in the market for 15 consecutive years. It acted as the lead underwriter for a total of RMB81,357 million worth of ESG bonds such as green bonds (including carbon neutrality bonds), sustainability-linked bonds and rural revitalization bonds, ranking first in the market.

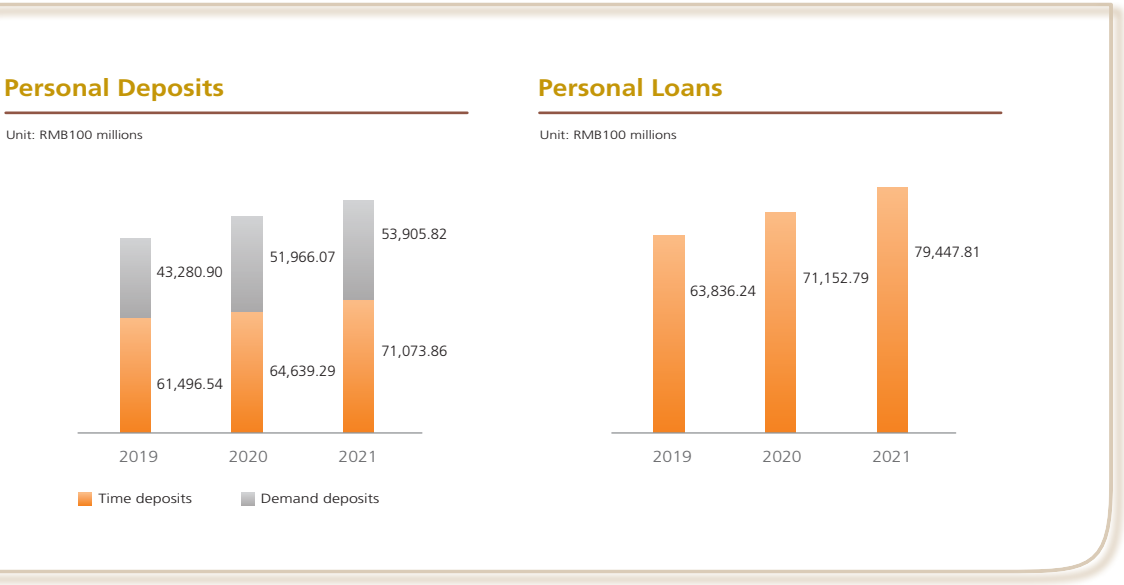
Discounted Bills

- The Bank grasped the development trend of financial services, successfully made a debut of banker's acceptance rediscounting service of supply chain bill in China, and launched featured products such as "Monthly Discount", "Weekend Discount", "ICBC i Green Discount", "Supply Chain Bill Pay Plus", "ICBC e Discount + Agreed Interest". The "bill business platform scenario" project was connected with the high-quality industrial platform to further improve the user function experience of bill business in corporate internet banking channels.
- In 2021, discounted bills amounted to RMB1,708,223 million, representing an increase of 15.8% year on year, ranking first in the market. Discounted bills for small and micro enterprises reached RMB473,966 million. At the end of 2021, the balance of discounted bills for small and micro enterprises was RMB213,796 million.

Personal Banking

In 2021, the Bank continued to deepen the No.1 Personal Bank Strategy, to make it a bank satisfactory to the people. Focusing on the building of an individual customer ecosystem, the Bank promoted the high-quality business development relying on the "intelligent brain" decision pivot and full-spectrum operation system.

- It upgraded the "intelligent brain" decision pivot. Relying on the "intelligent brain", the Bank drew up a plan for differentiated and targeted services, and developed the overall plan and strategy for personal customer marketing services through online and offline multi-channel service outlets. A total of 34 intelligent models have been developed and put into operation to realize automatic triggering and real-time response, strengthen the empowerment support for marketing and management personnel, and promote the digital and intelligent transformation of personal banking.
- The broadest customer base service system was upgraded comprehensively. Being customer-centric, the Bank launched "ICBC Star Privileges", a brand-new high-star personal customer value-added equity brand, and deeply carried out the activities, including "March Forward with Wealth and Gift", a medium and high-end customer marketing activity, "Treasure Hunt", a credit reward activity, and "Star Promotion", a targeted marketing activity. The number of customers with the average monthly/daily financial assets of RMB50,000 and above increased by 6.5% over the end of the previous year.
- The Bank promoted the transformation and development of wealth management business. It organized and carried out activities such as "828 ICBC Wealth Season" and "AXA Theme Day", launched a series of wealth management products that are open, selected, best-selling and exclusive under new financial regulations, and promoted intelligent asset allocation services.
- The Bank fully met customers' consumer financing needs. Adhering to the guideline that "housing is for living in, not for speculation", the Bank satisfied the reasonable needs of customers, including first time home buyers, and continued to carry out special marketing activities, such as "Home-backed Finance", "Merchants Mate", "Online Merchants Loan" and "Entrepreneurship Dream".
- At the end of 2021, the number of personal customers increased by 23.41 million over the end of the previous year to 704 million. Personal financial assets totaled RMB16.96 trillion. Specifically, personal deposits reached RMB12,497,968 million, representing an increase of RMB837,432 million or 7.2%. Personal loans stood at RMB7,944,781 million, representing an increase of RMB829,502 million or 11.7%. Funds under agency sales amounted to RMB645.4 billion, government bonds under agency distribution were valued at RMB57 billion, and personal insurance products under agency sales reported at RMB108.2 billion.



ICBC Deepened the No.1 Personal Bank Strategy

In 2021, the Bank quickened the pace of deepening the No.1 Personal Bank Strategy, made new progress and new breakthroughs, and took on a new look.

Focusing on the financial business "serving, benefiting and reassuring the people", the Bank improved the adaptability, competitiveness and inclusiveness of financial services, with the total number of personal customers topping 700 million. Among them, the number of mobile banking customers reached 469 million. Credit card consumption tended to recover gradually, giving an impetus to services for the strategy of expanding domestic demand. Focusing on the goal of common prosperity, the Bank vigorously developed wealth management business, managed personal financial assets of nearly RMB17 trillion, remaining in the leading position in the industry. The balance of personal wealth management products under the new rules stood at RMB1.71 trillion, representing an increase of 102.71% over the end of the previous year. Relying on "Rural Revitalization • Funong Card", the Bank quickened the pace of expanding county markets, and promoted financial services at the grass-roots level. It launched the "ICBC with You" service brand, created products, services, channels and theme activities suitable for the elderly, and accelerated the building of all-in-one social security card as a move to fulfill the responsibility of a large bank. It held nearly half of the newly increased market share of social security cards.

In light of the core objective of strategic breakthrough, the Bank strengthened the upgrading of financial supply side services, and promoted high-quality business development. Personal deposits exceeded RMB12 trillion, hitting a new high. The cost was effectively controlled and the capacity of volume-price coordination was significantly enhanced. The balance of personal loans approached to RMB8 trillion. The quality of assets improved steadily, and the balance and ratio of non-performing loans both declined. Income from fee-based personal banking increased steadily.

In light of the "customer-centric" business philosophy, the Bank comprehensively promoted the transformation from "business-oriented" to "customer-oriented", strengthened the overall planning to meet the needs of customers, and significantly improved the cohesion and competitiveness of personal banking. Focusing on the building of personal customer ecosystem and customers' needs to spend money, make money, borrow money and manage money, the Bank promoted the comprehensive building of wealth management, consumer finance, payment and settlement and smart account business system, with the operation of key customer groups as the foothold. The Bank further strengthened capacity-building, assessment orientation and digital transformation, and established a digital operation, investment research and consulting, and innovation empowerment team of the Head Office, providing stronger support and guarantee for building the No.1 Personal Bank to the satisfaction of the people.

Private Banking

- In line with the buyer's market trend of wealth management, the Bank grasped the diversified needs of private banking customers, shifted from single product marketing to comprehensive service, and built a comprehensive service ecosystem for private banking customers jointly built in multiple scenarios of "individuals, families, enterprises and social responsibility".
- The Bank adhered to product and service innovation. It made efforts to build a service ecosystem for entrepreneurs, and listed 100 branches as "Entrepreneurs Service Center". It jointly issued the Report on ICBC Entrepreneur Wealth Health Index with renowned universities. The Bank strove to build a comprehensive service platform for family customers, vigorously developed family trust consulting business, and successfully launched insurance trust, fund trust, equity trust and other full-spectrum family wealth management services.
- The Bank spared no effort to promote innovation in the field of green finance, worked with ICBC Wealth Management to create "Hengrui" series of green finance themed products, helped serve major strategies such as national rural revitalization and common prosperity, and carried forward China's contemporary entrepreneurship.
- The Bank was awarded the "Overall Best State-Owned Private Bank in China" by the *Asiamoney*, the "Excellent Private Bank of the Year" by the *National Business Daily*, and the "The Competitive Private Bank in 2021" by the *China Business Journal*.
- At the end of 2021, the Bank had 199.5 thousand private banking customers, representing an increase of 17.6 thousand or 9.7% over the end of the previous year. The assets under management totaled RMB2.32 trillion, representing an increase of RMB144.2 billion or 6.6%.

Bank Card Business

- Based on the crossover scenario of "finance plus tourism", the Bank issued the co-branded credit card of ICBC Universal Beijing Resort with exclusive authorization. It also issued various innovative debit cards and carried out continuous promotional campaigns such as "Palace Museum Card Applicant Gifts" and "CNPC UnionPay Cloud Flash Pay Discount".
- The Bank accelerated the building of ICBC e Life platform by creatively promoting "credit card plus e-CNY" closed loop where both e-CNY payment and QR code payment could be completed with the e Life APP. The Bank supported the acceptance of Visa overseas cards in its e-CNY wallet to back up the Winter Olympic Games.
- By the end of 2021, the Bank had issued 1,169 million bank cards, an increment of 41.70 million compared with the end of last year. Specifically, 1,006 million debit cards and 163 million credit cards had been issued. The overdraft balance of credit cards reached RMB692,339 million. In 2021, ICBC bank cards registered a spending volume of RMB22.99 trillion, including RMB20.43 trillion from debit cards and RMB2.56 trillion from credit cards.

Asset Management Services

The Bank firmly implemented the regulatory requirements, seized development opportunities, pushed forward the transformation of asset management business and products in a steady and compliant manner and comprehensively enhanced investment management and research capabilities. It established an asset management business system allowing allocation of capital in all markets and value creation across the whole value chain by relying on the strength of the Group's asset management, custody and pension businesses as well as its comprehensive subsidiaries specialized in fund, insurance, leasing, investment banking and wealth management, to serve direct financing, and provide diversified, integrated and specialized services for customers.

Wealth Management Services

- In compliance with regulatory requirements and New Rules on Asset Management, the Bank made comprehensive use of wealth management product undertaking, asset return to the balance sheet and market-based transfer and other measures that comply with the new regulations, and overdid the task of rectifying and reducing existing wealth management products during the transition period. At the end of 2021, the balance of wealth management products reached RMB2,586.9 billion. Please refer to the section headed "Business Overview — Diversified Operation and Subsidiary Management" for details on the business development of ICBC Wealth Management.

Asset Custody Services

- New breakthroughs were made in key products, and the Bank's leading position in the industry was further consolidated. The mutual funds under custody amounted to RMB3.7 trillion, representing an increase of RMB663.7 billion over the end of the previous year. The pension funds under custody totaled RMB2.3 trillion, an increase of RMB359.1 billion. The enterprise annuity funds, occupational annuity funds and pension fund products under custody ranked first in the industry. The insurance asset under custody was RMB5.9 trillion, an increase of RMB479.8 billion. The Bank achieved an important breakthrough in global custody business, and was approved eligible for the first batch of pilot custody and clearing bank under "Southbound Bond Connect" scheme. The outsourcing business of asset management products developed rapidly, with a size over RMB2.5 trillion.
- The building of intelligent custodian bank was advanced steadily. The Bank officially released the "ICBC Intelligent Custody System", launched the ICBC custody mobile banking and the intelligent investment service platform, and comprehensively improved its custody service.
- The Bank was awarded the "Best Custodian Bank in China" and the "Best Insurance Custodian Bank in China" by *The Asset* and the "Best Custodian Bank in China (Mega Bank)" by *The Asian Banker*.
- At the end of 2021, the size of custody business reached RMB22.1 trillion.

Pension Services

- In light of China's strategy of actively responding to the aging population, the Bank made every effort to promote the transformation and development of pension business to pension finance business, build a business ecosystem centering on pension fund finance, senior care service finance and senior care industry finance, help improve people's well-being and fulfill the responsibilities of a large bank.
- The Bank won the "Tianji Award for Pension Financial Services Bank of the Year" by the *Securities Times*, the "2021 Top 10 Supply Wealth Management Innovation" by *The Chinese Banker*, and the "2020–2021 Investible Pension Financial Institution" by the *Economic Observer*.
- At the end of 2021, the annuity funds under custody amounted to RMB407.0 billion. The Bank managed 11.98 million individual enterprise annuity accounts, and the annuity funds under custody reached RMB1,152.3 billion. The Bank obtained the trustee, custodian and investment manager qualifications for occupational annuities in 33 regions under overall planning, with the total size of occupational annuities of the three qualifications ranking first in the market. The Bank ranked first among peers in terms of the scale of enterprise annuity funds under custody, number of individual enterprise annuity accounts and annuity funds under custody.

Financial Market Business

Money Market Activities

- In terms of RMB, the Bank actively fulfilled its responsibilities as a large bank and assisted in maintaining the smooth operation of the money market. It rationally devised financing maturities, varieties and counterparty structure, and constantly improved the profitability of fund operation. As it steadily promoted business innovation and development, it completed the first batch of offshore RMB negotiable certificate of deposit ("NCD") investments via "Southbound Connect".
- In terms of foreign currencies, the Bank continued to strengthen research of global central banks' monetary policies and closely tracked changes in the fund liquidity and interest rates of foreign currency markets. While ensuring liquidity safety, it flexibly employed foreign currency market operation tools to support the foreign currency financing needs of the real economy. The Bank was among the first on the market to make foreign currency repurchase with domestic foreign currency NCD and bonds under custody of ChinaBond as collaterals. In 2021, the Bank won many honors, including the "Best Foreign Currency Lending Panel Bank", the "Best Foreign Currency Lending Member" and the "Best Foreign Currency Repo Member" conferred by China Foreign Exchange Trade System.

Investment

- In terms of RMB bonds, the Bank continued to strengthen its capability to serve the real economy. It actively invested in local government bonds in strategic regions and key fields, and the scale of new investment in local government bonds ranked No.1 in the market for the seventh consecutive year. The Bank actively practiced green and low-carbon development and the rural revitalization strategy. It was among the first banks to invest in carbon neutrality bonds and sustainability linked bonds, and increased investment in rural revitalization bonds. Meanwhile, the Bank actively invested in energy supply guarantee related bonds, and bonds of advanced manufacturing industry and private enterprises, to give full play to the financial guarantee for energy security effect.
- In terms of foreign-currency bonds, the Bank steadily increased investments, moderately expanded portfolio investments, optimized the portfolio structure, and intensified support to the real economy and green finance. It completed the first batch of foreign-currency bond transactions via "Southbound Connect".
- In 2021, the Bank was honored as the "Top Investment Houses in Asian G3 Bonds" by *The Asset*.

Financing

- The Bank reasonably adjusted the financing structure based on liquidity management requirements, and operating benefit improved steadily. It actively advanced the development of the business system, improved the level of refined business management, and promoted the steady development of the financing business. For details on the Bank's CDs and debt securities issued, please refer to "Note to the Consolidated Financial Statements: 33. Certificates of Deposit; 35. Debt Securities Issued".

Treasury Trading Business on Behalf of Customers

- In terms of foreign exchange settlement and sales on behalf of customers and foreign exchange trading, the Bank continuously enriched foreign exchange settlement and sales and foreign exchange trading currencies, improved the trading functions of online channels, and provided convenient service for enterprises in exchange rate risk management. In terms of corporate commodity derivative trading, under the routine pandemic control mechanism, the Bank actively carried out online business promotion and marketing to attract customers, delivered good service to existing customers, promptly responded to customer queries and trading needs, and helped corporate customers properly respond to commodity price fluctuation risks during the pandemic. In terms of RMB interest rate derivative business, the Bank continued to provide interest rate risk management service to corporate customers like small and micro enterprises and manufacturing enterprises. In terms of the over-the-counter ("OTC") bond business, the Bank distributed China Development Bank's financial bonds with the themes of "Coordinated Development of the Beijing-Tianjin-Hebei Region" "Carbon Neutrality" and "Ecological Protection and High-quality Development of the Yellow River Basin", Agricultural Development Bank of China's "Carbon Neutrality" financial bonds and the OTC local government bonds in 36 provinces (autonomous regions, municipalities directly under the Central Government, and cities specifically designated in the state plan) to investors in the OTC market, contributing to the coordinated development of key regions and assisting in green finance, rural revitalization and regional development. The Bank was awarded the "Excellent Underwriter Award for Over-the-counter Circulating Bonds" and an "Excellent Underwriter Award for Over-the-Counter Local Government Bonds" by China Central Depository & Clearing Co., Ltd. In terms of foreign institutional investors trading business in China's inter-bank market, the Bank took an active part in serving foreign institutional investors from more than 60 countries and regions. It won the "Opening-Up Contribution Award" granted by the National Interbank Funding Center and the "Excellent Settlement Agent under Global Connect Business" granted by China Central Depository & Clearing Co., Ltd.

Asset Securitization Business

- The asset securitization business effectively supported the Bank in disposing of non-performing assets and optimizing credit structure, and further improved the Bank's capability to serve the real economy. In 2021, the Bank issued 19 asset-backed securities totaling RMB112,592 million, including the first green vehicle installment asset-backed securities issued by a commercial bank in China. By introducing cross-border funds via "Bond Connect", it further promoted financial cooperation between domestic and foreign institutions and the two-way opening up of the Chinese green bond market.

Precious Metal Business

- The Bank promoted the transformation and development of the physical precious metal business, to meet customers' demands for quality improvement in investment and consumption. It launched physical precious metal products with the theme of China International Import Expo, and on the basis of the "Magnificent China" theme, it rolled out "Most Beautiful Hometown" and "Beautiful Countryside" physical precious metal product series to fully demonstrate the appearance of rural revitalization. It also promoted the green and low-carbon development of the precious metal leasing business and opened up new space for business development. In 2021, the Bank ranked first among all dealers in Shanghai Gold Exchange in terms of gold and silver trading volume, clearing amount and gold leasing scale, was reelected "First Prize Winner of the Excellent Financial Member" by Shanghai Gold Exchange, and was named "Best Provider of Precious Metals Services" by *Global Finance*.

FinTech

Centering on the FinTech development plan (2021–2023), the Bank practiced technology self-reliance, strengthened the "dual wheel drive" of technological innovation and system reform, built new advantages in FinTech development, and empowered the development of "D-ICBC" with technology, which assisted in the Bank's high-quality development and better fostered a new development pattern.

In 2021, the Bank was ranked at first place in the banking industry for the eighth consecutive year in CBIRC's IT supervision ratings. The intelligent banking ecosystem ECOS won PBC's special award of the "FinTech Development Awards". The Bank became the first enterprise in the Chinese financial industry to obtain the highest Data Management Capability Maturity (DCMM) rating (Level 5), and it won the "Best Financial Innovation Award" from *The Chinese Banker* for the sixth consecutive year.

Fortifying Digital Infrastructure

The Bank adhered to technology self-reliance, promoted technology breakthrough in key fields of infrastructure system, and strengthened research and application of cutting-edge technologies. A series of new enterprise-level technology platforms with strong service capability and industry-leading advantages were built up based on 5G+ABCDI[1]. As at the end of 2021, the Bank had the most newly added and accumulated patents among Chinese banks.

- The Bank built the world-leading "cloud computing + distributed" technology architecture, leading the industry to transform from a traditional centralized one to a fully distributed one. The Bank completed the world's largest financial cloud platform with the strongest technological capacity and full coverage of business scenarios. With the platform, it realized automated and intensive management and full stack independent innovation cloud service supply. The Bank was the first among its peers to meet the Level 4 security capacity requirement for private clouds and the Level 3 security capacity requirement for ecosystem clouds, and it declared more than 200 patents for invention. It also established the distributed technology system with the most systems and the most extensive application among its peers, with an average daily service invocation of over 12.0 billion times.
- The Bank spared no effort to promote technology breakthroughs in key fields. The Bank was the first among its peers to realize the deployment of the "one cloud with multiple cores" architecture and to complete the compatible adaption of cloud platforms with general open platforms and the independent innovation technology system, which provided the Bank with the large-scale supply capacity of full

1 Refers to AI, BLOCK-CHAIN, Cloud Computing, Big Data and IoT.

stack basic resources for independent innovation. The Bank sought technology breakthroughs in key fields such as cloud platforms, operating system and database in a centralized way, connected key breakpoints in the independent innovation and transformation of the financial industry, and developed a complete package of technical solutions that can be copied and promoted for various fields including office management, data analysis, risk control, business management, regulatory reporting, etc., providing a model template for independent innovation, transformation, upgrading, application and promotion for the financial industry.

- A series of leading enterprise-level independent innovation technology platforms were built. The Bank built the first, reliable, efficient and scalable big data platform among peers, and established a big data service ecosystem integrating technology, data and services. It upgraded AI technology systems. It was the first among its peers to complete the enterprise-level Robot Process Automation ("RPA") platform, and also the first to pass the application maturity assessment of RPA systems and tools by the Ministry of Industry and Information Technology and the China Academy of Information and Communications Technology. A blockchain platform with proprietary intellectual property rights was built, which has integrated more than 150 technology breakthroughs. It was among the first batch to pass the five certifications under special evaluation for "Trusted Blockchain" by the Ministry of Industry and Information Technology and the China Academy of Information and Communications Technology, and was selected as part of the 2021 Blockchain 50 by *Forbes*.
- The Bank explored new "highlands" in cutting-edge technologies. By integrating satellite remote sensing technology with AI technology and using high-definition satellite remote sensing data and intelligent monitoring models, the Bank conducted post-lending monitoring of crop growth and construction of large engineering projects. The Bank was the first in the industry to complete the homemade intelligent POS monitoring system with the Beidou Navigation Satellite System as its only signal source. It made breakthroughs in the feasibility testing and pilot application of quantum technology in important financial encryption scenarios. It employed the privacy computation technology to develop innovative post-lending risk monitoring measures regarding small and micro enterprises.

Reinforcing Production Safety

The Bank took the initiative to deal with the new challenges brought by the complex and volatile external situation and technological reforms, adhered to the bottom line of safe production, further promoted the transformation of production, operation and maintenance, and upgraded and built in an information security defense system for the whole group and the whole process. The Group's production safety was maintained at a high level.

- The transformation of production and operation maintenance was carried out in an orderly manner. The Bank strengthened technical support capacity. Based on the distributed system framework, it realized the betterment of high-availability architecture deployment of key business lines such as mobile banking, internet banking, fast payment, financial markets, etc. The Bank improved emergency response capability. It was the first among its peers to complete the total switching drill of the cloud platform, and successfully simulated cross-park quick emergency switch at the ten-thousand node level under large-scale, complex fault scenarios. The drill verified the high availability level of key technology infrastructure. The Bank optimized the business operation monitoring system and realized full-link integrated monitoring of application and equipment in key applications, and formed correlation analysis and full-link tracking capabilities of cross-application transactions.
- The Group's information security protection capability was further improved. The Bank promoted the implementation of version 2.0 of network security rating and protection regulations and completed external evaluations for all its protection systems, all of were granted the highest grade of "Excellent". The Bank established the group-wide integrated intelligent information security management sub-center, allowing tier-one (directly managed) branches to conduct automated and visual management of tier-two branches within their jurisdiction. The Bank preliminarily established a financial attack-defense range and a safe operation model that uses attack to improve defense which won the first place in many security competitions held by the relevant departments. As the first financial institution member of the technology team of the China National Vulnerability Database (CNVD), the Bank fulfilled its responsibilities as a large bank and actively looked for 0 day vulnerabilities.

Promoting Innovation as a Drive of High-quality Development of the Bank

Centering on the needs of national strategies such as serving the real economy, preventing financial risks and deepening the financial reform, based on the intelligent banking ecosystem development project ECOS, the Bank deepened technological empowerment from the three dimensions of model innovation, production innovation, and ecosystem opening up and innovation and developed a series of quality services that the people are satisfied with.

- Promoting model innovation. The Bank encouraged innovation in non-contact services. It was the first among its peers to launch the "Cloud ICBC" brand system. By integrating and optimizing diverse service scenarios such as cloud business handling, screen-to-screen handling of urgent matters, around-the-clock communication, service integration, open-type intelligent ecosystem, etc., the system allows customers to handle their banking business anytime anywhere. The Bank promoted innovation in integration of data and intelligent technology. The Bank was the first in the industry to establish the enterprise-level data middle-office and was also the first to load the whole group's data into the data lake. It deposited 14 categories of customer features and provided more than 1,000 enterprise-level data services to business systems in the fields of customer marketing, product innovation, risk control, operation management, etc., which fully improved the capability to convert enterprise data into value. The Bank upgraded "intelligent brain" marketing and offered intelligent service solutions that are unique to 700 million personal customers. By using interactive techniques such as digital human, intelligent Q&As and voice interaction, the Bank intensified application of "Machine substitution" at the front office of customer service, the back office of business operation, etc. and launched more than 600 intelligent application scenarios with digital employee attributes.
- Strengthening product innovation. The Bank upgraded the intelligent custody platform, launched the featured deposit product "Intelligent Corporate Deposit Express", added e-CNY support into ICBC e BillPay and bank-enterprise interlink, and completed the industry's first public e-CNY payment with the State Grid e-commerce platform, the first of its kind in the industry. The Bank empowered cross-border finance. It established the "Southbound Bond Connect" business system to support the development of cross-border RMB business. It promoted the innovation and application of the Intelligent Trade Finance Platform. It was the first among its peers to join the cross-border financial blockchain service platform of the State Administration of Foreign Exchange as an authentication node, it was among the first institutions in the industry to complete the connection to the electronic L/C forfaiting system of PBC, and it was also the first in the industry to embed L/C products into the customs' Single Window platform. The Bank innovated in inclusive finance and launched "ICBC Inclusive", the three-in-one online channel brand that combines "an exclusive version of personal mobile banking, a WeChat applet, and a dedicated zone in enterprise mobile banking". It upgraded the cross-border business matchmaking platform, "ICBC Business Matchmaker", and launched its 2.0, which provides intelligent, whole-process closed-loop cross-border business matchmaking services to small and medium enterprises. The Bank empowered rural revitalization. It creatively launched the ICBC Xingnongtong APP, an online financial service channel for rural areas featured by services and functions concerning people's livelihood, agency services, inclusive finance services, village affairs, etc. It also established three service platforms, namely, the Xingnong matchmaking platform, the rural revitalization statistical monitoring platform, and the "Digital Villages" comprehensive service platform, to assist in the digital transformation of rural finance.

- Innovating in ecosystem cooperation. The Bank built the "1+N" intelligent government services product system and established the "all-in-one network" government service platform to fully empower government services. It promoted integration of government service data across the board and launched more than 300 bank-government cooperation scenarios in 29 branches. The Bank was one of the first contracted data traders of the Shanghai Data Exchange, concluded the first transaction and the first financing based on the data asset voucher at the Shanghai Data Exchange, and strengthened innovation in cooperation with local data markets. The Bank built an intelligent industry ecosystem, by establishing a series of platforms such as Julian and Jurong, connecting to supply chain scenarios in the upstream and downstream sections of large enterprises such as procurement and sales management, providing a package of personalized financial services, and empowering the transformation and upgrading into digital supply chains.

Accelerating Reforms of Technology Governance Mechanisms

The Bank deepened the layout of FinTech consisting of "one department, three centers, one subsidiary, and one research institute". It stepped up efforts in mechanism innovation, promoted penetration of the technology gene, continued to improve financial innovation response efficiency and supply capability, and unleashed the vitality of the Bank's FinTech innovation. The Bank invested RMB25,987 million in FinTech in 2021, and it had 35 thousand FinTech personnel at the end of 2021, accounting for 8.1% of all employees across the Bank.

- Building an active pattern and increasing innovation supply. The Bank implemented the FinTech talent development project, carried out the "Tech Elite" training program, and actively introduced high-end social technical personnel. It fully promoted the "trained by technology – used by business" talent pool mechanism and used layered and targeted incentives to unleash talents' innovation vitality. Meanwhile, the Bank established the open competition mechanism to encourage innovation, implemented the agile R&D model across the board, and organized more than one hundred flexible teams for agile R&D, who efficiently responded market demand. ICBC Information and Technology (Beijing) Co., Ltd. was established to reinforce the value output capability and market influence.
- Deepening industry-university-research-application. The Bank gave play to the R&D capabilities of the FinTech Institute and laboratories and strengthened joint innovation and R&D. Centering on prospective technology fields such as secure multi-party computation, federal learning, quantum technology, blockchain, 5G application, etc., joint laboratories such as financial information infrastructure, financial application of 5G, AI, etc. were built, assisting in China's independent technological innovation. The Bank cooperated with scientific research institutes and leading enterprises and focused on cutting-edge technologies. The Bank was the first in the industry to release the White Paper on Privacy Computing in Promoting the Development of the Data Ecosystem of the Financial Industry, and a total of 12 projects were designated as the pilot projects for innovation and supervision of FinTech, among which "IoT-based Item Traceability Certification Management and Supply Chain Finance" was among the first pilot projects completed for whole-process innovation and supervision of FinTech in China.
- Building an innovation culture. The Bank has held the ICBC Cup FinTech Innovation Competition for National College Students outside the Bank for 12 consecutive years. In 2021, more than 40,000 students from some 700 universities across the country signed up and submitted over 8,000 works. The Competition focused on hot issues and key fields, stimulated students' innovation vitality, and created a good technological innovation atmosphere. Within the Bank, by holding "Creative ICBC" series activities and establishing the incubation system, the Bank has formed the long-acting mechanism of "gathering – tutoring – testing – incubation – launch", which has supported and assisted in the spreading of creativity across the Bank.

Internet Finance

The Bank actively adapted to new needs of the digital development of the national economy. Based on key strategies, it accelerated reform and innovation, made overall plans for all channels, services via all channels and online customer operation, promoted the development of e-ICBC 4.0, and built the "One Body, Two Wings" development pattern featuring "own platforms + open banking". In 2021, transaction volume via electronic channels hit RMB732.85 trillion, an increase of 14.4% from the previous year, and business handled via electronic channels accounted for 98.8%. The Bank won a number of important awards in the field of internet finance, including "Best Digital Consumer Bank in China" and "Best Corporate/Institutional Digital Bank in China" from *Global Finance*.

Accelerating Platform Innovation and Deepening Synergy among Channels

- Building No.1 Personal Mobile Bank and empowering the No.1 Personal Bank Strategy. The Bank launched Version 7.0 of personal mobile banking that features "five intelligent companionships", namely, wealth companionship, cloud companionship, exclusive companionship, account companionship, and privilege companionship and provides interaction in all respects and companionship throughout the whole customer journey. The Bank established a personalized service system. It released exclusive versions including Happy Life Version 2.0, Beautiful Home Version 2.0, Inclusive Finance for Small and Micro Enterprises Version 1.0, the English version and the payroll payment agency service zone, "ICBC Salary Manager", improved exclusive services for key customer groups such as elderly customers, customers in counties, small and micro enterprises, cross-border service customers and payroll payment agency service customers, and met customers' diversified financial needs. The Bank improved user experience of mobile banking by upgrading a number of frequently used transaction functions. It also intensified precision marketing of financial products. Wealth management, fund and insurance transaction volume via online channels accounted for over 95%. At the end of 2021, personal mobile banking customers recorded 469 million, and ICBC Mobile Banking became the first application in banking industry that topped 100 million monthly active users ("MAU"), with over 150 million MAUs at mobile terminals, leading the industry in terms of customer size and activity.

- Improving the functions and user experience of enterprise mobile banking and internet banking. The Bank launched Enterprise Mobile Banking 4.0, improved the basic platform service capability of enterprise internet finance, and carried out the "Excellence Project" of frequently used functions of corporate internet banking. In 2021, average of the monthly active customers of corporate internet banking hit 4.41 million, and that of Enterprise Mobile Banking 1.60 million. The Bank maintained a leading position by customer activity in the industry.

- Deepening government-business-consumption coordination and assisting in "net making and patching" program. Seizing the opportunities of reforms to streamline administration and delegate power, improve regulation, and upgrade services and the development of digital economy, the Bank promoted bank-government-enterprise cooperation in depth. Through "Ju Fu Tong", it connected to nearly 200 platforms and served 73 government and public service platforms. The Bank assisted customers in traditional manufacturing circulation fields in going online and served 26 thousand corporate customers. In the field of consumer internet, the Bank actively explored cross-border e-commerce business, intensified marketing of cross-border e-commerce platforms, and strengthened cooperation with rural revitalization related platforms. In this field, it served 19.60 million personal customers.

- Deepening online and offline integrated development. A total of 16 thousand "cloud" outlets, 28 thousand wealth managers, over 100 remote customer service representatives provided online and offline integrated services in the "intelligent + manual" and "text + voice + video" forms via "cloud outlets, cloud studios and cloud customer service", making the Bank, employees and services available online. The services and functions of "cloud" outlets were upgraded, and capabilities in online and offline marketing and publicity, characteristic operation and collaborative output were improved. Twelve cloud outlets with ancient building characteristics and benchmarking "cloud" outlets on Universal City Walk were created, and marketing of characteristic outlet brands was strengthened. Enterprise-level WeChat accounts were integrated and upgraded, resulting in resource concentration and efficient operation of the WeChat ecosystem. Moreover, connection between mobile banking and remote banking and outlets was deepened, with the launch of the real-time same-screen tutoring service, an upgrade from "face

to face" service at outlets to "screen to screen" interaction online. The scope of remote online video review business was expanded to include more frequently used services including debit card password changing, cancellation of loss reporting of debit cards, etc. Card-free and certificate-free service scenarios at outlets and medialess service scenarios of intelligent devices were enriched by launching the "Scan and take a queue number" function and the counter service evaluation function on mobile banking. The "ordering online and mailing offline" service of mobile banking covered ten scenarios including issuance of credit certification, printing of details of history, query of loan details, etc., and its replacement rate of outlet services exceeded 90%.

- Accelerating interconnection between domestic and overseas business and serving domestic and international circulations. Centering on mobile finance, corporate service and cross-border scenarios, the Bank worked faster to improve the quality and standard of overseas online financial services. Version 6.0 of overseas personal mobile banking was fully upgraded at pilot institutions including ICBC (Asia), ICBC (Macau), Singapore Branch, and ICBC (Thai). Overseas corporate internet financial services were further improved, and the global version of corporate internet banking was continuously promoted at overseas institutions. New highlights such as overseas study remittance and payment were developed in cross-border business scenarios, the overseas study remittance product was launched in personal mobile banking, and the overseas services of ICBC e-Payment were promoted, making overseas mobile payment more convenient.

Serving the Real Economy and Building an Ecological Bank

- In serving the rural revitalization strategy, the Bank promoted common prosperity and interactive development of urban and rural areas. Adhering to going online, going digital and going ecological, the Bank established the new-type rural financial service system in which online and offline services are integrated and complement each other, and developed the "ICBC Xingnongtong" APP. Based on its core financial capabilities such as account, loan, payment, village affairs and business matchmaking, the Bank launched four types of agriculture-related services, namely, people's livelihood related finance, inclusive finance, government services related finance, and agricultural assistance finance, and developed new farm tools, new supermarkets and new platforms that are easy to operate for "Sannong" (agriculture, farmers and rural areas) customers and which they are willing to use. The Bank also upgraded the county edition of mobile banking to version 2.0. At the end of 2021, customers of the county version 2.0 of mobile banking reached 16.03 million. Moreover, the Bank continued to use ICBC Mall to assist Sannong. Rural revitalization related transaction volume of ICBC Mall recorded RMB2.76 billion.

- In serving small and micro enterprises, the Bank actively implemented bailout policy and inclusive finance. The Bank rolled out the exclusive personal mobile banking version of Inclusive Finance for Small and Micro Enterprises and the inclusive finance zone on Enterprise Mobile Banking. By putting together urgent financial services such as online credit limit testing and speedy loan granting and adopting video interview, face recognition and other technical means, it improved the efficiency and risk control level of application, approval, contract signing, draw-down, payment and repayment procedures.

- In serving consumption relating to people's livelihood, the Bank assisted in ensuring basic living standards and improving the quality of and expanding consumption. Centering on the fields of education, healthcare, etc., the Bank provided convenient online financial services such as "Campus Affairs Management Cloud" "Commercial Medical Cloud", electronic certificates of medical insurance and electronic social insurance cards to more than 25 thousand schools, some 100 medical institutions and over ten million personal customers. Using the strategy of expanding domestic consumption as an opportunity, with a focus on the fields of travel, shopping, catering, entertainment, e-commerce, etc., the Bank continued to carry out series payment activities aimed to benefit the people, and expanded e-CNY application scenarios, contributing to quality improvement and expansion of consumption.

ICBC Launched Mobile Banking 7.0

On 18 November 2021, the Bank officially launched Mobile Banking 7.0. After a decade, ICBC Mobile Banking has become the most trustworthy banking APP with the most users. Themed by "companionship", with comprehensive upgrades in wealth management, services, personality, interaction and privileges, Mobile Banking 7.0 aims to provide all-round interaction and whole-journey companionship to nearly 470 million customers.

Building the "intelligent operation engine". The new version of mobile banking has adopted the leading "intelligent brain + operation engine" technology. Supported by strong GPU server computing power and data storage and management capabilities and hundreds of intelligent algorithms, it can push suitable contents like product information, news and privileges in a targeted manner to customers when they use relevant services of mobile banking, thus providing personalized, guided journey services.

Upgrading the wealth management service. The new version has upgraded from wealth management product sales to wealth companionship and established a set of wealth companionship service system running through the whole investment process (before, during and after investment). Before investment, it can detect the health condition of the customer's asset allocation via one button and generate personalized investment advice; during investment, it can provide friendly interactive experience of product transaction; and after investment, it can provide customers with bank statements and fund taking services. In addition, the new version has added the intelligent payroll planning service, which, with a focus on salary payment, check and use journeys, can meet customers' remuneration management needs.

Innovating in "cloud" service modes. The new version has launched the same-screen tutoring service. When having difficulties transferring or remitting money via mobile banking, customers can contact a remote customer service representative via one button, and the remote customer service representative will assist customers completing the whole business procedures by "checking the page via video and explaining services and instructing customers via voice", thus solving customers' difficulties in a "screen-to-screen" way. In addition, "cloud" outlets, "cloud" studios and "cloud" customer service have introduced "online malls" of 16 thousand ICBC outlets and 28 thousand wealth managers to provide "one-to-one" exclusive service to customers online.

Establishing a diversified service system. A personalized service system has been established to meet customers' diversified financial service needs. For elderly customers, the Bank has launched Happy Life 2.0, which helps elderly customers cross the "digital divide" with larger characters and simpler interaction. For people with visual impairment, barrier-free services have been upgraded. By adding the screen reading function on the function interface, it has made it easier for people with visual impairment to use the mobile application. For key markets in counties, the Bank has launched Beautiful Home 2.0. It has developed exclusive products designed to bring tangible benefits to the people, business and customers in rural areas and made quality financial services available in counties, towns and villages, making financial contributions to the implementation of the national strategy of rural revitalization. For small and micro enterprise customers, the Bank has launched the Inclusive Finance version. With "one-stop" inclusive financial services with financing at the core and a series of "Small and Micro Enterprise e Loan" products including credit loans, pledged loans and digital supply chain, it has improved the inclusiveness and availability of financial services.

The new version of mobile banking has strengthened value creation with "human + digital" resources, and it has focused more on leveraging platform advantages, paid more attention to users' mindset and experience and attached more importance to common growth with users' wealth. It has delivered a value to users, that is, "companionship itself is the best wealth". It has completed the transformation from "face to face" interaction at traditional physical outlets to online "screen to screen" interaction, from traditional wealth management product recommendation and sales to professional wealth investment advice giving that focuses on long-term growth, and from simple recording of account payments to deep connection of finance with scenarios. It has made financial life more convenient and friendlier to users, and has injected new vitality and connotation into the Bank's brand of "By Your Side and As Your Trust".

Outlet Development

- Steadily promoting outlet optimization and adjustment. Throughout 2021, the Bank optimized the layout of 714 outlets, and renovated 1,528 outlets. The Bank effectively increased service supply in counties by setting up 151 new outlets in counties, including 15 counties that had never had an ICBC outlet before. The Bank practiced the green financial development philosophy. It piloted "zero carbon outlets" in Guangdong, Tianjin, Guangxi, etc. and actively fulfilled its responsibilities as a large bank.
- Continuing to enrich outlets' pan-finance services and functions. With a focus on reforms to streamline administration and delegate power, improve regulation, and upgrade services, the Bank promoted one-stop government services and added 3,020 outlets that offer "outlet +" one-stop government services. The Bank led the industry in launching such functions as issuance of electronic social insurance cards, printing of credit reports and issuance of electronic medical insurance vouchers in intelligent devices. As a result, outlets' "finance + pan-finance" comprehensive service capability further improved.
- Accelerating digital transformation of outlets. The Bank extensively applied new technological means such as big data, AI, intelligent voice and RPA in the layout, location selection, systems & platforms, self-service devices, business operation, etc. of outlets, which further improved the resource utilization efficiency of outlets. It continued to promote the mode of operations services featuring convenient online acceptance, intensive and efficient handling and speedy delivery of services at outlets, and completed its promotion and application in the scenarios of the five major fields of products in kind, information, cash, account, and foreign exchange. In addition, the Bank continuously optimized the combined service process of intelligent teller machines and expanded "medialess" services at outlets to cover more than 150 high-frequency transactions including debit card deposit and draw-down, transfer & remittance, account information query, etc.
- At the end of 2021, the Bank had 15,767 outlets, 24,145 self-service banks, 79,793 intelligent devices, and 66,563 ATMs with trading volume of RMB5,312.6 billion.

Service Improvement

- Outlet services were improved continuously. The Bank carried out the campaign of "Financial Standards for the Benefit of People and Enterprises", took a combination of measures to improve the service quality of outlets and endeavored to become a service benchmark of outlets. The Bank enriched barrier-free facilities, upgraded 4,691 outlets for the elderly, promoted the service functions of self-service devices for the elderly, and put in place ATMs with passbook function to meet the needs of the elderly to provide them with more convenient and intimate and faster services. In 2021, 110 outlets of the Bank were named 1,000 Best Role Model Units in China's banking industry.
- More services were supplied for the people's livelihood. Relying on 15.5 thousand "ICBC Sharing Stations", the Bank carried out more than 40 thousand diverse public welfare activities with the theme of warm care in winter, volunteer service publicity, support for national college entrance exam and anti-fraud on the Double Ninth Festival etc., cumulatively serving more than 40 million person-times customers. It constantly enriched the connotation of public welfare service of "ICBC Sharing Stations" and cooperated with All-China Federation of Trade Unions to build "Trade Union's Service Stations for Outdoor Workers · ICBC Sharing Stations".
- An experience monitoring and evaluation system was established. The Bank launched a special campaign to solve the hotspot problems complained by customers. The Bank established a system for "feedback of customers" and "voice of employees", set up a customer satisfaction monitoring system combining instant feedback and special survey, conducted experience monitoring in multiple dimensions and strove to enhance customer satisfaction. In 2021, the Bank's customer satisfaction stood at 86.8%, and 92.9% of problems reported via phone by customers were solved at first instance, ranking at the forefront among its peers.
- The intelligent transformation of customer services was accelerated. The Bank expanded the intelligent service entrances of ICBC intelligent robot "Gino (Gong Xiao Zhi)" to 96, including incoming and outgoing calls, audio + text, online + offline and inside + outside of the Bank. The accuracy of audio and text recognition was above 97%. 630 million

intelligent services were provided, up 11% from last year. In the First Intelligent Service Robot Contest held by China Banking Association, the Bank was ranked No. 1 in intelligent audio robot and No. 2 in intelligent text robot.

Human Resources Management, Employees and Institutions

Human Resources Management

- With the focus on high-quality development of operation and areas vital to market competition, the Bank assigned more human resources to strategic areas. The Bank deepened technological empowerment, moved ahead with the construction of retail and FinTech teams and improved operation through the transformation and upgrading of human resources. The Bank expanded frontline marketing service personnel to strongly support the competitiveness enhancement of outlets. In line with the trend of digital transformation, the Bank optimized institutional function setting and deepened online and offline integrated development. The Bank increased support for personnel in key counties and rural areas and promoted financial service resources to lower tiers.
- The Bank endeavored to promote the acceptance of corporate culture. The Bank, focusing on its strategy, expanded the connotation of corporate culture, strengthened cultural transmission, and reinforced employees' strategic consensus and cultural identity by preparing and publishing white papers on cultural building and producing micro-videos to interpret the strategy. The Bank carried forward the "Innovative ICBC" project, put into production the incubation system, and created an atmosphere of innovation for all employees. ICBC continued to implement the cultural event "That's China, That's ICBC" to promote cultural integration and dissemination. The Bank launched "Red Financial Footprint" campaign to guide employees to inherit the tradition and spirit of revolution. The Bank produced special educational films such as "Comprehensive and Strict Governance over Party and ICBC", carried out special warning education on "Financial Criminal Cases", to foster a clean and honest financial culture.
- The Bank continued to develop tiered and classified training programs to meet the needs of business development and talent team building. The Bank concentrated efforts on implementing leadership training camp, Mini MBA Program, credit management and executive English training for managers to enhance their management capabilities. The Bank continued to carry out thematic training on FinTech, inclusive finance, AML and ESG to improve the professional competency and business capabilities of professionals. The Bank started cross-provincial rotating training for the heads of front-line outlets, coordinated and strengthened training for personnel on other positions, extensively carried out the bank-wide reading campaign and helped employees perform duties and grow up on appropriate positions.

Remuneration Policy

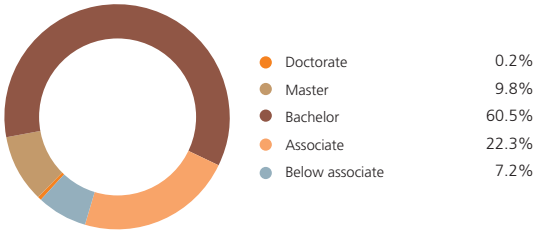
- The Bank adopted a remuneration policy that was in line with corporate governance requirements, in combination with high-quality development targets, in adaptation to risk management system and talent development strategy, and well-matched with employees' value contribution, so as to advance the sound operation and high-quality development of the whole bank. The Bank's remuneration management policy was formulated and adjusted in strict accordance with applicable national regulations, regulatory requirements and corporate governance procedures.
- Employee remuneration consisted of basic remuneration, performance-based remuneration and welfare income. In particular, the basic remuneration depended on an employee's value contribution and ability to perform duties, and the performance-based remuneration was based on the overall situation of the Bank, the employee's institution or department, and the employee's personal performance measurement results. Meanwhile, the performance-based remuneration to the Senior Management and employees on key positions was subject to a deferred payment and recourse deduction mechanism, so as to balance risks and incentives. For employees who violated regulations and disciplines or had abnormal exposure of risk losses within their duties, the performance-based remuneration for the corresponding period shall be deducted, stopped in payment and recovered according to the severity. During the reporting period, according to relevant measures, the Bank deducted or stopped payment of corresponding performance-based remuneration to employees who were subject to disciplinary action or other treatment due to violation of regulations and disciplines or abnormal exposure of risk losses within their duties.

- The Bank continuously optimized the remuneration resource allocation mechanism with value creation as the core, resolutely maintained a fair allocation concept with incentive commensurate with restraint, transmitted the Group's strategic objectives for business management, and allocated more remuneration resources to the grassroots employees, for the purpose of mobilizing and inspiring the business vitality of institutions at all tiers.
- The Bank's 2021 remuneration plan was prepared and implemented as per the internal decision-making process. The execution of total annual salaries was reported to the authority for filing according to national regulations. During the reporting period, the Bank's Senior Management fulfilled the indicators concerning economic, risk and social responsibilities well, and final results will be determined after deliberation by the Board of Directors.

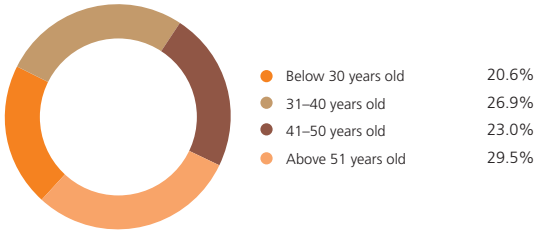
Basic Information on Employees and Institutions

- As at the end of 2021, the Bank had a total of 434,089 employees, including 410,766 employees in the Head Office and domestic branches, 7,467 employees in domestic subsidiaries, and 15,856 employees in overseas institutions.

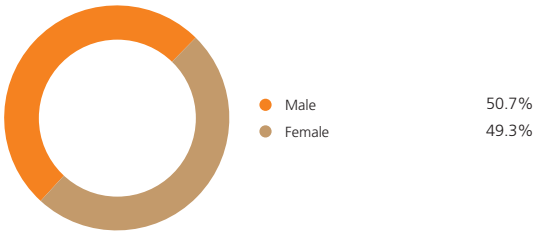
Educational Background of Employees



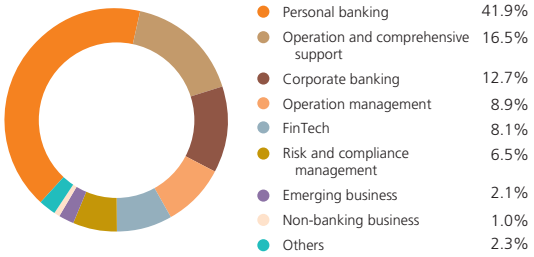
Structure of Employee Age



Structure of Employee Gender



Employee Specialization



- As at the end of 2021, the Bank had a total of 16,590 institutions. Among them, there were 16,169 domestic institutions and 421 overseas ones. Domestic institutions included the Head Office, 36 tier-one branches and branches directly managed by the Head Office, 459 branches in capital cities and tier-two branches, 15,508 outlets, 32 Head Office-level profitability units along with their directly managed institutions and branches, and 133 subsidiaries and their branches.

GEOGRAPHIC DISTRIBUTION OF ASSETS, INSTITUTIONS AND EMPLOYEES

Item	Assets (in RMB millions)	Percentage of assets (%)	Number of institutions	Percentage of institutions (%)	Number of employees	Percentage of employees (%)
Head Office	8,145,032	23.2	33	0.2	19,812	4.6
Yangtze River Delta	8,248,981	23.5	2,537	15.3	61,639	14.2
Pearl River Delta	5,870,705	16.7	1,983	11.9	48,234	11.1
Bohai Rim	5,186,815	14.7	2,713	16.4	68,065	15.7
Central China	3,786,925	10.8	3,453	20.8	83,257	19.2
Western China	4,553,489	12.9	3,678	22.2	87,859	20.2
Northeastern China	1,333,077	3.8	1,639	9.9	41,900	9.6
Overseas and other	4,100,318	11.7	554	3.3	23,323	5.4
Eliminated and unallocated assets	(6,053,959)	(17.3)				
Total	**35,171,383**	**100.0**	**16,590**	**100.0**	**434,089**	**100.0**

Note: Overseas and other assets include investments in associates and joint ventures.

Internationalized Operation

The Bank served and integrated into the high-level opening-up of the state, actively grasped changes in foreign investment and trade patterns, deeply implemented the strategy to become the preferred bank for foreign exchange business, officially unveiled the financial product brand of "YES ICBC" for foreign exchange, and proactively drove domestic business development and the Group's market competitiveness enhancement through high-quality internationalized development.

- Corporate banking: The Bank provided "one-stop" financial services in local and foreign currencies for Chinese enterprises "Going Global" and foreign enterprises "Bringing In" by making comprehensive use of financial products such as overseas bond issuance, cross-border merger and acquisition, project financing, international trade financing, derivative trading and global cash management. The Bank has remained the first place in terms of the number of deals completed for the cross-border acquisition transactions of Chinese-invested enterprises according to the ranking promulgated by Refinitiv. The Bank was among market leaders in Hong Kong IPO underwriting and sponsorship, and the underwriting of overseas bonds and offshore China bonds.
- Personal banking: The Bank was the first to launch "Cross-boundary Wealth Management Connect" business in Guangdong-Hong Kong-Macao Greater Bay Area, providing "Southbound Connect" and "Northbound Connect" investment services for the customers in nine cities in the Pearl River Delta, Hong Kong SAR and Macau SAR. The Bank built a cross-border service platform for entrepreneurs through "Entrepreneurs Service Center" in the Greater Bay Area. The Bank gathered pace in overseas bank card product innovation and digital service improvement, rolled out new products (digital bank card, private banking credit card and debit card of wealth management) abroad and diversified online financial services (such as card opening, installment and acquiring). The Bank continued to optimize the functions of overseas mobile payment and acquiring products of bank cards, promoted ICBC e Payment, and further promoted the interconnection of cross-border payment in the Greater Bay Area.

- Internet financial services: Through internet banking, mobile banking and other online channels, the Bank offered services across 46 countries and regions in 15 languages. A full range of financial services, including account query, transfer and remittance, investment and wealth management, payroll, fund payment and cross-border payment were available to customers. Focusing on key products, scenarios and regions, the Bank promoted online business innovation and characteristic development of overseas institutions.
- Financial market business: The Bank completed "Southbound Connect" investment trading with its own funds in the first batch, assisted overseas institutions in financing in the interbank market through panda bond underwriting service, and established the interbank bond and foreign exchange market business partnership with overseas institutional investors from more than 60 countries and regions. The Bank provided prime trading services for "Going Global" and "Bringing In" customers, and increased foreign exchange settlement and sale business for spot (10 currencies such as CZK) and forward (6 currencies such as HKD) difference delivery. The Bank entered the first prime brokerage trading for foreign exchange swap in RMB in the interbank foreign exchange market and the first USD rate swap of USD-linked SOFR, and constantly enhanced market making capabilities and market competitiveness of foreign exchange trading.
- Global asset management business: The Bank further advanced the steady development of foreign exchange and cross-border wealth management business. At the end of 2021, China CGB Index Fund "ICBC CSOP WGBI CGB Index ETF" for which ICBC Wealth Management and ICBC Asset Management (Global) provided investment advisory service, as the world's largest offshore pure CGB ETF product, become an important channel for overseas funds to invest in CGB assets. "ICBC CSOP Bloomberg CGB+ Policy Bank Bond Index ETF" became the largest Chinese rate bond ETF product in Hong Kong's market.
- Global custody business: The global custody business hit another record high. Specifically, the custody of domestic investment by overseas customers surpassed RMB200.0 billion. The Bank was approved eligible for pilot custody clearing bank of the first batch of "Southbound Bond Connect" and completed the first batch of trading. The Bank was among the first batch to support QFIs to complete securities investment and refinancing securities lending in Beijing Stock Exchange, and the first exercise of employees' CDR right. It further reinforced innovation advantages of cross-border custody.
- Cross-border RMB business: The Bank pressed head with the construction of cross-border RMB product system and multi-scenario services, fostered offshore RMB market, innovated offshore RMB investment and financing products, and continued to promote RMB-denominated settlement in the whole process of bulk commodity transactions. The Bank promoted the construction of the account system of the separate accounting units in free trade zones, and supported the innovative development of cross-border RMB business in key areas such as Shanghai Lingang Special Area, Greater Bay Area and Hainan Free Trade Port. The Bank strengthened cooperation with payment institutions, cross-border e-commerce platforms and other entities, continuously optimized the cross-border payment business platform of "Cross-border e-Business Connect", and supported the development of new cross-border e-commerce firms. In 2021, cross-border RMB business exceeded RMB8.5 trillion.
- The Bank continued to improve its global network layout. Panama Branch was officially opened. At the end of 2021, the Bank established 421 overseas institutions in 49 countries and regions and indirectly covered 20 African countries as a shareholder of Standard Bank Group. It had 125 institutions in 21 countries along the Belt and Road. The Bank also established correspondent banking relationships with 1,404 overseas banking institutions in 142 countries and regions, making its service network covering six continents and important international financial centers around the world.

MAJOR INDICATORS FOR OVERSEAS INSTITUTIONS

Item	Assets (in USD millions)		Profit before taxation (in USD millions)		Number of institutions	
	At the end of 2021	At the end of 2020	2021	2020	At the end of 2021	At the end of 2020
Hong Kong SAR and Macau SAR	214,414	204,181	1,373	1,565	102	108
Asia-Pacific Region (except Hong Kong SAR and Macau SAR)	145,860	118,253	1,057	950	91	90
Europe	83,726	89,030	401	302	75	75
America	59,548	51,106	253	42	152	152
African Representative Office	–	–	–	–	1	1
Eliminations	(51,999)	(44,378)				
Subtotal	**451,549**	**418,192**	**3,084**	**2,859**	**421**	**426**
Investment in Standard Bank[1]	3,870	3,887	330	158		
Total	**455,419**	**422,079**	**3,414**	**3,017**	**421**	**426**

Note: (1) The assets represent the balance of the Bank's investment in Standard Bank and the profit before taxation represents the Bank's gain on investment recognized by the Bank during the reporting period.

✧ As at the end of 2021, total assets of overseas institutions (including overseas branches, subsidiaries and investment in Standard Bank) of the Bank were USD455,419 million, representing an increase of USD33,340 million or 7.9% from the end of the previous year, and they accounted for 8.2% of the Group's total assets. Profit before taxation during the reporting period was USD3,414 million, representing an increase of USD397 million or 13.2% and accounting for 5.1% of the Group's profit before taxation. Total loans amounted to USD197,279 million, representing a decrease of USD5,565 million or 2.7% from the end of the previous year; and total deposits were USD149,273 million, representing an increase of USD1,052 million or 0.7%.

DISTRIBUTION OF OVERSEAS INSTITUTIONS

Asia-Pacific Region (except Hong Kong SAR and Macau SAR)

Institutions (country/region)

Tokyo Branch (Japan)
Seoul Branch (South Korea)
Busan Branch (South Korea)
Mongolia Representative Office (Mongolia)
Singapore Branch (Singapore)
ICBC (Indonesia) (Indonesia)
ICBC (Malaysia) (Malaysia)
Manila Branch (Philippines)
ICBC (Thai) (Thailand)
Hanoi Branch (Vietnam)
Ho Chi Minh City Representative Office (Vietnam)
Vientiane Branch (Lao PDR)
Phnom Penh Branch (Cambodia)
Yangon Branch (Myanmar)
ICBC (Almaty) (Kazakhstan)
Karachi Branch (Pakistan)
Mumbai Branch (India)
Dubai (DIFC) Branch (UAE)
Abu Dhabi Branch (UAE)
Doha Branch (Qatar)
Riyadh Branch (Saudi Arabia)
Kuwait Branch (Kuwait)
Sydney Branch (Australia)
ICBC (New Zealand) (New Zealand)
Auckland Branch (New Zealand)

Europe

Institutions (country/region)

Frankfurt Branch (Germany)
Luxembourg Branch (Luxembourg)
ICBC (Europe) (Luxembourg)
Paris Branch (France)
Amsterdam Branch (the Netherlands)
Brussels Branch (Belgium)
Milan Branch (Italy)
Madrid Branch (Spain)
Warsaw Branch (Poland)
Greece Representative Office (Greece)
ICBC (London) (UK)
London Branch (UK)
ICBC Standard Bank (UK)
Bank ICBC (JSC) (Russia)
ICBC Turkey (Turkey)
Prague Branch (Czech Republic)
Zurich Branch (Switzerland)
ICBC (Austria) (Austria)

Hong Kong SAR and Macau SAR

Institutions (country/region)

Hong Kong Branch (Hong Kong, China)
ICBC (Asia) (Hong Kong, China)
ICBC International (Hong Kong, China)
ICBC (Macau) (Macau, China)
Macau Branch (Macau, China)

America

Institutions (country/region)

New York Branch (USA)
ICBC (USA) (USA)
ICBCFS (USA)
ICBC (Canada) (Canada)
ICBC (Mexico) (Mexico)
ICBC (Brasil) (Brazil)
ICBC (Peru) (Peru)
ICBC (Argentina) (Argentina)
ICBC Investments Argentina (Argentina)
Inversora Diagonal (Argentina)
Panama Branch (Panama)

Africa

Institutions (country/region)

Investments in Standard Bank (South Africa)
African Representative Office (South Africa)

Diversified Operation and Subsidiary Management

The Bank remained committed to serving the real economy and supply-side structural reform, focused on main business, refined specialized business, and gradually created a diversified operation pattern covering fund, leasing, overseas investment banking, insurance, wealth management, debt-for-equity swap and technology. Strategic coordination efficiency was continuously raised.

The Bank made unremitting efforts in perfecting the management system of "Four Beams and Eight Columns", issued the Rules for Management of Overseas Institutions, Rules for Management of Domestic Integrated Subsidiaries and other important policies, and established a subsidiary management mechanism featuring "leading coordination and focusing on lines" to promote the perfection of the subsidiary management system.

The Bank optimized the governance structure of subsidiaries, strengthened the support for duty performance by directors and supervisors assigned to subsidiaries, promoted the organic integration of Party building and corporate governance of domestic subsidiaries, and continuously improved the effectiveness of corporate governance of subsidiaries. The Bank promoted the deep and accurate transmission of the Group's strategy to subsidiaries, and improved the Group's full-product, full-market, full-process and full-lifecycle service system and value chain. The Bank improved the efficiency of capital use, and optimized the assessment mechanism and resource allocation. The industry influence, core competitiveness and customer service capability of subsidiaries were constantly enhanced.

The Bank strictly abided by local regulatory requirements, developed the Group's unified risk management strategy and risk appetite based on the work idea of "plan ahead, see the big from the small, remedy in time and draw inferences", promoted inclusion of investment and financing data of domestic subsidiaries into the data lake to effectively identify, measure, monitor, control and report various risks, and enhanced enterprise risk management. The Bank adopted strict consolidated and penetration management, improved risk prevention & control and internal control & compliance capabilities, and pursued high-quality development.

ICBC CREDIT SUISSE ASSET MANAGEMENT

ICBC Credit Suisse Asset Management is mainly engaged in fund raising, fund sales, asset management and other businesses approved by CSRC. It had many business qualifications such as mutual fund, QDII, enterprise annuity, specific asset management, domestic (foreign) investment manager of social security fund, RQFII, insurance fund management, special asset management, occupational annuity and basic endowment insurance investment manager, and was one of the "fully qualified" fund companies in the industry.

- ICBC Credit Suisse Asset Management quickened steps in high-quality development, and continuously improved the value contribution. The investment performance remained in a leading position and the average yields of equity funds and bond funds actively managed remained in the forefront of large fund companies. ICBC Credit Suisse Asset Management practiced the concept of socially responsible investing, and won the "Gold Fund SRI (ESG) Return Fund Management Company Award" of *Shanghai Securities News*.
- ICBC Credit Suisse Asset Management served the wealth management needs of residents. It upgraded the customer service mode and provided the whole process companion service of "investment + advisory". It set up an investor protection committee, strengthened the protection of investors' legitimate rights and interests, and further promoted investor education, which was evaluated as excellent in the assessment of the national securities and futures investor education base.
- At the end of 2021, ICBC Credit Suisse Asset Management managed 207 mutual funds, and more than 690 annuities, special accounts and special portfolios, with assets totaling RMB1.72 trillion.

ICBC LEASING

ICBC Leasing was mainly engaged in financial leasing of large-scale equipment in key areas such as aviation, shipping, energy and power, rail transit and equipment manufacturing, and provided a number of financial and industrial services such as rent transfer, investment fund, investment asset securitization, asset trading and asset management.

- It effectively consolidated its market position in terms of aviation business, deeply developed high-quality customers, and explored innovative business areas such as cargo aircraft leasing. It actively implemented the Belt and Road Initiative in terms of maritime business. It deepened strategic cooperation with key customers, boosted the transformation and upgrading of China's shipbuilding industry, and supported domestic shipyards to build high-tech and high value-added ships.
- Regarding domestic comprehensive leasing business, it continuously stepped up marketing and business development efforts in the fields of "New infrastructure", "New infrastructure, New urbanization initiatives and Major projects", "New manufacturing, New services, New basic industries and High-tech industries", concretely promoted innovation and transformation, actively optimized asset structure, extensively carried out marketing interconnection between banks and companies, deeply tapped needs of key customers, strengthened business reserves and investment, and drove key strategic regional markets through key projects.

ICBC-AXA

ICBC-AXA operated various insurance businesses such as life insurance, health insurance and accident insurance, as well as reinsurance of the aforesaid businesses, business permitted by national laws and regulations to use insurance funds and other businesses approved by CBIRC.

- It took a customer-centric approach to improve services. It greatly expanded the customer coverage of the service, continued to adequately settle customer claims, and optimized the claim settlement process, with the odds of small claims reaching 99.34%. Operations were digitally transformed in a push for online underwriting, policy owner service and claim settlement for personal insurance.
- It gave full play to the role of insurance as a social stabilizer, activated the contingency plan against natural disasters such as rainstorm in a timely manner, and opened a green channel for claim settlement, so as to ensure full and fast compensation. It adhered to the principle of "insurance for the benefit of people", boosted inclusive insurance projects, and actively participated in the "Huimin Insurance" business.

ICBC INTERNATIONAL

ICBC International is a Hong Kong licensed financial service integrated platform wholly owned by the Bank, mainly providing various financial services such as corporate financing, investment management, sales transaction and asset management.

- Focusing on key industries and fields, it provided all-round investment and financing services for the real economy, and made every effort to build the characteristic brand of investment banking. The four business segments, i.e. investment banking, sales and trading, investment management and asset management, achieved smooth development. ICBC International was among the top-tier market players of Hong Kong market by IPO underwriting volume, and stayed ahead in the bond market for Chinese offshore investment-grade enterprises by overseas bond underwriting. It was still among the Class-B securities firms on the Hong Kong Stock Exchange. It made a breakthrough in double GP actively managed fund business. It was awarded "Best Bond Advisor in Hong Kong" by *The Asset*.

ICBC INVESTMENT

ICBC Investment is one of the first pilot banks in China to conduct debt-for-equity swap. It holds the franchise license of non-bank financial institution and is mainly engaged in debt-for-equity swap and the supporting business.

- ICBC Investment actively and steadily expanded and improved market-oriented debt-for-equity swap business, focused on supply-side structural reform, strengthened coordination with the Group, exerted strict customer access and diversified fund-raising channels. The "headquarters-to-headquarters" cooperation based on fund of funds was innovatively carried out to boost the clean energy development and continuously improve the quality and efficiency in serving the real economy. ICBC Investment actively played its part as a shareholder, and sent directors and supervisors to the shareholding subsidiaries in which it conducted debt-for-equity swap. It provided comprehensive financial services for debt-for-equity swap enterprises, and energetically supported the reform and development of these enterprises.

ICBC WEALTH MANAGEMENT

ICBC Wealth Management engages mainly in the issuance of wealth management products, wealth management advisory and consulting service and other activities approved by CBIRC.

- It fully accommodated the requirements of the new regulations on wealth management business, pushed forward the net-worth transformation of products, and continued to develop products and services. It was the first among peers to exceed RMB2 trillion in wealth management products, significantly increased the proportion of non-cash management and open net worth products, and provided customers with richer asset allocation choices. In 2021, it won more than 30 important awards in the industry such as the "Golden Bull Award for Banking Wealth Management Company" from *China Securities Journal*. It was ranked first among domestic wealth management companies on the list of IPE Top 500 Global Asset Management Companies.
- It accelerated business transformation and innovation, continuously enhanced the adaptability and competitiveness of serving the high-quality development of the real economy, and shouldered its social responsibility. It innovated financial services for senior care, became the first batch of pilot institutions for wealth management business for senior care in China, and released ICBC Wealth Management Yi Xiang An Tai wealth management products for senior care and helped the construction of the national multi-level senior care system. It innovated green finance services, and was the first in the industry to issue "carbon neutrality" asset allocation index and green finance themed wealth management products. It innovated inclusive finance services, developed fixed-income products suitable for the risk-return appetite of county and rural residents, and expanded the coverage of rural wealth by financial services. It innovated and opened up financial services, steadily promoted the establishment of joint ventures, actively participated in the pilot business of "Cross-boundary Wealth Management Connect" in the Greater Bay Area, innovated and developed new wealth management products with the theme of "Southbound Connect" under new regulations, and contributed to the internationalization of RMB and the interconnection between Hong Kong and Chinese mainland.
- As at the end of 2021, the balance of ICBC Wealth Management's wealth management products was RMB2,021,804 million, an increase of RMB951,731 million over the end of the previous year, all of which were net-worth products. By fundraising methods, the balance of public offering wealth management products was RMB1,975,907 million, an increase of RMB940,656 million, accounting for 97.73%; the balance of private offering wealth management products was RMB45,897 million, an increase of RMB11,075 million, accounting for 2.27%. By customer types, the balance of personal wealth management products was RMB1,714,603 million, an increase of RMB889,838 million, accounting for 84.81%. The balance of corporate wealth management products was RMB307,201 million, an increase of RMB61,893 million, accounting for 15.19%.

DIRECT AND INDIRECT INVESTMENTS IN WEALTH MANAGEMENT PRODUCTS AS AT THE END OF 2021

In RMB millions, except for percentages

Asset type	Amount	Percentage (%)
Cash, deposits and negotiable certificate of deposit	718,591	34.2
Placement with banks and other financial institutions and bonds under reverse repurchase agreements	36,546	1.7
Bonds	1,016,593	48.3
Non-standard debt assets	98,541	4.7
Other assets	233,083	11.1
Total	**2,103,354**	**100.0**

Major Controlled Subsidiaries and Equity Participating Company

Major Overseas Subsidiaries

Institution	Principal business	At 31 December 2021			2021
		Issued share capital/ paid-in capital	Total assets (in USD millions)	Net assets (in USD millions)	Net profit (in USD millions)
Industrial and Commercial Bank of China (Asia) Limited	Commercial banking	HKD44,188 million	118,979.38	18,416.05	726.58
ICBC International Holdings Limited	Investment banking	HKD5,963 million	7,954.56	1,680.45	2.74
Industrial and Commercial Bank of China (Macau) Limited	Commercial banking	MOP589 million	54,595.95	3,720.41	282.98
PT. Bank ICBC Indonesia	Commercial banking	IDR3.71 trillion	4,421.83	435.04	13.87
Industrial and Commercial Bank of China (Malaysia) Berhad	Commercial banking	MYR833 million	987.88	299.77	11.01
Industrial and Commercial Bank of China (Thai) Public Company Limited	Commercial banking	THB20,132 million	9,120.79	1,114.66	81.88
Industrial and Commercial Bank of China (Almaty) Joint Stock Company	Commercial banking	KZT8,933 million	599.72	83.51	18.80
Industrial and Commercial Bank of China (New Zealand) Limited	Commercial banking	NZD234 million	1,530.75	192.38	7.89
Industrial and Commercial Bank of China (Europe) S.A.	Commercial banking	EUR437 million	7,148.71	687.53	(7.58)
ICBC (London) PLC	Commercial banking	USD200 million	1,432.36	466.86	15.35
ICBC Standard Bank PLC	Banking	USD1,083 million	26,268.36	1,369.84	98.50
Bank ICBC (Joint stock company)	Commercial banking	RUB10,810 million	1,252.37	167.08	13.49
ICBC Turkey Bank Anonim Şirketi	Commercial banking	TRY860 million	2,978.87	125.03	14.10
ICBC Austria Bank GmbH	Commercial banking	EUR200 million	975.56	218.02	(0.56)
Industrial and Commercial Bank of China (USA) NA	Commercial banking	USD369 million	2,991.49	404.80	14.92
Industrial and Commercial Bank of China Financial Services LLC	Broker dealer, securities margin trading	USD50 million	24,631.67	80.76	(20.61)
Industrial and Commercial Bank of China (Canada)	Commercial banking	CAD208 million	1,801.00	291.67	13.97
Industrial and Commercial Bank of China Mexico S.A.	Commercial banking	MXN1,597 million	269.41	34.16	2.39
Industrial and Commercial Bank of China (Brasil) S.A.	Commercial banking	BRL202 million	260.49	35.20	(2.17)
ICBC PERU BANK	Commercial banking	USD120 million	1,477.99	99.11	7.95
Industrial and Commercial Bank of China (Argentina) S.A.	Commercial banking	ARS28,415 million	4,767.40	877.76	82.17

Major Domestic Subsidiaries

In RMB100 millions

Institution	Principal business	At 31 December 2021			2021
		Issued share capital/ paid-in capital	Total assets	Net assets	Net profit
ICBC Credit Suisse Asset Management Co., Ltd.	Fund management	2	176.27	140.92	27.94
ICBC Financial Leasing Co., Ltd.	Leasing	180	2,948.03	399.90	22.36
ICBC-AXA Assurance Co., Ltd.	Insurance	125.05	2,581.34	183.01	16.07
ICBC Financial Asset Investment Co., Ltd.	Financial asset investment	270	1,725.91	401.23	101.97
ICBC Wealth Management Co., Ltd.	Wealth management	160	187.91	177.00	8.92

Major Equity Participation Company

STANDARD BANK GROUP LIMITED

Standard Bank is the largest commercial bank in Africa. Its scope of business covers commercial banking, investment banking, life insurance business and other areas. The Bank holds 20.06% ordinary shares of Standard Bank. Based on mutual benefit and win-win cooperation, the two sides furthered their cooperation in equity cooperation, customer expansion, project financing, product innovation, risk management, FinTech and staff exchange. At the end of 2021, Standard Bank recorded total assets of ZAR2,725,817 million and net assets of ZAR242,849 million. It generated a net profit of ZAR28,059 million during the year.

RISK MANAGEMENT

63 Enterprise Risk Management System

64 Credit Risk

71 Market Risk

72 Interest Rate Risk in the Banking Book

74 Liquidity Risk

76 Operational Risk

78 Reputational Risk

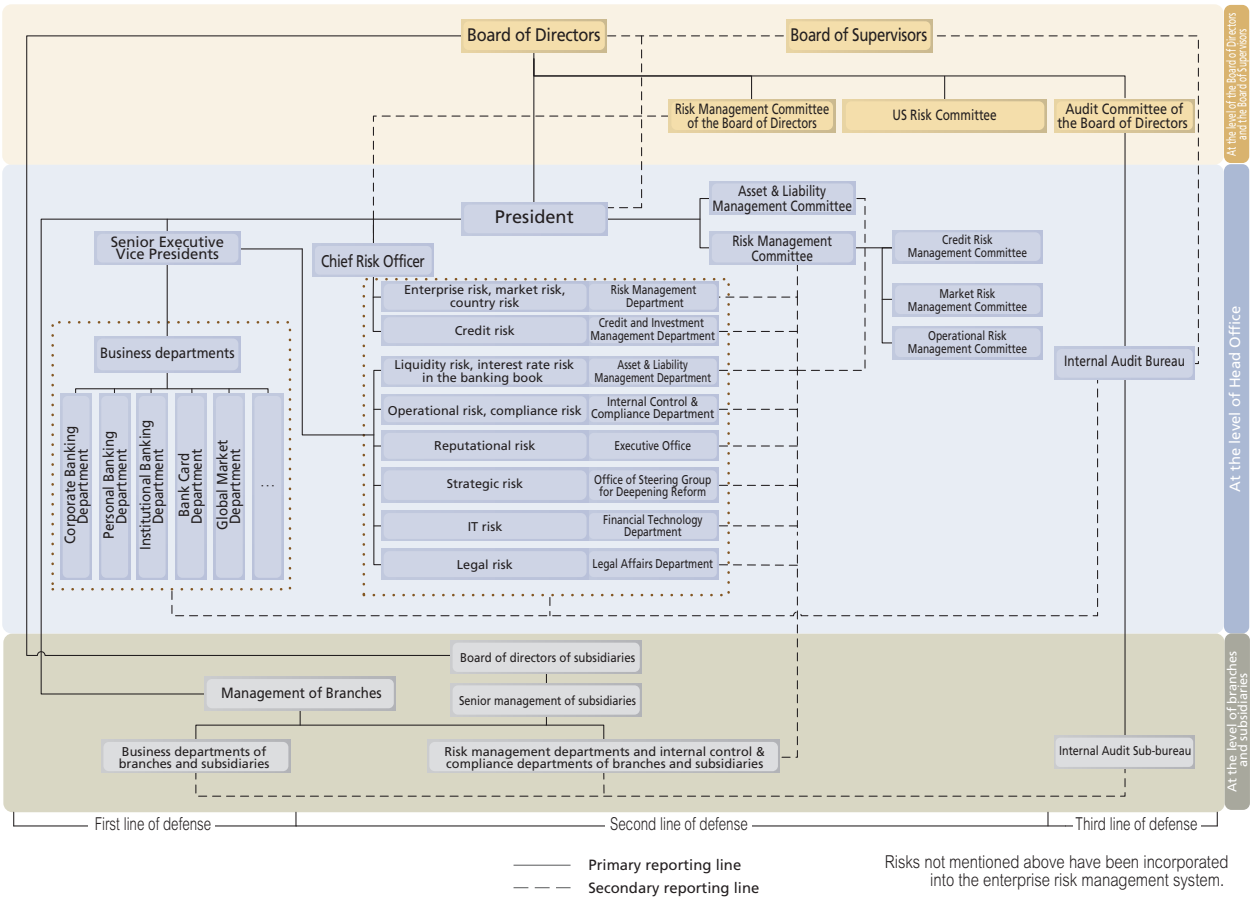
78 Country Risk

Enterprise Risk Management System

Enterprise risk management is a process to effectively identify, assess, measure, monitor, control or mitigate and report risks in order to ensure the realization of the Group's operating and strategic objectives by setting up effective and balanced risk governance structure, fostering robust and prudent risk culture, formulating unified risk management strategies and risk appetite, and implementing the risk limit and risk management policies. The principles of enterprise risk management of the Bank include full coverage, matching, independence, perspectiveness and effectiveness, etc.

In 2021, the Bank adhered to the risk management path of "active prevention, smart control and comprehensive management", promoted the implementation of key measures for "management of personnel, assets, defense lines and bottom lines" and improved enterprise risk management results. The Bank developed and implemented a three-year plan for risk management, perfected the risk management system, reinforced three lines of defense for risk management, and carried out risk management responsibilities. The Bank strengthened risk appetite and limit management, intensified risk monitoring and early warning, and made risk prevention and control more proactive and foresighted. Relying on intelligent platforms such as ICBC e Shield, the Bank accelerated the digital and intelligent transformation of risk management. The Bank strengthened risk management in emerging fields, incorporated climate risk into the enterprise risk management system, established a climate risk governance framework, stepped up climate risk identification and management, and carried out climate risk stress testing.

The Bank's organizational structure of risk management comprises the Board of Directors and its special committees, the Board of Supervisors, the Senior Management and its special committees, the risk management departments, the internal audit departments, etc. The risk management organizational structure is illustrated below:



Credit Risk

Credit Risk Management

Credit risk is the risk where loss is caused to the banking business when the borrower or counterparty fails to meet its contractual obligations. The Bank's credit risks mainly originate from loans, treasury operations (including deposits with banks and other financial institutions, placements with banks and other financial institutions, reverse repurchase agreements, corporate bonds and financial bonds investment), receivables and off-balance sheet credit business (including guarantees, commitments and financial derivatives trading).

The Bank strictly adheres to regulatory requirements regarding credit risk management, diligently fulfills established strategies and objectives under the leadership of the Board of Directors and the Senior Management, and implements an independent, centralized and vertical credit risk management mode. The Board of Directors assumes the ultimate responsibility for the effectiveness of credit risk management. The Senior Management is responsible for executing the strategies, overall policy and system regarding credit risk management approved by the Board of Directors. The Credit Risk Management Committee of the Senior Management is the reviewing and decision-making organ of the Bank in respect of credit risk management, is responsible for reviewing material and

important affairs of credit risk management, and performs its duty in accordance with the Charters of the Credit Risk Management Committee. The credit and investment management departments at different levels undertake the responsibility of coordinating credit risk management at respective levels, and the business departments implement credit risk management policies and standards for their respective business areas in accordance with their functions.

According to the regulatory requirement on loan risk classification, the Bank implemented five-category classification management in relation to loan quality and classified loans into five categories: pass, special mention, substandard, doubtful and loss, based on the possibility of collecting the principal and interest of loans. In order to implement sophisticated management of credit asset quality and improve risk management, the Bank implemented the twelve-category internal classification system for corporate loans. The Bank applied five-category classification management to personal credit assets and ascertained the category of the loans based on the number of months in default, expected loss ratio, credit rating, collateral and other quantitative and qualitative factors.

The Bank accurately grasped the layout and direction of investment and financing business and strengthened credit risk management. The Bank continued to strengthen the construction of credit policy system, optimized credit product rules, and continuously consolidated the foundation of non-standard agency investment policies. The Bank highlighted support for key industries, key regions, key customers, key projects and other "four key and one major" quality credit markets. The Bank actively supported the consumption upgrading service sectors such as "New infrastructure, New urbanization initiatives and Major projects", high-quality development of manufacturing industry, medical care, education and senior care. The Bank provided key support for strategic emerging industries, inclusive finance, green finance, rural revitalization, etc. The Bank actively implemented the development strategies of five key regions (namely, Beijing-Tianjin-Hebei region, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, central China and Chengdu-Chongqing economic circle), kept improving differentiated region credit policies, and actively supported the financing needs of relevant industries boosting domestic and international circulations and improving the global supply chain in the Chinese market. The Bank constantly promoted "mobile, digital, intelligent and specialized" credit risk management of personal loans, continued to strengthen the application of "smart brain" to empower personal loan credit risk management, improved the comprehensive risk monitoring system of personal loans, enhanced the credit risk management capability of key business links, and stepped up efforts in the risk prevention and control of important risk points such as customer access and mortgage projects.

The Bank imposed stringent control over risks in fields of local government debt, real estate, high polluting, high energy-consuming industries, etc. The Bank strictly implemented the national laws and regulations and regulatory policies on local debt management and financing platforms, continued with credit access management and monitoring, firmly held the bottom line for regional systemic risks, and actively studied and prevented operation risks in commercial construction. The Bank steadily cooperated with local governments and financing platform companies to resolve the risks in existing financing due, and devoted great efforts in debt risk mitigation and financing monitoring & analysis. The Bank strictly implemented the national policy guidance for real estate, steadily carried out the prudential management requirements for real estate, continued to implement limit management for commercial real estate investment and financing, paid close attention to the changes of real estate market risks in various regions, strictly guarded against the risks of real estate group customers engaging high-leverage expansion, and improved refined management. The Bank implemented the concept of green development, further strengthened the investment and financing control over the high polluting, high energy-consuming industries, and strengthened the adjustment of investment and financing structure and risk prevention & control in a forward-looking manner, to promote the "low-carbon transformation" of high-carbon industries.

Credit Risk Analysis

At the end of 2021, the Bank's maximum exposure to credit risk, without taking into account of any collateral and other credit enhancements, was RMB36,737,042 million, an increase of RMB1,720,224 million compared with the end of the previous year. Please refer to "Note 49.(a)(i) to the Consolidated Financial Statements: Maximum Exposure to Credit Risk Without Taking Into Account of Any Collateral and Other Credit Enhancements". For mitigated risk exposures of credit risk asset portfolio of the Bank, please refer to the section headed "Credit Risk" of the 2021 Capital Adequacy Ratio Report of Industrial and Commercial Bank of China Limited.

DISTRIBUTION OF LOANS BY FIVE-CATEGORY CLASSIFICATION

In RMB millions, except for percentages

Item	At 31 December 2021		At 31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Pass	19,961,778	96.59	17,918,430	96.21
Special mention	412,038	1.99	411,900	2.21
NPLs	293,429	1.42	293,978	1.58
Substandard	134,895	0.66	114,438	0.61
Doubtful	128,983	0.62	149,926	0.81
Loss	29,551	0.14	29,614	0.16
Total	**20,667,245**	**100.00**	**18,624,308**	**100.00**

According to the five-category classification, pass loans amounted to RMB19,961,778 million at the end of 2021, representing an increase of RMB2,043,348 million when compared with the end of the previous year and accounting for 96.59% of total loans. Special mention loans stood at RMB412,038 million, representing an increase of RMB138 million, and accounting for 1.99% of the total, with a drop of 0.22 percentage points. NPLs amounted to RMB293,429 million, showing a decrease of RMB549 million, and NPL ratio was 1.42%, with a decrease of 0.16 percentage points.

DISTRIBUTION OF LOANS AND NPLS

In RMB millions, except for percentages

Item	At 31 December 2021				At 31 December 2020			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Corporate loans	12,194,706	59.0	254,887	2.09	11,102,733	59.6	253,815	2.29
Short-term corporate loans	2,737,742	13.2	107,390	3.92	2,643,212	14.2	130,893	4.95
Medium to long-term corporate loans	9,456,964	45.8	147,497	1.56	8,459,521	45.4	122,922	1.45
Discounted bills	527,758	2.6	–	–	406,296	2.2	622	0.15
Personal loans	7,944,781	38.4	38,542	0.49	7,115,279	38.2	39,541	0.56
Residential mortgages	6,362,685	30.8	15,460	0.24	5,728,315	30.8	16,207	0.28
Personal consumption loans	187,316	0.9	3,092	1.65	183,716	0.9	3,668	2.00
Personal business loans	702,441	3.4	6,811	0.97	521,638	2.8	6,760	1.30
Credit card overdrafts	692,339	3.3	13,179	1.90	681,610	3.7	12,906	1.89
Total	**20,667,245**	**100.0**	**293,429**	**1.42**	**18,624,308**	**100.0**	**293,978**	**1.58**

Corporate NPLs were RMB254,887 million, showing an increase of RMB1,072 million when compared with the end of the previous year, and representing a NPL ratio of 2.09%, with a decrease of 0.20 percentage points. Personal NPLs amounted to RMB38,542 million, showing a decrease of RMB999 million, and represented a NPL ratio of 0.49%, with a decrease of 0.07 percentage points.

DISTRIBUTION OF CORPORATE LOANS AND NON-PERFORMING CORPORATE LOANS OF DOMESTIC BRANCHES BY INDUSTRY OF LOAN CUSTOMERS

In RMB millions, except for percentages

	At 31 December 2021				At 31 December 2020			
Item	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Transportation, storage and postal services	2,816,789	25.8	24,762	0.88	2,467,959	25.2	20,683	0.84
Leasing and commercial services	1,667,376	15.2	33,824	2.03	1,441,688	14.8	31,242	2.17
Manufacturing	1,654,610	15.1	61,602	3.72	1,555,382	15.9	65,361	4.20
Water, environment and public utility management	1,370,252	12.5	11,379	0.83	1,154,201	11.8	8,425	0.73
Production and supply of electricity, heat, gas and water	1,065,459	9.7	8,653	0.81	995,232	10.2	3,977	0.40
Real estate	705,714	6.5	33,820	4.79	701,094	7.2	16,238	2.32
Wholesale and retail	464,169	4.2	38,558	8.31	437,283	4.5	60,272	13.78
Construction	312,849	2.9	5,538	1.77	260,667	2.7	8,636	3.31
Science, education, culture and sanitation	287,601	2.6	6,947	2.42	245,378	2.5	5,462	2.23
Mining	203,130	1.9	3,470	1.71	177,408	1.8	7,593	4.28
Lodging and catering	73,063	0.7	8,095	11.08	83,886	0.9	11,743	14.00
Other	317,641	2.9	5,732	1.80	247,866	2.5	5,495	2.22
Total	**10,938,653**	**100.0**	**242,380**	**2.22**	**9,768,044**	**100.0**	**245,127**	**2.51**

The Bank continued to propel the optimization and adjustment of the industry's credit structure and stepped up efforts to shore up the development of the real economy. Loans to transportation, storage and postal services increased by RMB348,830 million as compared with the end of the previous year, representing a growth rate of 14.1%, mainly due to active support for the liquidity needs of highway, railway, airport and berth projects and large transportation group companies. Loans to leasing and commercial services increased by RMB225,688 million, representing a growth rate of 15.7%, mainly for supporting the financing needs of developing projects for "New infrastructure, New urbanization initiatives and Major projects", people's wellbeing, projects for strengthening areas of weaknesses in infrastructure, and of enterprise headquarters, parks and commercial complex management service customers. Loans to water, environment and public utility management grew by RMB216,051 million, representing a growth rate of 18.7%, mainly for steadily satisfying the investment and financing needs arising from significant projects and projects for people's livelihood in the areas of urban infrastructure construction, ecological environment protection and public services. Manufacturing loans rose by RMB99,228 million, an increase of 6.4%, mainly due to continuously increased support for manufacturing, faster credit granting structure adjustment and fast growth of loans to leading and backbone enterprises in manufacturing of electrical equipment, general equipment, food and medicine.

The Bank continued to strengthen risk management of financing in various industries, intensified the disposal of non-performing assets with RMB190.1 billion NPLs recovered or disposed accumulatively, and actively promoted the transformation of risk asset management. Except for the deterioration of loans to customers in some industries due to external factors such as COVID-19 pandemic, the loan quality was generally stable.

DISTRIBUTION OF LOANS AND NPLS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

Item	At 31 December 2021				At 31 December 2020			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Head Office	791,994	3.8	21,668	2.74	772,372	4.1	21,603	2.80
Yangtze River Delta	4,163,732	20.2	35,149	0.84	3,582,682	19.2	45,304	1.26
Pearl River Delta	3,134,781	15.2	33,860	1.08	2,746,019	14.8	31,540	1.15
Bohai Rim	3,371,325	16.3	72,241	2.14	3,030,552	16.3	71,763	2.37
Central China	3,133,539	15.2	40,046	1.28	2,789,085	15.0	38,584	1.38
Western China	3,746,867	18.1	47,031	1.26	3,369,916	18.1	47,788	1.42
Northeastern China	895,238	4.3	30,600	3.42	841,595	4.5	28,411	3.38
Overseas and other	1,429,769	6.9	12,834	0.90	1,492,087	8.0	8,985	0.60
Total	**20,667,245**	**100.0**	**293,429**	**1.42**	**18,624,308**	**100.0**	**293,978**	**1.58**

MOVEMENTS OF ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

In RMB millions

Item	Movements of allowance for impairment losses on loans and advances to customers measured at amortised cost				Movements of allowance for impairment losses on loans and advances to customers measured at FVTOCI			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	**223,703**	**89,151**	**217,446**	**530,300**	**211**	**–**	**650**	**861**
Transfer:								
to stage 1	17,860	(15,581)	(2,279)	–	–	–	–	–
to stage 2	(9,856)	14,056	(4,200)	–	–	–	–	–
to stage 3	(3,534)	(35,319)	38,853	–	–	–	–	–
Charge/(reverse)	41,831	58,906	67,614	168,351	(13)	–	(71)	(84)
Write-offs and transfer out	–	–	(100,447)	(100,447)	–	–	(551)	(551)
Recoveries of loans and advances previously written off	–	–	9,020	9,020	–	–	–	–
Other movements	(628)	(564)	(2,268)	(3,460)	(7)	–	–	(7)
Balance at 31 December 2021	**269,376**	**110,649**	**223,739**	**603,764**	**191**	**–**	**28**	**219**

Note: Please see "Note 23. to the Consolidated Financial Statements: Loans and Advances to Customers" for details.

As at the end of 2021, the allowance for impairment losses on loans stood at RMB603,983 million, of which RMB603,764 million at amortised cost, and RMB219 million at fair value through other comprehensive income. Allowance to NPLs was 205.84%, showing an increase of 25.16 percentage points over the end of last year; allowance to total loans ratio was 2.92%, showing an increase of 0.07 percentage points.

DISTRIBUTION OF LOANS BY COLLATERAL

In RMB millions, except for percentages

Item	At 31 December 2021		At 31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	9,497,898	46.0	8,703,068	46.8
Pledged loans	1,720,583	8.3	1,401,565	7.5
Guaranteed loans	2,459,887	11.9	2,260,445	12.1
Unsecured loans	6,988,877	33.8	6,259,230	33.6
Total	**20,667,245**	**100.0**	**18,624,308**	**100.0**

OVERDUE LOANS

In RMB millions, except for percentages

Overdue periods	At 31 December 2021		At 31 December 2020	
	Amount	% of total loans	Amount	% of total loans
Less than 3 months	72,444	0.35	98,963	0.54
3 months to 1 year	70,057	0.34	74,820	0.40
1 to 3 years	93,247	0.45	72,467	0.39
Over 3 years	19,153	0.09	21,257	0.11
Total	**254,901**	**1.23**	**267,507**	**1.44**

Note: Loans and advances to customers are deemed overdue when either the principal or interest is overdue. For loans and advances to customers repayable by installments, the total amount of loans is deemed overdue if part of the installments is overdue.

Overdue loans stood at RMB254,901 million, representing a decrease of RMB12,606 million from the end of the previous year. Among which, loans overdue for over 3 months amounted to RMB182,457 million, representing an increase of RMB13,913 million.

RESCHEDULED LOANS

Rescheduled loans and advances amounted to RMB19,134 million, representing an increase of RMB7,174 million as compared to the end of the previous year. Rescheduled loans and advances overdue for over 3 months amounted to RMB2,301 million, representing an increase of RMB246 million.

LOAN MIGRATION RATIO

In percentages

Item	At 31 December 2021	At 31 December 2020	At 31 December 2019
Pass	1.6	1.7	1.5
Special mention	20.1	36.4	26.1
Substandard	41.2	60.9	36.0
Doubtful	14.3	19.2	15.6

Large Exposures Management

The Bank carried out large exposures management in strict accordance with regulatory requirements, improved the large exposures management system, optimized large exposures limit management, promoted the construction of large exposures management related systems, and continuously improved the Group's large exposures management.

BORROWER CONCENTRATION

As at the end of 2021, the total amount of loans granted by the Bank to the single largest borrower and top ten single borrowers accounted for 3.6% and 14.2% of the Bank's net capital base respectively. The total amount of loans granted to the top ten single borrowers was RMB554,249 million, accounting for 2.7% of the total loans.

Item	At 31 December 2021	At 31 December 2020	At 31 December 2019
Loan concentration to the single largest borrower (%)	3.6	3.5	3.1
Loan concentration to the top ten borrowers (%)	14.2	14.8	12.6

The table below shows the details of the loans granted to the top ten single borrowers of the Bank as at the end of 2021.

In RMB millions, except for percentages

Borrower	Industry	Amount	% of total loans
Borrower A	Transportation, storage and postal services	141,457	0.8
Borrower B	Transportation, storage and postal services	67,107	0.3
Borrower C	Finance	50,828	0.2
Borrower D	Finance	49,479	0.2
Borrower E	Transportation, storage and postal services	48,999	0.2
Borrower F	Transportation, storage and postal services	42,660	0.2
Borrower G	Transportation, storage and postal services	42,375	0.2
Borrower H	Finance	40,095	0.2
Borrower I	Finance	36,781	0.2
Borrower J	Finance	34,468	0.2
Total		**554,249**	**2.7**

For credit risk capital measurement, please refer to the section headed "Credit Risk" of the 2021 Capital Adequacy Ratio Report of Industrial and Commercial Bank of China Limited.

Market Risk

Market risk is defined as the risk of loss to the Bank's on- and off-balance sheet activities caused by adverse movements in market rates (including interest rates, exchange rates, stock prices and commodity prices). The Bank is primarily exposed to interest rate risk and currency risk (including gold). Market risk management is the process of identifying, measuring, monitoring, controlling and reporting market risk. The objective of market risk management is to control market risk exposures within a tolerable level and maximize risk-adjusted return according to the Bank's risk appetite.

The Bank strictly complies with regulatory requirements on market risk management, has implemented an independent, centralized and coordinated market risk management model, and formed a management organizational structure featuring the segregation of the front, the middle and the back offices in the financial market business. The Board of Directors assumes the ultimate responsibility for monitoring market risk management. The Senior Management is responsible for executing the strategies, overall policy and system concerning market risk management approved by the Board of Directors. The Market Risk Management Committee of the Senior Management is the reviewing and decision-making organ of the Bank in respect of market risk management, is responsible for reviewing material affairs of market risk management, and performs its duty in accordance with the Working Regulations for the Market Risk Management Committee. The risk management departments at different levels undertake the responsibility of coordinating market risk management at respective levels, and the business departments implement market risk management policies and standards for their respective business areas in accordance with their functions.

In 2021, the Bank continued to deepen the Group's market risk management, tightened the Group's market risk limit control, and verified and issued the Group's market risk limit plan for 2021. A forward-looking analysis of interest rate, exchange rate and commodity risks was conducted in a timely manner. It continuously conducted global financial market monitoring and perfected the fast risk reporting mechanism. Empowered by technologies, the market risk management system was more intelligent. It continuously promoted the extended application of Global Market Risk Management ("GMRM") system to overseas institutions and steadily pushed forward the implementation of the standardized market risk approach of Basel III Final Reform Package issued by Basel Committee.

Management of Market Risk in the Trading Book

The Bank kept strengthening trading book market risk management and product control, and adopted the value-at-risk (VaR), stress testing, sensitivity analysis, exposure analysis, profit/loss analysis, price monitoring and other means to measure and manage trading book products. It continued to improve the portfolio-based market risk limit management system, refined limit indicators, ameliorated the dynamic management mechanism to meet the requirements of new products and businesses for timeliness, and realized quick and flexible limit monitoring and dynamic adjustments based on the GMRM system.

For VaR of the trading book, please refer to "Note 49. (c)(i) to the Consolidated Financial Statements: VaR".

Currency Risk Management

Currency risk is the risk of adverse movements of exchange rate resulting in losses on the foreign currency exposure, which is due to the currency structure's mismatch between foreign currency assets and liabilities. The Bank's objective of currency risk management is to control the impact of exchange rate fluctuations on the Bank's financial position and shareholders' equity within a tolerable extent. The Bank mitigates such risk principally by limit management and hedging of risks. The Bank carries out sensitivity analysis and stress testing of currency risk on a quarterly basis, and the Senior Management and the Market Risk Management Committee review the currency risk reports on a quarterly basis.

In 2021, the Bank closely watched the changes in external environment and market conditions, actively took a combination of measures such as limit management and hedging of risks to improve the matching degree of the Group's foreign exchange assets and liabilities, and strengthened capital fund preservation management of overseas institutions. The currency risk was controllable in general.

FOREIGN EXCHANGE EXPOSURE

In RMB (USD) millions

Item	At 31 December 2021		At 31 December 2020	
	RMB	USD equivalent	RMB	USD equivalent
Exposure of on-balance sheet foreign exchange items, net	444,773	69,919	402,774	61,593
Exposure of off-balance sheet foreign exchange items, net	(276,298)	(43,435)	(198,474)	(30,351)
Total foreign exchange exposure, net	**168,475**	**26,484**	**204,300**	**31,242**

Please refer to "Note 49.(c)(ii) to the Consolidated Financial Statements: Currency Risk" for the exchange rate sensitivity analysis.

Please refer to the section headed "Market Risk" of the 2021 Capital Adequacy Ratio Report of Industrial and Commercial Bank of China Limited issued by the Bank for further information on market risk capital measurement.

Interest Rate Risk in the Banking Book

Interest rate risk in the banking book is defined as the risk of loss in the economic value and overall profit of the banking book arising from adverse movements in interest rate and maturity structure, etc.

Management of Interest Rate Risk in the Banking Book

The Bank's management system for interest rate risk in the banking book conforms to the system importance, risk status and business complexity, and fits the Bank's overall development strategy and the enterprise risk management system. The system mainly consists of the following elements: an effective risk governance structure; sound risk management strategies, policies and procedures; effective risk identification, measurement, monitoring, control and mitigation that cover all areas; a complete internal control and review mechanism; a fully-built risk management system; and adequate information disclosure and reporting. The Bank strictly complied with regulatory requirements for interest rate risk in the banking book, effectively managed interest rate risk in the banking book at the Bank and consolidated level, and developed a sound governance structure for interest rate risk management in the banking book that is fully built and well-structured, with clearly defined rights and responsibilities. The Board of Directors and the Senior Management are vested with the ultimate and executive responsibilities, respectively, for managing interest rate risk in the banking book. The Asset & Liability Management Department of the Head Office takes the leading role in managing interest rate risk in the banking book, and other departments and institutions play their roles in implementing policies and standards concerning interest rate risk in the banking book. The Internal Audit Bureau and the Internal Control & Compliance Department of the Head Office are responsible for reviewing and evaluating duties in respective of interest rate risk in the banking book.

The objective of management of interest rate risk in the banking book: The Bank aims at maximizing the risk-adjusted net interest income within the tolerable level of interest rate risk under its risk management and risk appetite. The Bank formulated strategies and clarified objectives and modes for managing interest rate risk in the banking book based on risk appetite, risk status, macroeconomic and market changes. Based on the pre-judging of the interest rate trend and measurement results of the changes in overall profit and economic value, the Bank formulated and put into practice relevant management policies, and adopted a coordinated approach to using interest rate risk control tools to mitigate and manage risks, so as to ensure the Bank's actual interest rate risks conform to its bearing capability and willingness. On the basis of management strategies and objectives, the Bank developed policies and made clear the modes and instruments for managing interest rate risk in the banking book. By developing and modifying such methods as on-balance sheet adjustment and off-balance sheet hedging to manage interest rate risk, adeptly using quantity, pricing and derivative instruments regarding assets and liabilities, and applying limit management system, business plan, performance assessment and capital evaluation in all areas for interest rate risk management and assessment, the Bank achieved effective control of interest rate risk at the business lines, the branches, the affiliates and the products and portfolios easily affected by interest rate risk.

In line with the principles of comprehensiveness, prudence and foresight, the Bank's stress testing on interest rate risk in the banking book adopted the interest rate risk exposure measurement approach and standardized duration approach to measure the effect of interest rate changes under different stress scenarios on the overall profit and economic value. Based on the domestic and overseas regulatory requirements, the bank-wide asset and liability business structure, operation and management as well as risk appetite, the Bank set stress testing scenarios for interest rate risk in the banking book by taking into account the current interest rate level, historical changes and trends, total assets and liabilities and their term characteristics, business development strategies, customer behaviors and other factors, and conducted stress testing quarterly.

In 2021, the Bank implemented the new development concept, improved the combined regulation mechanism for whole process management, all-factor regulation and full-lifecycle coverage of interest rate risk, built an intelligent interest rate risk monitoring, early warning and business control platform, improved the ability to respond quickly and actively to complex market environment, and continuously deepened the new pattern of cross-cyclical stable interest rate risk management. The Bank strengthened the research and anticipation of interest rate risk strategy in a forward-looking and active manner, made combined use of asset and liability amount, price and derivative tools to accurately adjust the allocation structure of the Group's asset and liability interest rate portfolio, effectively resisted the impact of global economic and financial operation and internal and external risk challenges, and realized the balanced growth of current income and long-term value.

Analysis on Interest Rate Risk in the Banking Book

Interest Rate Sensitivity Analysis

Supposing that there is parallel shift of overall market interest rates, and taking no account of possible risk management actions taken by the management to mitigate the interest rate risk, the analysis on interest rate sensitivity of the Bank categorized by major currencies at the end of 2021 is shown in the following table:

In RMB millions

	+100 basis points		-100 basis points	
Currency	Effect on net interest income	Effect on equity	Effect on net interest income	Effect on equity
RMB	(27,350)	(39,969)	27,350	43,662
USD	1,551	(5,873)	(1,551)	6,126
HKD	(958)	(140)	958	142
Other	1,029	(1,661)	(1,029)	1,694
Total	**(25,728)**	**(47,643)**	**25,728**	**51,624**

Note: Please refer to "Note 49.(d) to the Consolidated Financial Statements: Interest Rate Risk in the Banking Book".

Interest Rate Exposure Analysis

As at the end of 2021, the Bank had a positive cumulative interest rate sensitivity exposure within one year of RMB1,943,618 million, representing an increase of RMB836,372 million from the end of the previous year, mainly caused by the increase in repriced or matured loans and advances to customers within one year. It had a positive cumulative interest rate sensitivity exposure above one year of RMB1,018,814 million, representing a decrease of RMB305,399 million, mainly resulted from the increase in repriced or matured due to customers above one year.

INTEREST RATE RISK EXPOSURE

In RMB millions

	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
At 31 December 2021	(6,440,087)	8,383,705	(2,301,496)	3,320,310
At 31 December 2020	(6,378,856)	7,486,102	(1,560,515)	2,884,728

Note: Please refer to "Note 49.(d) to the Consolidated Financial Statements: Interest Rate Risk in the Banking Book".

Liquidity Risk

Liquidity risk is the risk that the Bank is unable to raise funds on a timely basis at a reasonable cost to settle liabilities as they fall due, or perform other payment obligations and satisfy other funding demands arising from the normal course of business. Liquidity risk may arise from the following events or factors: material adverse changes in market liquidity, withdrawal of customers' deposits, drawing of loans by customers, overdue payment of debtors, mismatch between assets and liabilities, difficulties in assets realization, operating losses and risk associated with its affiliates.

Liquidity Risk Management

The Bank's liquidity risk management system conforms to the overall development strategy and the overall risk management system, and is commensurate with the business scale, business nature, complexity and other aspects of the Bank. The system includes the following fundamental elements: effective governance structure for liquidity risk management; sound strategy, policy and procedures for liquidity risk management; effective identification, measurement, monitoring and control for liquidity risk and a complete management information system. In respect of liquidity risk management, the Bank's governance structure embodies the decision-making system comprising the Board of Directors and its special committees as well as the Asset and Liability Management Committee and the Risk Management Committee of the Head Office; the supervision system comprising the Board of Supervisors, the Internal Audit Bureau and the Internal Control and Compliance Department of the Head Office; and the execution system comprising the Asset and Liability Management Department, leading management departments of on- and off-balance sheet businesses, the information technology departments, operation management departments of the Head Office and relevant departments of branches. Each of these systems performs the corresponding functions of decision making, supervision and execution according to division of responsibilities.

Objective of liquidity risk management: By establishing and improving the liquidity risk management system, the Bank aims at realizing effective identification, measurement, monitoring and control of the liquidity risk at the Group level, the Bank, the affiliates, the branches and the business lines, and ensuring the liquidity demand is satisfied at a reasonable cost in time under the normal business scenario and the stress scenario. The Bank's liquidity risk management strategy and policy are formulated in accordance with the liquidity risk appetite, and they cover all businesses on- and off-balance sheet, all domestic and overseas business departments, branches and affiliates that are likely to have a material impact on the liquidity risk, and contain the liquidity risk management under normal and stressed scenarios. The liquidity risk management strategy specifies the overall objective and mode of liquidity risk management and lists major policies and procedures. The policies for liquidity risk management are formulated in accordance with external and macro operating environments and business development of the Bank, with a view to striking an effective balance among security, liquidity and profitability. The Bank conducts stress testing quarterly or by subject by fully considering various macro and micro factors that may affect the liquidity of the Bank, changes in the external operating environment, regulatory requirements, and business characteristics and complexity of the Bank.

In 2021, the Bank adhered to a steady and prudent liquidity management strategy, and the Group's liquidity was stable. The Bank intensified the monitoring of funds and maintained a proper and sufficient liquidity reserve. The Bank optimized and upgraded the liquidity risk management mechanism and system, and continuously enhanced the automation and intelligence level of liquidity risk monitoring, measurement and control. The Bank strengthened on- and off-balance sheet liquidity risk management in local and foreign currencies in domestic and overseas institutions, optimized the multi-level and multi-dimensional liquidity monitoring and early warning system, and further enhanced the Group's liquidity risk prevention and emergency response capabilities.

Liquidity Risk Analysis

The Bank assesses liquidity risk status by comprehensive use of a variety of methods and tools such as liquidity indicator analysis and liquidity exposure analysis.

At the end of 2021, RMB liquidity ratio and foreign currency liquidity ratio of the Bank were 41.5% and 88.9% respectively, both meeting the regulatory requirements. Loan-to-deposit ratio was 77.3%.

Item		Regulatory criteria	At 31 December 2021	At 31 December 2020	At 31 December 2019
Liquidity ratio (%)	RMB	>=25.0	41.5	43.2	43.0
	Foreign currency	>=25.0	88.9	91.4	85.9
Loan-to-deposit ratio (%)	RMB and foreign currency		77.3	72.8	71.6

Note: The regulatory indicators in the table are calculated in accordance with related regulatory requirements, definitions and accounting standards applicable to the current period. The comparative figures are not adjusted or restated.

Net stable funding ratio aims to ensure commercial banks have sufficient stable sources of funding to meet the needs for stable funding of assets and off-balance sheet risk exposures. The net stable funding ratio is the ratio of the available stable funding to the required stable funding. As at the end of the fourth quarter of 2021, the net stable funding ratio was 126.20%, 1.98 percentage points lower than that at the end of the previous quarter, mainly due to the rapid growth of stable funds required. For the quantitative information for net stable funding ratio in accordance with Disclosure Rules on Net Stable Funding Ratio of Commercial Banks, please refer to the section headed "Unaudited Supplementary Information to the Consolidated Financial Statements".

The daily average liquidity coverage ratio for the fourth quarter of 2021 was 112.20%, 0.96 percentage points higher than the previous quarter, mainly because of the continuous growth of qualified high-quality liquid assets. High-quality liquid assets cover cash, available central bank reserve under stress and primary and secondary bond assets that can be included in the liquidity coverage ratio under the regulatory requirements. For the quantitative information for liquidity coverage ratio based on the Administrative Measures for the Information Disclosure of Liquidity Coverage Ratio of Commercial Banks, please refer to the section headed "Unaudited Supplementary Information to the Consolidated Financial Statements".

As at the end of 2021, the liquidity exposure for less than 1 month turned negative from positive from the end of last year, mainly due to the increase of matured due to customers within corresponding term. The negative liquidity exposure for 1 to 3 months expanded, mainly due to the increase of matured due to customers within corresponding term. The negative liquidity exposure for 3 months to 1 year decreased slightly, mainly due to the increase of matured loans and advances to customers with corresponding term. The positive liquidity exposure for 1 to 5 years decreased slightly mainly due to the increase of matured due to customers within corresponding term. The positive liquidity exposure for the category of over 5 years expanded, which was mainly due to the increase in matured loans and advances to customers and bond investments within corresponding term. Deposits maintained steady growth with a high deposition rate, and at the same time the Bank made major investment in highly liquid bond assets, and possessed sufficient liquidity reserves. Therefore, the overall liquidity of the Bank was maintained at a safe level.

LIQUIDITY EXPOSURE ANALYSIS

In RMB millions

	Overdue/ repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
At 31 December 2021	(14,262,606)	(89,448)	(415,735)	(377,347)	538,067	14,692,050	3,190,277	3,275,258
At 31 December 2020	(14,309,956)	335,580	(209,780)	(563,541)	981,145	13,324,640	3,351,427	2,909,515

Note: Please refer to "Note 49.(b) to the Consolidated Financial Statements: Liquidity Risk".

Operational Risk

Operational Risk Management

Operational risk is defined as the risk of loss resulting from insufficient or problematic internal processes, employees and IT systems or from external events, including legal risk, but excluding strategic and reputational risk. There are seven major types of operational risks faced by the Bank, including internal fraud, external fraud, employment system and workplace safety, customers, products and business activities, damage to physical assets, IT system, execution and delivery and process management. Among these, external fraud, execution, delivery and process management constitute major sources of operational risk losses of the Bank.

The Bank strictly complies with regulatory requirements on operational risk management. The Board of Directors, the Board of Supervisors, the Senior Management and its Operational Risk Management Committee are respectively responsible for decision-making, supervision and execution with respect to operational risk management, and relevant departments act as the "three lines of defense" for operational risk management pursuant to their management functions, thus forming an operational risk management system with close connection and mutual checks and balances. Institutions and departments function as the first line of defense, which assume the direct responsibility for respective operational risk management. Classified management departments such as Internal Control & Compliance, Legal Affairs, Security, Financial Technology, Finance & Accounting, Operation Management and Human Resources as well as cross-risk management departments including Credit and Investment Management and Risk Management jointly perform the functions as the second line of defense, which are respectively responsible for the lead management of operational risk, the classified management of certain type of operational risk and the management of operational risk across credit and market risks. The Internal Audit Department performs the functions as the third line of defense and assumes the responsibility for supervision, which is responsible for supervising the effectiveness of operational risk management.

In 2021, the Bank continued to reinforce operational risk management in line with regulatory focuses and operational risk trends. It optimized the risk limit management mechanism, and effectively transmitted the Group's operational risk management appetite. The Bank formulated and issued 2021–2023 Development Plan for the Internal Control System, and kept perfecting internal control mechanism with all-round coverage, whole-process control and all-employee participation. The operational risk and control self-assessment of special lines under "regulatory red line" was carried out. In view of serious risks, the Bank promoted optimization of policies, processes, systems and mechanisms. The Bank carried out risk governance in key business areas, strengthened case warning education, and continuously tightened employee behavior control. Moreover, the operational risk application and management system was optimized, to continuously enhance effective risk data aggregation and risk reporting capabilities. During the reporting period, the operational risk management system of the Bank operated smoothly, and the operational risk was controllable on the whole.

Legal Risk

Legal risk is the risk of incurring legal sanctions, regulatory penalties, financial losses, reputational losses or other negative consequences that arises out of or in connection with the failure of the Bank to comply with relevant laws, regulations, administrative rules, regulatory provisions or requirements of other relevant rules during the Bank's operation; the unfavorable legal defects that exist in products, services or information provided to clients, transactions engaged in, and contracts, agreements or

other documents executed by the Bank; legal disputes (litigation or arbitration proceedings) between the Bank and its clients, counterparties and stakeholders; important changes in relevant laws and regulations, administrative rules, regulatory provisions and other relevant rules; and other relevant legal events that occur internally and externally.

Based on the objective to ensure legal and compliant operation, the Bank always attaches great importance to establishing a sound legal risk management system, forming a full-process legal risk prevention and control mechanism to support and secure business innovation and market competition, and to prevent and eliminate various potential or practical legal risks. The Board of Directors is responsible for reviewing and determining the strategy and policy relating to legal risk management, and assumes the ultimate responsibility of legal risk management. The Senior Management is responsible for executing the strategy and policy relating to legal risk management, examining and approving relevant important affairs. The Legal Affairs Department of the Head Office is in charge of legal risk management across the Group, with relevant business departments providing related support and assistance on legal risk prevention and control. The affiliates, domestic and overseas branches undertake the responsibility of legal risk management of their respective institutions.

In 2021, the Bank continued to strengthen legal risk management, by improving the risk prevention and control capacity in legal risk management, ensuring the legal and compliant operation, healthy business development and overall business stability of the Group. In accordance with new laws and regulations such as the Personal Information Protection Law, its business rules and relevant agreements were continuously improved, and legal risk prevention and control in key areas and links was further pushed forward in line with new requirements of financial regulators. The Bank also conducted ongoing monitoring of legal risks and improved both the vertical interconnection and horizontal coordination mechanism between the Head Office and branches. By systematically embedding legal risk prevention and control into business negotiations, product design, contract signing and other links, the Bank made risk prevention and control more prospective, proactive and targeted. It improved the cross-border coordination and management for legal work and strengthened the legal risk management of overseas institutions, properly responding to cross-border legal issues emerging in the development of international operations. Moreover, the Bank ameliorated the function design and management mechanic for the electronic signing system, to strengthen its strict control of seal use in business contracts during the whole process, and effectively prevent and control operational risk, legal risk and reputational risk caused by misuse of contract seal. It reinforced authorization management, related party management, trademark management and intellectual property protection, and made efforts to effectively institutionalize risk management and control, and refine the structure of the system. The Bank devoted great energy to strongly deal with lawsuit cases to protect the Bank's rights and interests in accordance with law and avoid and reduce risk losses. In addition to the active assistance in online judicial inquiry and enforcement, the Bank played a positive role in improving the efficiency of law enforcement and case handling by competent authorities and building a social credibility system.

Anti-Money Laundering

In strict compliance with anti-money laundering ("AML") laws and regulations of China and host countries (regions) of overseas institutions, the Bank sincerely fulfilled the legal obligations and social responsibilities concerning AML. The Bank actively adapted to AML changes in the new era, established the global, comprehensive and brand-new money laundering risk management concept involving all personnel, spanning all processes and covering all risk exposures, accommodated to "cross-border, cross-industrial and cross-sector" development requirements, practiced the management principle of "active prevention, smart control and comprehensive management", and coordinated it efforts to strengthen Group-wide money laundering risk management. The Bank continuously improved the Group's AML governance system, constantly promoted the comprehensive management regarding customer identification, implemented new regulations on money laundering risk assessment, created a digital AML ecosystem, ramped up efforts in overseas AML infrastructure, etc. The quality and efficiency of money laundering risk management has been further improved.

Please refer to the section headed "Operational Risk" of the 2021 Capital Adequacy Ratio Report of Industrial and Commercial Bank of China Limited issued by the Bank for further information on operational risk capital measurement.

Reputational Risk

Reputational risk is defined as the risk of negative comments on the Bank from stakeholders, the public or the media as a result of the behaviors of the Bank or practitioners or external events, thereby damaging brand value, detrimental to normal operation, and even affecting market and social stability. Reputational risk may arise in any part of the Bank's operation and management, and usually co-exists and correlates with credit risk, market risk, operational risk and liquidity risk. Good reputation is central to the operation and management of a commercial bank. The Bank highly values its reputation and has incorporated reputational risk management in the corporate governance and enterprise risk management system to prevent reputational risk.

The Board of Directors is responsible for reviewing and finalizing bank-wide policies concerning reputational risk management that are in line with the strategic objective of the Bank, establishing a bank-wide system of reputational risk management, monitoring the overall status and effectiveness of reputational risk management across the Bank and assuming the ultimate responsibility for reputational risk management. The Senior Management is responsible for leading reputational risk management of the Bank, implementing the strategies and policies established by the Board of Directors, reviewing and finalizing the rules, measures and operating procedures for reputational risk management, preparing plans for responding to and coping with extraordinarily major reputational risk events and ensuring the proper and effective operation of the reputational risk management system. The Bank has established a special reputational risk management team to take charge of the daily management of reputational risk.

In 2021, the Bank kept improving the structure of reputational risk management system, to optimize relevant working mechanism and enhance reputational risk management. The Bank revised and issued the Measures for Reputational Risk Management of ICBC (Version 2021) and further improved the construction of the whole-process reputational risk management system across the Group. The Bank raised the efficiency of "dual-line management" (speciality and local) and prevented hidden reputational risks at the source. In addition, the Bank actively responded to social concerns, and organized and promoted influential brand communication activities, to enhance the Bank's brand image. During the reporting period, the reputational risk of the Bank was stable and within a controllable range.

Country Risk

Country risk is the risk incurred to a bank arising from the inability or refusal by the borrower or debtor to repay bank debt, losses suffered by the Bank or its commercial presence in such country or region and other losses due to economic, political and social changes and events in a country or a region. Country risk may be triggered by deterioration of economic conditions, political and social turmoil, asset nationalization or expropriation, government's refusal to pay external debt, foreign exchange control or currency depreciation in a country or a region.

The Bank strictly observes regulatory requirements on country risk management. The Board of Directors assumes the ultimate responsibility for the effectiveness of country risk management. The Senior Management is responsible for executing the country risk management policies approved by the Board of Directors. The Risk Management Committee of the Head Office is responsible for reviewing matters regarding country risk management. The Bank manages and controls country risk with a series of tools, including country risk assessment and rating, country risk limit, country risk exposure calculation and monitoring and stress testing. The Bank reviews the country risk rating and limits at least once every year.

In 2021, facing the increasingly complicated, severe and uncertain external environment, the Bank strictly abode by regulatory requirements and, with consideration of its business development needs, continued to strengthen country risk management. The Bank closely observed changes in country risk exposures, constantly tracked, monitored and reported country risk, and timely updated and adjusted the country risk rating and limits. It continued to strengthen early warning mechanism for country risk, proactively conducted stress testing on country risk and reasonably and effectively controlled country risk while steadily promoting internationalization.

CAPITAL MANAGEMENT

The Bank implements a group-based capital management mechanism, and takes capital as the object and an instrument for its management activities, including planning, measurement, allocation, application and operation. The Bank's capital management aims at maintaining appropriate capital adequacy ratio and continuously meeting capital supervisory regulations and policies; ceaselessly strengthening and enhancing the capital base and supporting business growth and implementation of strategic planning; establishing a value management system focusing on economic capital, reinforcing capital constraint and incentive mechanism and improving capital allocation efficiency; innovating and expanding capital replenishment channels, raising capital quality and optimizing capital structure. The Bank's capital management covers various operating entities in the Group, and its contents include capital adequacy ratio management, economic capital management, capital investment and financing management.

In 2021, the Bank further deepened the capital management reform, strengthened capital saving and optimization, carried forward the disposal of low-efficiency capital occupation, intensified the constraint of economic capital management on risk-weighted assets and continued to elevate the capital use efficiency. It holistically balanced the endogenous and exogenous capital replenishment, and further consolidated the capital base to further reinforce its capacity in supporting the real economy. In 2021, all capital indicators performed well, of which capital adequacy ratio was kept at a sound and appropriate level.

Capital Adequacy Ratio and Leverage Ratio

The Bank calculated its capital adequacy ratios at all levels in accordance with the Capital Regulation. According to the scope of implementing the advanced capital management approaches as approved by the regulatory authorities, the Bank adopted the foundation internal ratings-based ("IRB") approach for corporate credit risk, the IRB approach for retail credit risk, the internal model approach ("IMA") for market risk, and the standardized approach for operational risk meeting regulatory requirements. The weighted approach was adopted for credit risk uncovered by the IRB approach and the standardized approach was adopted for market risk uncovered by the IMA.

RESULTS OF CAPITAL ADEQUACY RATIO CALCULATION OF THE GROUP AND PARENT COMPANY

In RMB millions, except for percentages

Item	At 31 December 2021		At 31 December 2020	
	Group	Parent Company	Group	Parent Company
Net core tier 1 capital	2,886,378	2,614,392	2,653,002	2,404,030
Net tier 1 capital	3,241,364	2,944,636	2,872,792	2,605,594
Net capital base	3,909,669	3,600,883	3,396,186	3,114,878
Core tier 1 capital adequacy ratio (%)	13.31	13.29	13.18	13.14
Tier 1 capital adequacy ratio (%)	14.94	14.97	14.28	14.24
Capital adequacy ratio (%)	18.02	18.30	16.88	17.02

As at the end of 2021, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio calculated by the Bank in accordance with the Capital Regulation stood at 13.31%, 14.94% and 18.02%, respectively, complying with regulatory requirements.

CAPITAL ADEQUACY RATIO

In RMB millions, except for percentages

Item	At 31 December 2021	At 31 December 2020
Core tier 1 capital	**2,903,516**	**2,669,055**
Paid-in capital	356,407	356,407
Valid portion of capital reserve	148,597	148,534
Surplus reserve	356,849	322,692
General reserve	438,640	339,486
Retained profits	1,618,142	1,508,562
Valid portion of minority interests	3,539	3,552
Other	(18,658)	(10,178)
Core tier 1 capital deductions	**17,138**	**16,053**
Goodwill	7,691	8,107
Other intangible assets other than land use rights	5,669	4,582
Cash flow hedge reserve that relates to the hedging of items that are not fair-valued on the balance sheet	(4,202)	(4,616)
Investments in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	7,980
Net core tier 1 capital	**2,886,378**	**2,653,002**
Additional tier 1 capital	**354,986**	**219,790**
Additional tier 1 capital instruments and related premiums	354,331	219,143
Valid portion of minority interests	655	647
Net tier 1 capital	**3,241,364**	**2,872,792**
Tier 2 capital	**668,305**	**523,394**
Valid portion of tier 2 capital instruments and related premiums	418,415	351,568
Surplus provision for loan impairment	248,774	170,712
Valid portion of minority interests	1,116	1,114
Net capital base	**3,909,669**	**3,396,186**
Risk-weighted assets[1]	**21,690,349**	**20,124,139**
Core tier 1 capital adequacy ratio (%)	**13.31**	**13.18**
Tier 1 capital adequacy ratio (%)	**14.94**	**14.28**
Capital adequacy ratio (%)	**18.02**	**16.88**

Note: (1) Refers to risk-weighted assets after capital floor and adjustments.

RISK-WEIGHTED ASSETS

In RMB millions

Item	At 31 December 2021	At 31 December 2020
Credit risk-weighted assets	20,042,955	18,535,324
Parts covered by internal ratings-based approach	13,472,715	12,279,663
Parts uncovered by internal ratings-based approach	6,570,240	6,255,661
Market risk-weighted assets	153,686	174,784
Parts covered by internal model approach	51,014	94,238
Parts uncovered by internal model approach	102,672	80,546
Operational risk-weighted assets	1,493,708	1,414,031
Total	**21,690,349**	**20,124,139**

Please refer to the 2021 Capital Adequacy Ratio Report of Industrial and Commercial Bank of China Limited issued by the Bank for further information on capital measurement.

LEVERAGE RATIO

In RMB millions, except for percentages

Item	At 31 December 2021	At 30 September 2021	At 30 June 2021	At 31 March 2021	At 31 December 2020
Net tier 1 capital	3,241,364	3,132,095	3,009,641	2,956,971	2,872,792
Balance of adjusted on- and off-balance sheet assets	37,292,522	37,682,357	37,370,525	36,423,221	35,300,338
Leverage ratio (%)	**8.69**	**8.31**	**8.05**	**8.12**	**8.14**

Note: Please refer to "Unaudited Supplementary Information to the Consolidated Financial Statements" for details on disclosed leverage ratio information.

Capital Financing Management

On the basis of capital replenishment by retained profits, the Bank proactively expanded the channels for external capital replenishment and continuously promoted the innovation of capital instruments, to reinforce the capital strength, optimize capital structure and control the cost of capital rationally.

Issuance of Undated Additional Tier 1 Capital Bonds

The Bank publicly issued two tranches of undated additional tier 1 capital bonds of RMB70.0 billion and RMB30.0 billion in China's national inter-bank bond market in June and November 2021 respectively. All proceeds from these issuances, after deduction of issuance expenses, were used to replenish the Bank's additional tier 1 capital in accordance with applicable laws and approvals by the regulatory authorities.

The Bank issued undated additional tier 1 capital bonds of USD6.16 billion in the offshore market in September 2021. All proceeds from this issuance, after deduction of issuance expenses, were used to replenish the Bank's additional tier 1 capital in accordance with applicable laws and approvals by the regulatory authorities.

Issuance Progress of Tier 2 Capital Bonds

The Bank issued a tier 2 capital bond of RMB30.0 billion in China's national inter-bank bond market in January 2021. All proceeds were used to replenish the Bank's tier 2 capital in accordance with the applicable laws as approved by relevant regulatory authorities.

In 2021, the Bank received the approvals from CBIRC and PBC respectively, for the Bank to publicly issue tier 2 capital bonds of no more than RMB190.0 billion in China's national inter-bank bond market. In December 2021 and January 2022, the Bank issued two tranches of tier

2 capital bonds of RMB60.0 billion and RMB40.0 billion in the national inter-bank bond market, respectively. All proceeds were used to replenish the Bank's tier 2 capital in accordance with the applicable laws as approved by relevant regulatory authorities.

The Second Extraordinary General Meeting of 2021 of the Bank reviewed and approved the Proposal on the Issuance of Eligible Tier 2 Capital Instruments, which approved the Bank's issuance of eligible tier 2 capital instruments in domestic and offshore markets to replenish the Bank's tier 2 capital. The issuance plan of the eligible tier 2 capital instruments is still subject to the approval of relevant regulatory authorities.

For details on the issuance of capital instruments of the Bank, please refer to the announcements published by the Bank on the website of SSE, the "HKEXnews" website of HKEX and the website of the Bank.

Allocation and Management of Economic Capital

Economic capital management of the Bank includes three major aspects: measurement, allocation and application. Economic capital indicators include Economic Capital (EC), Risk-Adjusted Return on Capital (RAROC) and Economic Value-added (EVA). All of the above are applied in credit resource allocation, quota management, performance assessment, expenditure allocation, product pricing and customer management, etc.

The Bank further improved the Group's economic capital management system in terms of measurement, allocation and assessment, strengthened the Group's economic capital constraint and incentive mechanism, and promoted the Group's intensive capital development. It further improved its economic capital measurement policy and optimized its economic capital measurement standards and system. The Bank strictly implemented the quota management of economic capital, continuously boosted the refined management of economic capital, and reinforced the capital constraint on domestic branches, profitability units, overseas institutions and subsidiaries. Moreover, the Bank upgraded the economic capital measurement and appraisal policy of credit business and proactively facilitated the adjustment of its credit structure. It strengthened trainings on economic capital management for institutions at all levels, and vigorously pushed forward the application of economic capital in operational management and business front-line.

Assessment Indicators of Systemically Important Banks

Global Systemically Importance Assessment Indicators of Commercial Banks

In accordance with the Guidelines on the Disclosure of Global Systemically Importance Assessment Indicators for Commercial Banks issued by CBIRC and the Instructions for G-SIB Assessment Exercise issued by the Basel Committee on Banking Supervision, the Bank calculated and disclosed the global systemically importance assessment indicators.

In RMB millions

Indicator	2021
Balance of adjusted on- and off-balance sheet assets	37,560,752
Intra-financial system assets	2,088,082
Intra-financial system liabilities	2,947,997
Securities and other financing instruments issued	5,080,700
Payments settled via payment systems or correspondent banks	493,730,289
Assets under custody	19,980,932
Underwritten transactions in debt and equity markets	2,272,838
Trading volume of fixed-income securities	6,582,443
Trading volume of listed equities and other securities	1,259,003
Notional amount of over-the-counter ("OTC") derivatives	7,966,381
Trading and available-for-sale securities	784,582
Level 3 assets	153,164
Cross-jurisdictional claims	2,092,121
Cross-jurisdictional liabilities	2,069,735

Assessment Indicators of Domestic Systemically Important Banks

In accordance with the Measures for Assessment of Systemically Important Banks issued by PBC and CBIRC and the Notice on Launching the Assessment Data Completion of Systemically Important Banks issued by CBIRC, the Bank calculated and disclosed the 2020 assessment indicators of domestic systemically important banks.

In RMB millions, unless otherwise specified

Indicator	2020
Balance of adjusted on- and off-balance sheet assets	35,300,338
Intra-financial system assets	2,988,192
Intra-financial system liabilities	3,121,151
Securities and other financing instruments issued	2,591,743
Payments settled via payment systems or correspondent banks	480,825,563
Assets under custody	18,157,690
Agency and commission-based business	7,448,878
Number of corporate customers (in 10,000)	864
Number of personal customers (in 10,000)	68,030
Number of domestic operating institutions	16,065
Derivatives	8,085,879
Securities measured at fair value	790,093
Assets of non-banking affiliates	872,495
Wealth management business	1,637,344
Balance of wealth management products issued by the wealth management subsidiary	1,070,072
Cross-jurisdictional claims and liabilities	4,222,848

OUTLOOK

In 2022, the global economy is expected to continue its rebound, but tensions in the global supply chain and energy supplies may persist, and the prices of major asset categories show a divergent trend. The accelerated shift in monetary policy of major economies and the upward shift in interest rate centers will pose challenges to the banking sector in terms of liquidity management, asset allocation and optimization of the debt structure. At present, **the Chinese economy** faces pressures from three fronts, namely shrinking demand, supply shock and weakening expectations, but the momentum of sustained recovery and development has not changed, and its economic fundamentals remain strong in the long term. China is stepping up efforts to foster a new development paradigm featuring dual circulation, in which domestic and overseas markets reinforce each other, with the domestic market as the mainstay. This will bring new opportunities to the high-quality development in **the banking sector**.

Adhering to Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, **ICBC** will continue to earnestly implement the decisions and arrangements of the Central Committee of the Communist Party of China and the State Council, advance full and accurate implementation of the new development philosophy in the new development stage, and actively serve and integrate into the new development paradigm. The Bank will stay committed to the general principle of pursuing progress while ensuring stability, keep hold of the requirement of "stability", fight for achievements in "progress", redouble efforts in "reform", stick to the path of financial development with Chinese characteristics, follow the "48-character" guideline, and pursue its own high-quality development while contributing to the country's high-quality economic and social development. **First, it will reinforce the Party's establishment in a high-quality manner.** The Bank will uphold and strengthen the Party's leadership, further integrate it with corporate governance, better align the procedural rules of the Party Committee and the decision-making mechanism in corporate governance, and improve the modern financial enterprise system. The Bank will give full play to its role in full and strict Party self-governance in providing political guidance and guarantees and strengthen strict management and atmosphere. **Second, it will serve the new development paradigm in a high-quality manner.** The Bank will continue to focus on its main responsibilities and businesses, scale up support for manufacturing enterprises and small and micro enterprises, and improve the service quality and efficiency for scientific and technological innovation and green development. The Bank will bring into full play to its dual functions as monetary policy tools in the total amount and structure of investment and financing, implement the cross-cyclical and counter-cyclical policy arrangements, and provide targeted support for the implementation of major projects during the 14th Five-Year Plan period to keep the macro-economy on an even keel. The Bank will integrate financial services into the processes of production, distribution, circulation and consumption to help build a complete demand system and smoothen the circulation of the national economy and the global economy. **Third, it will implement the new development plan at a high-quality standard.** The Bank will give greater prominence to quality, efficiency and innovation, make itself stronger and better based on actual conditions, and improve qualitative development. It will push forward the implementation of key strategies such as the No.1 Personal Bank, the Preferred Bank for Foreign Exchange Business, Sharpening Competitive Edge in Key Regions, and Urban-Rural Collaborative Development. The Bank will strive to achieve new results while "bringing out our strengths to make up for our weaknesses and laying a solid foundation and base" and make mid-term breakthroughs in the implementation of new development plan. **Fourth, it will carry out the high-quality enterprise risk management.** Adhering to the systematic thinking pattern, the Bank will strengthen risk awareness and bottom-line thinking, comprehensively sort out and identify potential risks, and develop targeted response plans and countermeasures. The Bank will improve credit risk management, and further stabilize the asset quality. It will refine the risk management mechanism for online and emerging businesses, and strictly forestall market risks. The Bank will comprehensively enhance the effectiveness of internal control and case prevention measures to ensure that no major risk events and cases occur. **Fifth, it will press ahead with high-quality financial reform.** The Bank will further promote the organic integration of the Party's leadership and corporate governance, put in place the sound system of modern financial enterprise, and modernize the governance system and capacity. It will fully exploit its advantages in technology and data to boost the development of the digital economy and ramp up its efforts in building "D-ICBC". The Bank will roll out new cutting-edge and controllable financial technology and take solid measures to ensure the security in the process of digital transformation. **Sixth, it will reinforce the building of talent teams in a high-quality manner.** The Bank will strengthen the top-level design for talent-related work, devise and implement a new round of bank-wide talent development plans. It will improve the evaluation, appraisal and monitoring systems, refine the incentive and restraint mechanisms, strengthen employee management and supervision, and improve employee care. By doing so, the Bank aims to build a strong bank with top-notch talent teams and forge synergy for ICBC's high-quality development.

HOT TOPICS IN THE CAPITAL MARKET

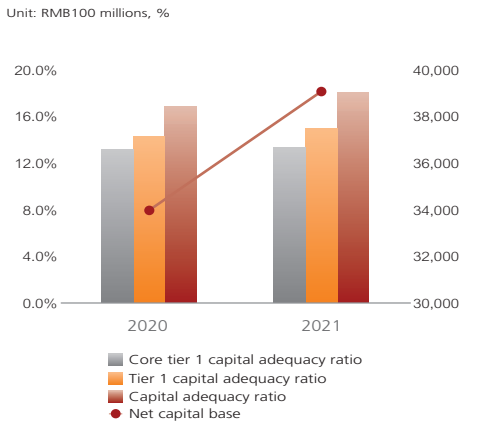
Hot Topic 1: An Impressive "Answer Sheet" from ICBC

In 2021, ICBC adhered to the "48-character" guideline and coordinated COVID-19 prevention and control efforts with business development. Through high-quality investment and financing, the Bank provided comprehensive services against a new development paradigm, implemented the new development plan by steadily pushing forward the mantra of "bringing out our strengths to make up for our weaknesses and laying a solid foundation and base", strengthened risk control on every front by improving the risk management system and comprehensively deepened reform and innovation through well-focused efforts to enhance governance capacity. While contributing to high-quality economic growth, the Bank further improved its sustainability, further cemented the foundation for its own high-quality development and delivered remarkable performance in main business indicators. In summary, ICBC continued to highlight the qualities of "strong, excellent and large" and delivered to investors an impressive "answer sheet".

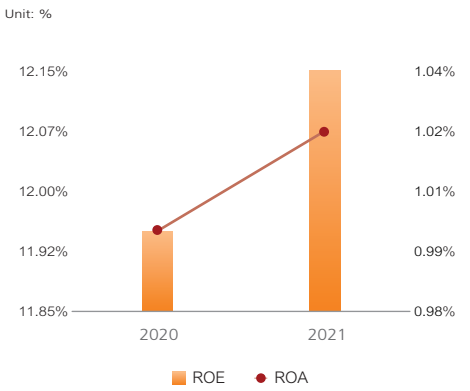
I. The input and output efficiency of assets and capital constantly enhanced

First, operational efficiency was further boosted. ROE reached 12.15% and ROA was 1.02%, up 20 basis points and 2 basis points from last year, respectively, an outstanding level among world's largest banks. **Second, the capital base was increasingly strengthened.** Capital adequacy ratio stood at 18.02%, an increase of 1.14 percentage points from the end of last year, maintaining a leading position in the global banking sector. Core tier 1 capital adequacy ratio was 13.31%, up 0.13 percentage points, and tier 1 capital adequacy ratio was 14.94%, up 0.66 percentage points. Net capital base was RMB3,909.7 billion, an increase of 15.1% from the end of last year, remaining at a leading position worldwide.

Stronger capital base

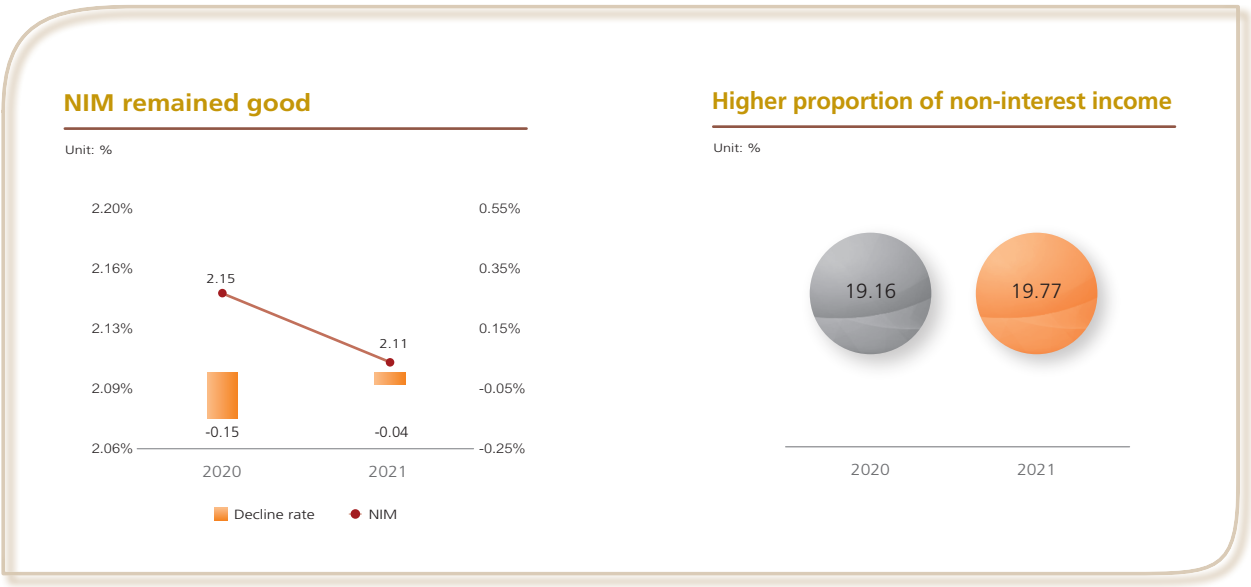


Higher operating efficiency

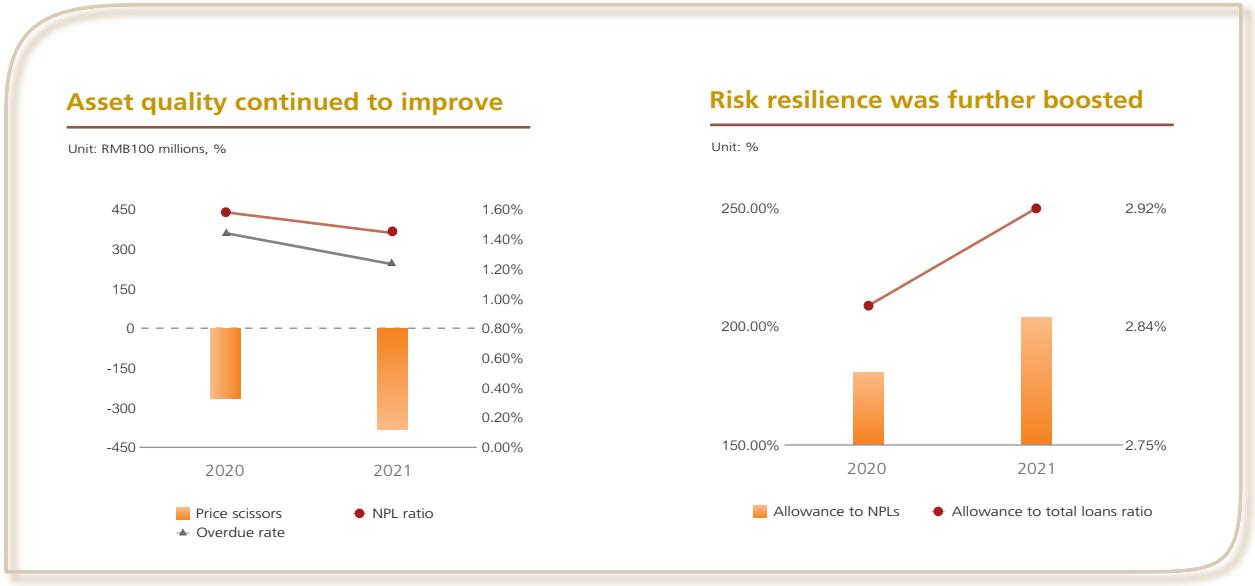


II. Capital profitability and risk control capability continuously improved

First, net interest margin ("NIM") remained good. NIM stood at 2.11%, still an outstanding level in the banking sector. Against the backdrop of persistently low interest rates worldwide and narrowing banking spreads, the contraction (-4 basis points) in NIM outperformed comparable domestic banks. The Bank demonstrated a strong ability to manage assets and liabilities, and implemented the policy of fee reduction and profit concessions and serving the real economy. **Second, the profit structure was optimized with an increasing proportion of non-interest income.** Non-interest income accounted for 19.77% of operating income, up 0.61 percentage points compared with the previous year.

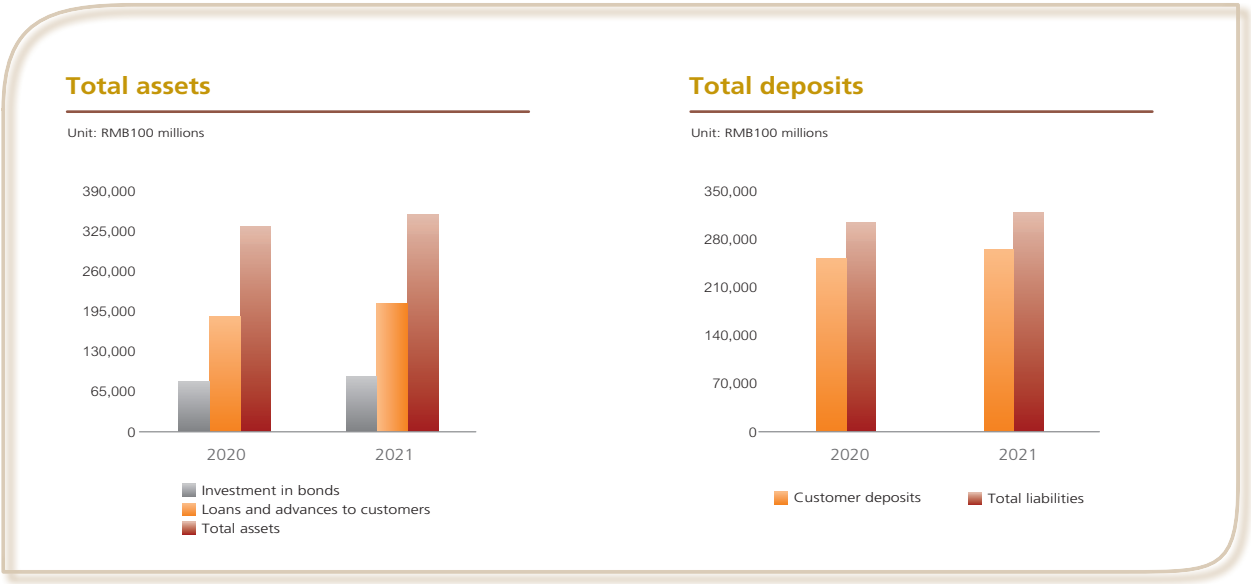


Third, asset quality further improved. NPL ratio was 1.42%, down 16 basis points from the end of last year, and basically returned to the pre-pandemic level. The overdue loan rate was 1.23%, down 21 basis points. The price scissors between overdue loans and NPLs was RMB-38.5 billion, maintaining negative for seven consecutive quarters, representing a record low. **Fourth, risk resilience was further boosted and the base of risk allowances further fortified.** Allowance to NPLs was 205.84%, representing an increase of 25.16 percentage points over the end of last year. Allowance to total loans ratio was 2.92%, representing an increase of 7 basis points. Credit cost ratio was 0.86%, down 0.11 percentage points. **Fifth, capital discipline worked effectively.** RWA grew by 7.8%, 3.2 percentage points slower than growth of credit assets. **Sixth, the input/output efficiency was high.** Cost-to-income ratio was 26.36%, still relatively low among global peers despite a rise of 1.60 percentage points over last year.



III. Scale merits and brand value leading the world

First, the Bank ranked No. 1 by total income among global banks. The Bank recorded RMB860.9 billion in operating income, up 7.6% from the previous year, with net fee and commission income maintaining its leading position among domestic banks. **Second, the Bank ranked No. 1 by total profits among global banks.** Net profit reached RMB350.2 billion, representing an increase of 10.2% over the previous year. Profit before provision was RMB627.5 billion, up 5.5% from last year. **Third, the Bank ranked No. 1 by total assets among global banks.** Total assets reached RMB35,171.4 billion, representing an increase of 5.5% over the end of the previous year. Loans and advances to customers totaled RMB20,667.2 billion, up 11.0% from the end of the previous year. Investment in bonds was RMB8,817.3 billion, up 9.5% from the end of the previous year. **Fourth, the Bank ranked No. 1 by total deposits among global banks.** Due to customers amounted to RMB26,441.8 billion, an increase of 5.2% from the end of the previous year.



Fifth, the Bank remained in the first place in international rankings. The Bank was ranked the 1st place among the Top 1000 World Banks by *The Banker*, the 1st place in the Global 2000 by *Forbes*, and the 1st place in the list of commercial banks of the Global 500 in *Fortune* for the ninth consecutive year, demonstrating strong overall capacity and market influence. **Sixth, brand value kept increasing.** According to the "2022 Top 500 Banking Brand" by *Brand Finance*, a research institute of global brand value, the Bank took the 1st place among the world's top banking brands with a brand value of USD75.1 billion for the sixth consecutive year.

IV. Major breakthroughs made in "bringing out our strengths to make up for our weaknesses and laying a solid foundation and base"

i. Bringing out our strengths: focusing on cementing strengths in institutional banking, corporate banking, settlement and transaction banking. In terms of settlement service, RMB corporate settlement generated RMB11.3 billion of fee income, ranking first among peers. **In terms of institutional banking,** the customer base hit a five-year high in growth, and deposits from banks and other financial institutions remained in the first place among comparable peers, manifesting a notable competitive edge. **In terms of corporate banking,** the Bank still took the first spot in both the number of corporate customers and the amount of corporate loans and deposits among comparable peers. The Bank was the first commercial bank to break the RMB10 trillion mark of RMB corporate loans. The asset quality improved steadily. **In terms of transaction banking,** the financial market business generated more than RMB100 billion of net profit, investment banking continued to rank first among domestic peers by income from advisory and consulting services, and mega asset management totaled RMB27 trillion, representing a growth of 11.24%.

ii. Making up for our weaknesses: focusing on personal banking, foreign exchange business, key areas and urban-rural collaborative development. In terms of No.1 Personal Bank Strategy, personal assets under management ("AUM", close to RMB17 trillion) still led the market. The number of individual customers exceeded 700 million and the number of mobile banking customers reached 469 million. The Bank was the first bank to have more than 100 million monthly active users ("MAU") of mobile banking. The balance of personal loans reached nearly RMB8 trillion, and payroll service reached over RMB5 trillion of distributions to more than 100 million customers. **In terms of the Strategy of the Preferred Bank for Foreign Exchange Business,** the Bank launched the "YES ICBC" financial service brand. The average daily balance of domestic foreign exchange deposits increased by 35% over the previous year. The Group's cross-border RMB business volume exceeded RMB8.5 trillion. The Bank became one of the first eligible pilot banks for the "Southbound Bond Connect" scheme and the "Cross-boundary Wealth Management Connect" scheme in the Guangdong-Hong Kong-Macao Greater Bay Area. It played a leading role as a big bank to serve two-way opening-up of the financial market. **In terms of Strategy for Sharpening Competitive Edge in Key Regions,** the Bank enjoyed a dominance in total balance of deposits and loans in five key areas, namely the Beijing-

Tianjin-Hebei region, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, Central China and Chengdu-Chongqing region. **In terms of the Urban-Rural Collaborative Development Strategy,** the Bank innovated the rural vitalization service system, introduced the "Xingnongtong" brand and provided stronger credit resource support. The balance of agriculture-related loans reached RMB2.66 trillion.

iii. Laying a solid foundation: focusing on FinTech and financial innovation. In terms of FinTech, the Bank practiced technology self-reliance, strengthened the "dual wheel drive" of technological innovation and system reform, and empowered the development of "D-ICBC" with technology. The intelligent banking ecosystem ECOS was awarded PBC's only special award of the "FinTech Development Awards" in 2021. The Bank had the most newly added and accumulated patents among Chinese banks. **In terms of financial innovation,** the Bank ranked first in both the balance and growth of credits to manufacturing, strategic emerging industries, green and other key fields among peers. Specifically, the Bank topped the RMB2 trillion mark in balance of manufacturing loans, a net increase of RMB319.7 billion. The balance of loans to strategic emerging industries exceeded RMB1 trillion. Outstanding green loans amounted to RMB2.48 trillion, up RMB634.9 billion from the beginning of the year, with the new green loans issued in the year hitting an all-time high.

iv. Laying a solid base: focusing on enhancing the capacity of enterprise risk management, efficiency of GBC interactions and competitiveness of outlets and teams. In terms of enterprise risk management system, the Bank adhered to the four-pronged risk management approach to people, money, defense line and bottom line, followed the guiding principle of "active prevention, smart control and comprehensive management", incorporated investment and financing cooperation, secondary risks of intermediate business, climate risk and model risk in the enterprise risk management system. The "9+X" risks were generally under control. **In terms of GBC interactions and coordination of channels,** the Bank made solid progress in GBC work, fund taking, "net making and patching" program, payroll service, management of investment and financing cooperation institutions and competitiveness enhancement of outlets. Remarkable achievements were made in the development of key GBC scenarios. G-end added 12 thousand customers and RMB120.0 billion of deposits. B-end added 290 thousand customers and RMB290.0 billion of deposits. C-end acquired or activated 52.00 million customers with a payroll service volume of RMB1.7 trillion.

In 2022, ICBC will adhere to the general principle of pursuing progress while ensuring stability, apply the new development philosophy in every respect and remain stable with sound momentum. The Bank will push for medium-term breakthroughs under new plans, deepen digital transformation and work hard to break new ground in ICBC's high-quality development.

Hot Topic 2: D-ICBC

The Bank remained steadfast on the road of digital development. In shifting from "bank informatization" to "informatized bank", ICBC led the Digital 1.0 stage of digital technology-driven business development. The Bank keenly grasped the trends in the fresh technological revolution and industry transformation and made a push for IT architecture transition and the "smart banking ecosystem ECOS" project, kick-starting the Digital 2.0 stage of digitalization-led transformation in every respect. During the reporting period, the Bank took the lead in developing a five-dimensional plan for "digital ecosystem, digital assets, digital technology, digital infrastructure and digital genes" and planned to launch a farsighted digital brand "D-ICBC". In addition, leveraging on the Group's FinTech and data strengths, the Bank deepened the D-ICBC development driven by "data and technology" on a customer-oriented basis. Keeping in mind the bigger picture of building a digital China, ICBC contributed to the healthy development of digital economy by promoting profound changes in business and service models, and improvement of quality and efficiency of product innovation. Significant improvements have been made in customer experience, service efficiency and business value.

I. Digital transformation boosted circulation. According to the business model and transaction characteristics of small and micro customers, the Bank continuously upgraded its digital inclusive products and their operation system. Inclusive loans issued online accounted for 94% of the new balance. More scenarios were introduced for "e-Enterprise Quick Loan" to improve the service quality and efficiency for small and micro customers who hold non-residential real properties. A combination of tax, electricity, settlement and other data were used to provide credit loan support for the activity of small and micro businesses. The digital supply chain and industrial chain scenarios-based financial services were developed and perfected for national strategic sectors such as modern agriculture, "specialized, sophisticated, distinctive and innovative" enterprises and advanced manufacturing. In cooperation with the National Financing Guarantee Fund, the Bank introduced

the "bulk guarantee" credit enhancement mechanism to make financing more accessible to small and micro businesses. The Bank strengthened the capacity of fully digital operations by building a customer marketing system covering "targeting, attraction, engagement and retention". During the reporting period, the Bank kept deepening trade finance and cross-border finance in support of cooperation projects under the Belt and Road Initiative. The Bank developed the "ICBC Global Pay" product series to provide one-stop global cash management services, serving nearly 10,000 multinational corporations and helping Chinese enterprises going global. The "ICBC Business Matchmaker" cross-border matchmaking platform was developed. ICBC became the first bank to provide closed-loop cross-border matchmaking services. Nearly 80% of matched pairs intended to cooperate with each other.

II. Building a GBC digital community. First, on the G-end, new models of digital government services were introduced. The Bank carried out government data partnership with 29 provincial or equivalent governments and launched more than 300 government partnership scenarios, proactively supporting government affairs to be "processed in one network". "My Ningxia" APP built and shaped a new brand and image for Ningxia's digital government. **Second, B-end saw in-depth participation in industry digitalization.** Keeping pace with digital transformation of leading players in modern agriculture, advanced manufacturing and modern service industries, the Bank provided services along the value chain ranging from upstream to downstream customers, and improved its financial service capabilities covering the entire industrial chain. The Bank launched over 20 "financial + industrial" cloud service ecosystem to provide over 2,600 types of financial services and products to the public around the hot areas of people's livelihood, including healthcare, education and mobility, ranking first among peers by service types and number of scenarios covered. **Third, C-end endeavored to build a new service model of "ICBC on cloud".** The Bank continued to upgrade mobile banking and offered abundant online services for 469 million users. It developed new models of smart marketing, under which Smart Brain was connected to channels such as ICBC e-Service, Gino (Gong Xiao Zhi) and cloud studios, providing more than 10 million smart service solutions for individual customers. The Bank actively promoted scenario- and ecosphere-based use of digital RMB, getting fully involved in digital public services. The Bank developed special sections for key customer groups, becoming the first bank to establish interconnection with the system of the Ministry of Human Resources and Social Security (MOHRSS) and enabling the issuance of "physical + electronic" social security cards. The Bank supported cross-provincial processing of social security cards and built a "smart risk control" platform to safeguard customers' funds. Efforts were intensified to monitor unusual transactions in high-risk areas, such as sensitive transactions, anti-theft and the elderly's fund transfer.

III. Pushing for technology self-reliance. First, the IT core architecture was transformed and upgraded. The Bank has advanced the smart banking ecosystem project (ECOS) since 2015. Two core IT infrastructure platforms (cloud computing and distributed computing) were developed in-house to deal with all the core operations of ICBC. The two platforms provided safe and stable financial services to over 700 million individual customers and nearly 9.70 million corporate customers, with the system availability always above 99.99%. **Second, digital new infrastructures were developed in a faster pace.** In 2021, the Bank became the first bank to receive a five-star rating for its maturity of data management capabilities. The Bank thoroughly implemented the development philosophy that "lucid waters and lush mountains are invaluable assets" in a bid to build a world-class green data center. The Bank's "National Green Data Center" recorded a daily peak of 868 million transactions, equivalent to a carbon dioxide emissions reduction of nearly 6,000 tons a year. **Third, the Bank made a push for new technologies on all fronts.** With a focus on cutting-edge technologies such as artificial intelligence, blockchain, cloud computing and big data, the Bank has built a series of new IT platforms, including ICBC Turing, ICBC Premier Chain and ICBC Nebula, to boost its core capabilities in new infrastructures. Among them, ICBC Premier Chain integrates basic technical services of blockchain, intelligent operations, and financial-level security capabilities. With more than 150 breakthroughs achieved in security, performance and capacity, the Bank was included in *Forbes'* Blockchain 50 2021. **Fourth, data asset management and data security control were enhanced.** The Bank developed a data architecture focused on "one data lake, two databases". It built a big data-based smart cloud platform that is first of its type, self-contained, controllable and with a distributed architecture. All the Group's data have been moved into the "lake".

Details of Changes in Share Capital and Shareholding of Substantial Shareholders

Changes in Ordinary Shares

DETAILS OF CHANGES IN SHARE CAPITAL

Unit: Share

		At 31 December 2020		Increase/decrease during the reporting period	At 31 December 2021	
		Number of shares	Percentage (%)		Number of shares	Percentage (%)
I.	**Shares subject to restrictions on sales**	–	–	–	–	–
II.	**Shares not subject to restrictions on sales**	356,406,257,089	100.00	–	356,406,257,089	100.00
	1. RMB-denominated ordinary shares	269,612,212,539	75.65	–	269,612,212,539	75.65
	2. Foreign shares listed overseas	86,794,044,550	24.35	–	86,794,044,550	24.35
III.	**Total number of shares**	356,406,257,089	100.00	–	356,406,257,089	100.00

Notes: (1) The above data are based on the Equity Structure Chart issued by China Securities Depository and Clearing Corporation Limited.

(2) "Foreign shares listed overseas", namely H shares, are within the same meaning as defined in the "No. 5 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Report of Change in Corporate Shareholding" (Revision 2022) of CSRC.

(3) Due to rounding, percentages presented herein are for reference only.

Details of Securities Issuance and Listing

During the reporting period, the Bank did not issue any shares, did not have any employee shares, employee stock ownership plan, did not issue any convertible bonds, or corporate bonds to be disclosed in accordance with Chapter II, Section 9 of the "No. 2 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Annual Report (Revision 2021)" issued by CSRC.

For details on the issuance of preference shares of the Bank, please refer to the section headed "Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Preference Shares".

For details on the issuance progress of tier 2 capital bonds and undated additional tier 1 capital bonds of the Bank during the reporting period, please refer to the section headed "Discussion and Analysis — Capital Management".

For information on other securities issued by the Bank and its subsidiaries, please refer to "Note 35. to the Consolidated Financial Statements: Debt Securities Issued; Note 38. to the Consolidated Financial Statements: Other Equity Instruments" for details.

Number of Shareholders and Particulars of Shareholding

As at the end of the reporting period, the Bank had a total number of 750,894 ordinary shareholders and no holders of preference shares with voting rights restored or holders of shares with special voting rights, including 113,054 holders of H shares and 637,840 holders of A shares. As at the end of the month immediately before the annual results announcement date (28 February 2022), the Bank had a total number of 721,975 ordinary shareholders and no holders of preference shares with voting rights restored or holders of shares with special voting rights.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 ORDINARY SHAREHOLDERS OF THE BANK

Unit: Share

Name of shareholder	Nature of shareholder	Class of shares	Increase/ decrease of shares during the reporting period	Number of shares held at the end of reporting period	Shareholding percentage (%)	Number of pledged or locked-up shares
Huijin	State-owned	A Share	–	123,717,852,951	34.71	None
MOF	State-owned	A Share	–	110,984,806,678	31.14	None
HKSCC Nominees Limited[5]	Foreign legal person	H Share	-13,477,082	86,154,124,549	24.17	Unknown
SSF[6]	State-owned	A Share	–	12,331,645,186	3.46	None
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products	Other entities	A Share	–	3,687,330,676	1.03	None
China Securities Finance Co., Ltd.	State-owned legal person	A Share	-24	2,416,131,540	0.68	None
Hong Kong Securities Clearing Company Limited[7]	Foreign legal person	A Share	200,331,413	1,386,451,666	0.39	None
Central Huijin Asset Management Co., Ltd.	State-owned legal person	A Share	–	1,013,921,700	0.28	None
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	Other entities	A Share	-34,438,403	435,910,885	0.12	None
Taiping Life Insurance Co., Ltd. — Traditional — Ordinary insurance products — 022L — CT001 Hu	Other entities	A Share	39,168,600	426,975,751	0.12	None

Notes: (1) The above data are based on the Bank's register of shareholders as at 31 December 2021.

(2) The Bank had no shares subject to restrictions on sales.

(3) HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited. Central Huijin Asset Management Co., Ltd. is a wholly-owned subsidiary of Huijin. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned shareholders.

(4) Except to the extent unknown to HKSCC Nominees Limited, the top 10 shareholders of the Bank did not participate in any margin trading, short selling or refinancing business.

(5) The number of shares held by HKSCC Nominees Limited at the end of the period refers to the total H shares held by it as a nominee on behalf of all institutional and individual investors registered with accounts opened with HKSCC Nominees Limited as at 31 December 2021, which included H shares of the Bank held by SSF, Ping An Asset Management Co., Ltd. and Temasek Holdings (Private) Limited.

(6) According to the Notice on Comprehensively Transferring Part of State-Owned Capital to Fortify Social Security Funds (Cai Zi [2019] No. 49), MOF transferred 12,331,645,186 A shares to the state-owned capital transfer account of SSF in a lump sum in December 2019. According to the relevant requirements under the Notice of the State Council on Issuing the Implementation Plan for Transferring Part of State-Owned Capital to Fortify Social Security Funds (Guo Fa [2017] No. 49), SSF shall perform the obligation of more than 3-year lock-up period as of the date of the receipt of transferred shares. At the end of the reporting period, according to the information provided by SSF to the Bank, SSF also held 7,946,049,758 H shares of the Bank and 20,277,694,944 A and H shares in aggregate, accounting for 5.69% of the Bank's total ordinary shares.

(7) The number of shares held by Hong Kong Securities Clearing Company Limited at the end of the period refers to the total A shares (Northbound shares of the Shanghai-Hong Kong Stock Connect) held by it as a nominal holder designated by and on behalf of Hong Kong and foreign investors as at 31 December 2021.

Particulars of Substantial Shareholders

During the reporting period, the Bank's controlling shareholders and de facto controller remained unchanged.

Controlling Shareholders

The largest single shareholder of the Bank is Huijin, whose full name is Central Huijin Investment Ltd. Huijin is a state-owned company founded by the State according to the Company Law on 16 December 2003. Its registered capital is equal to its paid-in capital at RMB828,209 million. Its registered address is New Poly Plaza, 1 Chaoyangmen North Street, Dongcheng District, Beijing. Its unified social credit code is 911000007109329615, and its legal representative is Peng Chun. Huijin is a wholly-owned subsidiary of China Investment Corporation. It, in accordance with authorization by the State Council, makes equity investments in major state-owned financial enterprises, and shall, to the extent of its capital contribution, exercise the rights and perform the obligations as an investor on behalf of the State in accordance with applicable laws, to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not engage in any other business activities, and does not intervene in the day-to-day business operations of the key state-owned financial institutions it controls.

As at 31 December 2021, Huijin held approximately 34.71% shares of the Bank. It held shares directly in the institutions listed below:

No.	Company name	Huijin's shareholding percentage
1	China Development Bank Corporation	34.68%
2	Industrial and Commercial Bank of China (A; H)	34.71%
3	Agricultural Bank of China Limited (A; H)	40.03%
4	Bank of China Limited (A; H)	64.02%
5	China Construction Bank Corporation (A; H)	57.11%
6	China Everbright Group Ltd.	63.16%
7	Hengfeng Bank Co., Ltd.	53.95%
8	China Export & Credit Insurance Corporation	73.63%
9	China Reinsurance (Group) Corporation (H)	71.56%
10	New China Life Insurance Company Limited (A; H)	31.34%
11	China Jianyin Investment Limited	100.00%
12	China Galaxy Financial Holdings Company Limited	69.07%
13	Shenwan Hongyuan Group Co., Ltd. (A; H)	20.05%
14	China International Capital Corporation Limited (A; H)	40.11%
15	Jiantou CITIC Asset Management Co., Ltd. (A; H)	30.76%
16	China Galaxy Asset Management Co., Ltd.	13.30%
17	Guotai Junan Investment Management Co., Ltd.	14.54%

Notes: (1) A represents A share listed company, while H represents H share listed company.

(2) Except the above-mentioned controlling or equity participating enterprises, Huijin also has a wholly-owned subsidiary — Central Huijin Asset Management Co., Ltd. Central Huijin Asset Management Co., Ltd. was incorporated in November 2015 in Beijing. With a registered capital of RMB5 billion, the company runs an asset management business.

The second single largest shareholder of the Bank is MOF, which held approximately 31.14% shares of the Bank as at 31 December 2021. MOF is a department under the State Council, and is responsible for overseeing the State's fiscal revenue and expenditure, formulating the fiscal and taxation policies, and supervising State finance at a macro level.

Particulars of Other Substantial Shareholders

SSF. SSF owned 5.69% of the shares of the Bank as at 31 December 2021. Founded in August 2000, SSF is a public service institution administered by MOF, having its address at South Tower, Building 11, Fenghuiyuan Fenghui Times Building, Xicheng District, Beijing, China, and its legal representative being Liu Wei. With the approval of the State Council and pursuant to regulations of MOF and the Ministry of Human Resources and Social Security, SSF has been entrusted to manage the following funds: the National Social Security Fund, the subsidy from central government to individual accounts, part of the surplus of the enterprise employee's basic pension insurance, basic pension insurance fund and the partial state-owned capital transferred.

Particulars of the De Facto Controller

None.

Interests and Short Positions Held by Substantial Shareholders and Other Persons

Substantial Shareholders and Persons Having Notifiable Interests or Short Positions Pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance of Hong Kong

As at 31 December 2021, the Bank received notices from the following persons about their interests or short positions held in the Bank's ordinary shares and underlying shares, which were recorded in the register pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong as follows:

HOLDERS OF A SHARES

Name of substantial shareholder	Capacity	Number of A shares held (share)	Nature of interests	Percentage of A shares[2] (%)	Percentage of total ordinary shares[2] (%)
Huijin[1]	Beneficial owner	123,717,852,951	Long position	45.89	34.71
	Interest of controlled corporations	1,013,921,700	Long position	0.38	0.28
	Total	124,731,774,651		46.26	35.00
MOF	Beneficial owner	110,984,806,678	Long position	41.16	31.14

Notes: (1) According to the register of shareholders of the Bank as at 31 December 2021, Huijin held 123,717,852,951 shares in the Bank, while Central Huijin Asset Management Co., Ltd., a subsidiary of Huijin, held 1,013,921,700 shares in the Bank.

(2) Due to rounding, percentages presented herein are for reference only.

HOLDERS OF H SHARES

Name of substantial shareholder	Capacity	Number of H shares held (share)	Nature of interests	Percentage of H shares[3] (%)	Percentage of total ordinary shares[3] (%)
Ping An Asset Management Co., Ltd.[1]	Investment manager	12,168,809,000	Long position	14.02	3.41
SSF[2]	Beneficial owner	8,663,703,234	Long position	9.98	2.43
Temasek Holdings (Private) Limited	Interest of controlled corporations	7,317,475,731	Long position	8.43	2.05

Notes: (1) As confirmed by Ping An Asset Management Co., Ltd., such shares were held by Ping An Asset Management Co., Ltd. on behalf of certain customers (including but not limited to Ping An Life Insurance Company of China, Ltd.) in its capacity as investment manager and the interests in such shares were disclosed based on the latest disclosure of interests form filed by Ping An Asset Management Co., Ltd. for the period ended 31 December 2021 (the date of relevant event being 12 June 2019). Both Ping An Life Insurance Company of China, Ltd. and Ping An Asset Management Co., Ltd. are subsidiaries of Ping An Insurance (Group) Company of China, Ltd. As Ping An Asset Management Co., Ltd. is in a position to fully exercise the voting rights in respect of such shares on behalf of customers and independently exercise the rights of investment and business management in its capacity as investment manager, and is completely independent from Ping An Insurance (Group) Company of China, Ltd., Ping An Insurance (Group) Company of China, Ltd. is exempted from aggregating the interests in such shares as a holding company under the aggregation exemption and disclosing the holding of the same in accordance with the Securities and Futures Ordinance of Hong Kong.

(2) According to the information provided by SSF to the Bank, SSF held 7,946,049,758 H shares of the Bank as at the end of the reporting period, accounting for 9.16% of the Bank's H shares and 2.23% of the Bank's total ordinary shares.

(3) Due to rounding, percentages presented herein are for reference only.

Preference Shares

Issuance and Listing of Preference Shares in Latest Three Years

Issuance of "工行優2"

With the approval of CBIRC by its Document Yin Bao Jian Fu [2019] No. 444 and the approval of CSRC by its Document Zheng Jian Xu Ke [2019] No. 1048, the Bank made a non-public issuance of 700 million domestic preference shares on 19 September 2019 at a par value of RMB100 per share. The dividend rate is the benchmark interest rate plus a fixed spread, remaining unchanged in the first five years. Subsequently the benchmark interest rate will be reset every five years, with the dividend rate kept unchanged in each reset period and the fixed spread remaining constant through the duration of the domestic preference shares. The initial dividend rate of the afore-mentioned domestic preference shares is set at 4.2% through market inquiry for the first five years. With the consent of SSE by its letter Shang Zheng Han [2019] No. 1752, the afore-mentioned domestic preference shares issued were listed for transfer on the Comprehensive Business Platform of SSE on 16 October 2019 with the stock name "工行優2" and stock code 360036. Proceeds of the afore-mentioned domestic preference shares totaled RMB70.0 billion, all of which was replenished to the additional tier 1 capital of the Bank after deduction of issuance expenses.

For issuance of domestic preference shares of the Bank, please refer to the announcements published by the Bank on the website of SSE, the "HKEXnews" website of HKEX and the website of the Bank.

Issuance of offshore preference shares

With the approval of CBIRC by its Document Yin Bao Jian Fu [2020] No. 138 and the approval of CSRC by its Document Zheng Jian Xu Ke [2020] No. 1391, the Bank made a non-public issuance of 145 million USD-denominated non-cumulative perpetual offshore preference shares (the "Offshore USD Preference Shares") on 23 September 2020 at an issuance price of USD20 per share (see the table below for details). The Offshore USD Preference Shares were listed on the SEHK on 24 September 2020. All proceeds from the issuance, after deduction of commission and issuance expenses, will be used to replenish additional tier 1 capital and increase capital adequacy ratio.

Type of offshore preference shares	Stock code	Dividend rate	Total issuance amount	Full amount of proceeds per share	Net amount of proceeds per share	Number of shares issued
USD Preference Shares	4620	3.58%	USD2.9 billion	USD20	RMB135.77	145 million shares

The number of qualified placees for the Offshore USD Preference Shares shall not be less than six, and they shall be offered only to professional investors instead of retail investors, and shall be non-publicly transferred in the OTC market only.

For details on the issuance of offshore preference shares of the Bank, please refer to the announcements published by the Bank on the website of SSE, the "HKEXnews" website of HKEX and the website of the Bank.

Reset dividend rate of "工行優1"

Pursuant to relevant provisions of the Prospectus on Non-public Offering of Preference Shares of Industrial and Commercial Bank of China Limited, domestic preference shares non-publicly offered by the Bank in November 2015 (abbreviation "工行優1" and code "360011") were priced at a coupon dividend rate adjusted in stages, with the coupon dividend rate being the benchmark interest rate plus a fixed spread. The coupon dividend rate for the first five years remained unchanged from the date of issuance, and subsequently the benchmark interest rate will be reset every five years, and the nominal dividend rate during each reset period will remain unchanged. In November 2020, the Bank reset the nominal dividend rate of "工行優1" as it lasted five years from the issuance date, and the coupon dividend rate after reset became 4.58% from 23 November 2020.

For details on the reset dividend rate of domestic preference shares of the Bank, please refer to the announcements published by the Bank on the website of SSE, the "HKEXnews" website of HKEX and the website of the Bank.

Number of Preference Shareholders and Particulars of Shareholding

As at the end of the reporting period, the Bank had one offshore preference shareholder (or proxy), 25 domestic preference shareholders of "工行優1" and 33 domestic preference shareholders of "工行優2". As at the end of the month immediately before the annual results announcement date (28 February 2022), the Bank had one offshore preference shareholder (or proxy), 26 domestic preference shareholders of "工行優1" and 33 domestic preference shareholders of "工行優2".

PARTICULARS OF SHAREHOLDING OF THE TOP 10 OFFSHORE PREFERENCE SHAREHOLDERS (OR PROXIES) OF THE BANK

Unit: Share

Name of shareholder	Nature of shareholder	Class of shares	Increase/ decrease during the reporting period	Shares held at the end of the period	Shareholding percentage (%)	Number of shares subject to restrictions on sales	Number of pledged/ locked-up/ marked shares
The Bank of New York Depository (Nominees) Limited	Foreign legal person	USD offshore preference shares	–	145,000,000	100	–	Unknown

Notes: (1) The above data are based on the Bank's register of offshore preference shareholders as at 31 December 2021.

(2) As the issuance of the offshore preference shares above was non-public offering, the register of preference shareholders presented the information on the registered holder of the offshore preference shares.

(3) The Bank is not aware of any connected relations or concert party action between the afore-mentioned preference shareholder and top 10 ordinary shareholders.

(4) "Shareholding percentage" refers to the percentage of offshore preference shares held by preference shareholders in total number of offshore preference shares.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 DOMESTIC PREFERENCE SHAREHOLDERS OF "工行優1"

Unit: Share

Name of shareholder	Nature of shareholder	Class of shares	Increase/ decrease during the reporting period	Shares held at the end of the period	Shareholding percentage (%)	Number of shares subject to restrictions on sales	Number of pledged/ locked-up/ marked shares
China Mobile Communications Group Co., Ltd.	State-owned legal person	Domestic preference shares	–	200,000,000	44.4	–	None
China National Tobacco Corporation	Other entities	Domestic preference shares	–	50,000,000	11.1	–	None
China Life Insurance Company Limited	State-owned legal person	Domestic preference shares	–	35,000,000	7.8	–	None
Ping An Life Insurance Company of China, Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	30,000,000	6.7	–	None
BOCOM Schroders Asset Management Co., Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	18,000,000	4.0	–	None
CCB Trust Co., Ltd.	State-owned legal person	Domestic preference shares	–	15,000,000	3.3	–	None
BOC International (China) Co., Ltd.	State-owned legal person	Domestic preference shares	–	15,000,000	3.3	–	None
CITIC Securities Co., Ltd.	State-owned legal person	Domestic preference shares	9,240,000	12,290,000	2.7	–	None
Hwabao Trust Co., Ltd.	State-owned legal person	Domestic preference shares	11,400,000	11,400,000	2.5	–	None
China National Tobacco Corporation Shandong Branch	Other entities	Domestic preference shares	–	10,000,000	2.2	–	None
China National Tobacco Corporation Heilongjiang Branch	Other entities	Domestic preference shares	–	10,000,000	2.2	–	None
Ping An Property & Casualty Insurance Company of China, Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	10,000,000	2.2	–	None

Notes: (1) The above data are based on the Bank's register of domestic preference shareholders of "工行優1" as at 31 December 2021.

(2) China National Tobacco Corporation Shandong Branch and China National Tobacco Corporation Heilongjiang Branch are both wholly-owned subsidiaries of China National Tobacco Corporation. "China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu" is managed by China Life Insurance Company Limited. "Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products" is managed by Ping An Life Insurance Company of China, Ltd. Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China, Ltd. have connected relations. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned preference shareholders and among the afore-mentioned preference shareholders and top 10 ordinary shareholders.

(3) "Shareholding percentage" refers to the percentage of domestic preference shares of "工行優1" held by preference shareholders in total number (450 million shares) of domestic preference shares of "工行優1".

PARTICULARS OF SHAREHOLDING OF THE TOP 10 DOMESTIC PREFERENCE SHAREHOLDERS OF "工行優2"

Unit: Share

Name of shareholder	Nature of shareholder	Class of shares	Increase/ decrease during the reporting period	Shares held at the end of the period	Shareholding percentage (%)	Number of shares subject to restrictions on sales	Number of pledged/ locked-up/ marked shares
China Life Insurance Company Limited	State-owned legal person	Domestic preference shares	–	120,000,000	17.1	–	None
Hwabao Trust Co., Ltd.	State-owned legal person	Domestic preference shares	112,750,000	112,750,000	16.1	–	None
China Mobile Communications Group Co., Ltd.	State-owned legal person	Domestic preference shares	–	100,000,000	14.3	–	None
BOC International (China) Co., Ltd.	State-owned legal person	Domestic preference shares	–	70,000,000	10.0	–	None
CCB Trust Co., Ltd.	State-owned legal person	Domestic preference shares	–	70,000,000	10.0	–	None
China National Tobacco Corporation	Other entities	Domestic preference shares	–	50,000,000	7.1	–	None
Jiangsu International Trust Co., Ltd.	State-owned legal person	Domestic preference shares	37,250,000	37,250,000	5.3	–	None
Shanghai Tobacco Group Co., Ltd.	Other entities	Domestic preference shares	–	30,000,000	4.3	–	None
Bank of Beijing Co., Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	20,000,000	2.9	–	None
BOCOM Schroders Asset Management Co., Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	15,000,000	2.1	–	None
Ping An Property & Casualty Insurance Company of China, Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	15,000,000	2.1	–	None

Notes: (1) The above data are based on the Bank's register of domestic preference shareholders of "工行優2" as at 31 December 2021.

(2) Shanghai Tobacco Group Co., Ltd., China National Tobacco Corporation Shandong Branch and China National Tobacco Corporation Heilongjiang Branch are all wholly-owned subsidiaries of China National Tobacco Corporation. "China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu" is managed by China Life Insurance Company Limited. "Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products" is managed by Ping An Life Insurance Company of China, Ltd. Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China, Ltd. have connected relations. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned preference shareholders and among the afore-mentioned preference shareholders and top 10 ordinary shareholders.

(3) "Shareholding percentage" refers to the percentage of domestic preference shares of "工行優2" held by preference shareholders in total number (700 million shares) of domestic preference shares of "工行優2".

Dividend Distribution of Preference Shares

As per the resolution and authorization of the General Meeting, the Bank reviewed and approved the Proposal on Distribution of Dividends for "工行優2" and Offshore USD Preference Shares at the meeting of its Board of Directors on 27 August 2021, permitting the Bank to distribute the dividends on domestic preference shares "工行優2" on 24 September 2021 and on the offshore USD preference shares on 23 September 2021; the Bank reviewed and approved the Proposal on Distribution of Dividends for Offshore EUR Preference Shares and "工行優1" at the meeting of its Board of Directors on 29 October 2021, permitting the Bank to distribute the dividends on domestic preference shares "工行優1" on 23 November 2021 and on the offshore EUR preference shares on 10 December 2021.

Dividends on the Bank's domestic preference shares "工行優1" and "工行優2" are paid annually in cash, and calculated based on the aggregate par value of the issued domestic preference shares. Dividends on the Bank's domestic preference shares are non-cumulative. Holders of domestic preference shares are only entitled to dividends at the prescribed dividend rate, but are not entitled to any distribution of residual profits of the Bank together with the holders of ordinary shares. According to the dividend distribution plan in the domestic preference share issuance proposal, the Bank distributed dividends of RMB2,061 million (pre-tax) on the domestic preference share "工行優1" at a dividend rate of 4.58% (pre-tax); and distributed dividends of RMB2,940 million (pre-tax) on the domestic preference share "工行優2" at a dividend rate of 4.2% (pre-tax).

Dividends on the Bank's offshore EUR preference shares are paid annually in cash, and calculated based on the liquidation preference of the offshore preference shares. Dividends on the Bank's offshore EUR preference shares are non-cumulative. Holders of offshore EUR preference shares are only entitled to dividends at the prescribed dividend rate, but are not entitled to any distribution of residual profits of the Bank together with the holders of ordinary shares. According to the dividend distribution plan in the offshore EUR preference share issuance proposal, total dividends of EUR0.04 billion (pre-tax) on the offshore EUR preference shares were distributed in EUR at a dividend rate of 6% (after-tax). According to relevant laws, when the Bank distributes dividends for offshore EUR preference shares, the enterprise income tax shall be withheld by the Bank at a rate of 10%. According to the requirements of the terms and conditions of the offshore EUR preference shares, the Bank paid the relevant taxes, included in the dividends for offshore EUR preference shares.

Dividends on the Bank's offshore USD preference shares are paid annually in cash, and calculated based on the liquidation preference of the offshore preference shares. Dividends on the Bank's offshore USD preference shares are non-cumulative. Holders of offshore USD preference shares are only entitled to dividends at the prescribed dividend rate, but are not entitled to any distribution of residual profits of the Bank together with the holders of ordinary shares. According to the dividend distribution plan in the offshore USD preference share issuance proposal, total dividends of about USD115.3 million (pre-tax) on the offshore USD preference shares were distributed in USD at a dividend rate of 3.58% (after-tax). According to relevant laws, when the Bank distributes dividends for offshore USD preference shares, the enterprise income tax shall be withheld by the Bank at a rate of 10%. According to the requirements of the terms and conditions of the offshore USD preference shares, the Bank paid the relevant taxes, included in the dividends for offshore USD preference shares.

The table below shows the distribution of dividends on preference shares by the Bank in latest three years:

	2021		2020		2019	
Type of preference shares	Dividend rate	Dividend distributed[1]	Dividend rate	Dividend distributed[1]	Dividend rate	Dividend distributed[1]
Domestic preference share "工行優1"	4.58%	RMB2,061 million	4.50%	RMB2,025 million	4.50%	RMB2,025 million
Domestic preference share "工行優2"	4.20%	RMB2,940 million	4.20%	RMB2,940 million	N/A	N/A
Offshore EUR, USD and RMB preference shares[2]	6.00%	EUR40 million	6.00%	EUR40 million	6.00%	EUR40 million USD196 million RMB800 million
Offshore USD preference share[3]	3.58%	About USD115.3 million	N/A	N/A	N/A	N/A

Notes: (1) Dividend distributed is tax included.

(2) Offshore EUR, USD and RMB preference shares refer to EUR0.6 billion preference shares, USD2.94 billion preference shares and RMB12.0 billion preference shares issued offshore by the Bank at a dividend rate of 6.00% in 2014. The Bank redeemed the above offshore USD preference shares and offshore RMB preference shares on 10 December 2019 and the above offshore EUR preference shares on 10 December 2021.

(3) Offshore USD preference share refers to USD2.9 billion preference shares issued offshore by the Bank at a dividend rate of 3.58% in 2020.

The above-mentioned preference share dividend distribution plans have been fulfilled. For particulars of the Bank's distribution of dividends on preference shares, please refer to the announcements of the Bank on the website of SSE, the "HKEXnews" website of HKEX and the website of the Bank.

Redemption or Conversion of Preference Shares

In 2014, the Bank issued EUR0.6 billion offshore preference shares. The Board of Directors of the Bank reviewed and approved the Proposal on the Exercise of Redemption of Offshore EUR Preference Shares on 27 August 2021. On the premise of obtaining the approval of CBIRC, the Bank planned to exercise the right to redeem all the abovementioned offshore EUR preference shares on 10 December 2021. In October 2021, the Bank received a reply letter from CBIRC, which had no objection to the Bank's redemption of EUR0.6 billion offshore preference shares. Pursuant to the terms and conditions of the offshore EUR preference shares and the reply letter from CBIRC, the Bank redeemed the aforementioned offshore EUR preference shares in whole on 10 December 2021 at the redemption price of each offshore EUR preference share (being the aggregate of an amount equal to the liquidation preference of each offshore EUR preference share plus any dividends accrued but unpaid in respect of the period from (and including) the immediately preceding dividend payment date to (but excluding) the redemption date). Subsequent to the redemption and cancellation of the aforementioned offshore EUR preference shares on the redemption date, there are no EUR preference shares issued in the offshore market. Please refer to the announcements published by the Bank on the website of SSE, the "HKEXnews" website of HKEX and the website of the Bank.

During the reporting period, the Bank did not convert any preference share.

Restoration of Voting Rights of Preference Shares

During the reporting period, the Bank did not restore any voting right of preference share.

Accounting Policy Adopted for Preference Shares and Rationale

According to the Accounting Standard for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments, the Accounting Standard for Business Enterprises No. 37 — Presentation of Financial Instruments promulgated by MOF as well as the International Financial Reporting Standard 9 — Financial Instruments and the International Accounting Standard 32 — Financial Instruments: Presentation promulgated by International Accounting Standards Board and other accounting standards and the key terms of issuance of the Bank's preference shares, the issued and existing preference shares do not contain contractual obligations to deliver cash or other financial assets or contractual obligations to deliver variable equity instruments for settlement, and shall be accounted for as other equity instruments.

Basic Information on Directors, Supervisors and Senior Management

Name	Position	Gender	Birth year	Tenure
Chen Siqing	Chairman, Executive Director	Male	1960	May 2019–May 2022
Liao Lin	Vice Chairman, Executive Director, President	Male	1966	July 2020–July 2023
Huang Liangbo	Chairman of the Board of Supervisors	Male	1964	July 2021–July 2024
Zheng Guoyu	Executive Director, Senior Executive Vice President	Male	1967	December 2021–December 2024
Wang Jingwu	Executive Director, Senior Executive Vice President, Chief Risk Officer	Male	1966	September 2021–September 2024
Lu Yongzhen	Non-executive Director	Male	1967	August 2019–August 2022
Feng Weidong	Non-executive Director	Male	1964	January 2020–January 2023
Cao Liqun	Non-executive Director	Female	1971	January 2020–January 2023
Chen Yifang	Non-executive Director	Female	1964	August 2021–August 2024
Dong Yang	Non-executive Director	Male	1966	January 2022–January 2025
Anthony Francis Neoh	Independent Non-executive Director	Male	1946	April 2015–April 2021
Yang Siu Shun	Independent Non-executive Director	Male	1955	April 2016–June 2022
Shen Si	Independent Non-executive Director	Male	1953	March 2017–June 2023
Nout Wellink	Independent Non-executive Director	Male	1943	December 2018–December 2021
Fred Zuliu Hu	Independent Non-executive Director	Male	1963	April 2019–April 2022
Zhang Wei	Shareholder Supervisor	Male	1962	June 2016–June 2022
Huang Li	Employee Supervisor	Male	1964	June 2016–June 2022
Wu Xiangjiang	Employee Supervisor	Male	1962	September 2020–September 2023
Shen Bingxi	External Supervisor	Male	1952	June 2016–June 2022
Zhang Jie	External Supervisor	Male	1965	November 2021–November 2024
Zhang Wenwu	Senior Executive Vice President	Male	1973	July 2020–
Xu Shouben	Senior Executive Vice President	Male	1969	October 2020–
Zhang Weiwu	Senior Executive Vice President	Male	1975	June 2021–
Wang Bairong	Chief Business Officer	Male	1962	April 2020–
Guan Xueqing	Board Secretary	Male	1963	July 2016–
Xiong Yan	Chief Business Officer	Female	1964	April 2020–
Song Jianhua	Chief Business Officer	Male	1965	April 2020–
Directors, Supervisors and Senior Management Leaving Office				
Yang Guozhong	Chairman of the Board of Supervisors	Male	1963	January 2020–March 2021
Zheng Fuqing	Non-executive Director	Male	1963	February 2015–January 2022
Mei Yingchun	Non-executive Director	Female	1971	August 2017–February 2021
Qu Qiang	External Supervisor	Male	1966	December 2015–November 2021

Notes: (1) Please refer to the section headed "Appointment and Removal".

(2) The terms of Mr. Liao Lin, Mr. Zheng Guoyu and Mr. Wang Jingwu as Executive Directors of the Bank are set out in the above table. Please refer to the section headed "Biographies of Directors, Supervisors and Senior Management" for the starting time of their terms as Senior Management members of the Bank.

(3) According to laws, regulations and the Articles of Association of the Bank, before the newly elected directors take office, the current directors shall continue to act as directors.

(4) According to the regulations of CSRC, the commencement date of a re-elected director or supervisor's tenure as indicated in the above table shall be the day of his/her first appointment.

(5) During the reporting period, the Bank did not implement any share incentives. None of the existing directors, supervisors and senior management members of the Bank or those who left office during the reporting period held shares or share options or were granted restricted shares of the Bank, and there was no change during the reporting period.

(6) The full name of Mr. Nout Wellink is Arnout Henricus Elisabeth Maria Wellink.

Biographies of Directors, Supervisors and Senior Management

Chen Siqing, Chairman, Executive Director

Mr. Chen has served as Chairman and Executive Director of the Bank since May 2019. He joined Bank of China in 1990. Mr. Chen Siqing previously worked in the Hunan Branch of Bank of China before he was dispatched to the Hong Kong Branch of China and South Sea Bank Ltd. as Assistant General Manager. Mr. Chen held various positions in Bank of China, including Assistant General Manager and Vice General Manager of the Fujian Branch, General Manager of the Risk Management Department of the Head Office, General Manager of the Guangdong Branch, Executive Vice President, President, Vice Chairman and Chairman of Bank of China. Mr. Chen served concurrently as Chairman of the Board of Directors of BOC Aviation Limited, Non-executive Director, Vice Chairman and Chairman of the Board of Directors of BOC Hong Kong (Holdings) Limited. Mr. Chen graduated from Hubei Institute of Finance and Economics, and obtained a Master's degree in Business Administration (MBA) from Murdoch University, Australia. He is a Certified Public Accountant and a senior economist.

Liao Lin, Vice Chairman, Executive Director, President

Mr. Liao has served as Vice Chairman, Executive Director and President of the Bank since March 2021, Executive Director of the Bank since July 2020, and Senior Executive Vice President, Senior Executive Vice President and concurrently Chief Risk Officer since November 2019. Mr. Liao joined China Construction Bank in 1989, and was appointed as Deputy General Manager of Guangxi Branch of China Construction Bank, General Manager of Ningxia Branch, Hubei Branch and Beijing Branch of China Construction Bank, Chief Risk Officer, Executive Vice President and concurrently Chief Risk Officer of China Construction Bank. Mr. Liao graduated from Guangxi Agricultural University. He obtained a Doctorate degree in management science from Southwest Jiaotong University. Mr. Liao is a senior economist.

Huang Liangbo, Chairman of the Board of Supervisors

Mr. Huang has served as Chairman of the Board of Supervisors of the Bank since July 2021. He served as the Deputy Chief of the Human Resources Department of PBC, President of Nanning Central Sub-branch of PBC and Chief of Guangxi Zhuang Autonomous Region Branch of State Administration of Foreign Exchange, General Manager of the Human Resources Department, member of the Business Committee, Assistant to President and Vice President of Export-Import Bank of China, and Chairman of the Board of Supervisors of the People's Insurance Company (Group) of China Limited. Mr. Huang graduated from Renmin University of China and obtained a Master's degree in Law, and is a senior economist.

Zheng Guoyu, Executive Director, Senior Executive Vice President

Mr. Zheng has served as Executive Director and Senior Executive Vice President of the Bank since December 2021 and as Senior Executive Vice President of the Bank since September 2021. He joined Bank of China since November 1988. He was appointed as Assistant to General Manager and Deputy General Manager of Hubei Branch, General Manager of Shanxi Branch, General Manager of Sichuan Branch, Member of Executive Committee of Bank of China, and Executive Vice President of Bank of China. Mr. Zheng graduated from Wuhan Institute of Water Transportation Engineering and obtained a Master's degree in Business Administration from Huazhong University of Science and Technology. He is a senior economist.

Wang Jingwu, Executive Director, Senior Executive Vice President, Chief Risk Officer

Mr. Wang has served as Executive Director, Senior Executive Vice President and concurrently Chief Risk Officer since September 2021, and as Senior Executive Vice President of the Bank since April 2020. He joined PBC in August 1985, and has successively served as Supervision Commissioner (Deputy Director level) of PBC Shijiazhuang Central Sub-branch, Head of PBC Shijiazhuang Central Sub-branch and concurrently Director of State Administration of Foreign Exchange ("SAFE") Hebei Branch, Head of PBC Hohhot Central Sub-branch and concurrently Director of SAFE Inner Mongolia Branch, Head of PBC Guangzhou Branch and concurrently Director of SAFE Guangdong Branch, and Director-General of PBC Financial Stability Bureau since January 2002. Mr. Wang graduated from the Hebei Banking School, and he received a doctorate degree in economics from Xi'an Jiaotong University. He is a research fellow.

Lu Yongzhen, Non-executive Director

Mr. Lu has served as Non-executive Director of the Bank since August 2019. He joined Huijin in 2019. Mr. Lu previously served as Deputy Director of the Administrative Office of the Economic Research Consultation Centre of the State Economic and Trade Commission, Director of the Specific Research Department of the Economic Research Centre of the State Economic and Trade Commission, Director of the Capital Markets Research Department of the Research Centre of the State-owned Assets Supervision and Administration Commission of the State Council, and Director Assistant of the Research Centre of the State-owned Assets Supervision and Administration Commission of the State Council with the concurrent post as the Director of the Capital Markets Research Department, and Deputy Director of the Research Centre of the State-owned Assets Supervision and Administration Commission of the State Council. Mr. Lu obtained a Bachelor's degree and a Master's degree in History from Peking University, and a Doctorate degree in Economics from Southwestern University of Finance and Economics. He is a researcher.

Feng Weidong, Non-executive Director

Mr. Feng has served as Non-executive Director of the Bank since January 2020. He joined MOF in 1986. He previously served as Deputy Director of Academic Affairs Division of Chinese Accounting Correspondence School of Accounting Department of MOF (deputy division chief level), Person in charge of Teaching Material Department of National Accountant Certification Examination Leading Group Office, Director of Accounting Personnel Management Division and Director of Institutional System Division I of Accounting Department of MOF, Deputy Director (deputy director-general level), Deputy Director (person in charge), Director (director-general level), Secretary of the Party Committee and Director of National Accountant Assessment & Certification Centre of MOF. He concurrently serves as a Managing Director of the 8th Council of the Accounting Society of China, a part-time professor and off-campus practice tutor for postgraduate students of the School of Economics and Management of Beijing Jiaotong University, and a visiting tutor for postgraduate students in the Accounting School of the Central University of Finance and Economics. Mr. Feng obtained a Bachelor's degree in Economics from Dongbei University of Finance & Economics and Doctorate degree from Beijing Jiaotong University. Mr. Feng Weidong is a senior accountant, researcher, non-practicing certified public accountant and is a recipient of the Special Government Allowance by the State Council of China.

Cao Liqun, Non-executive Director

Ms. Cao has served as Non-executive Director of the Bank since January 2020. She joined Huijin in 2020. Ms. Cao previously served as Deputy Director of Regulations Division, General Affairs Department, Director of Regulations Division, General Affairs Department, Director of Non-Financial Institutions Inspection Division, Supervision and Inspection Department, Director of General Affairs Division, Supervision and Inspection Department, Deputy Director-General of Supervision and Inspection Department, Inspector of General Affairs Department (Policy and Regulation Department), Level-Two Inspector of General Affairs Department (Policy and Regulation Department) of State Administration of Foreign Exchange, and acted as Deputy Director of Administrative Committee of Beijing's Zhongguancun Science Park. Ms. Cao obtained a Bachelor's degree in Law from China University of Political Science and Law, a Master's degree in Finance from Renmin University of China, and a Master's degree in Public Administration from Peking University. Ms. Cao is an economist.

Chen Yifang, Non-executive Director

Ms. Chen has served as Non-executive Director of the Bank since August 2021. She joined MOF in August 1985. She previously served as Deputy Division Chief of Payment Management Division and Deputy Director of Charge Bill Regulatory Center of General Affairs and Reform Department of MOF, Deputy Division Chief of the Charging Fund Policy Management Division of the Comprehensive Department of MOF, Division Chief of Charging Fund Division of Policy Planning Department of MOF, Division Chief of Housing and Land Division of the Comprehensive Department of MOF, Deputy Director-General of the Comprehensive Department of MOF, Member of the Party Group, Inspector and Deputy Secretary of the Party Group of Shenzhen Finance Supervision Commissioner Office of MOF, Deputy Secretary of the Party Group, Inspector and Level-one Inspector of Shenzhen Regulatory Bureau of MOF, and Level-one Inspector of Fiscal Notes Supervision Center of MOF. Ms. Chen obtained a Bachelor's degree in Economics from Jiangxi University of Finance and Economics.

Dong Yang, Non-executive Director

Mr. Dong has served as Non-executive Director of the Bank since January 2022. He joined MOF in August 1989. He previously served as assistant researcher, researcher and secretary (director level) of the Department of National Defense of MOF, a member of the CPC Committee, Deputy Inspector, and Discipline Inspection Team Leader of the Commissioner's Office of MOF in Heilongjiang, a member of the CPC Committee, Deputy Inspector and Discipline Inspection Leader of the Commissioner's Office of MOF in Beijing, a member of the CPC Committee, Deputy Director, and Discipline Inspection Team Leader of the Beijing Regulatory Bureau of MOF. Mr. Dong graduated from the Beijing Normal University and obtained a Master's degree in Management from Harbin Engineering University.

Anthony Francis Neoh, Independent Non-executive Director

Mr. Neoh has served as Independent Non-executive Director of the Bank since April 2015. He previously served as Chief Advisor to CSRC, a member of the International Consultation Committee of CSRC, a member of the Basic Law Committee of the Hong Kong Special Administrative Region under the Standing Committee of the National People's Congress of People's Republic of China, and Chairman of the Hong Kong Securities and Futures Commission. He was Chairman of the Technical Committee of the International Organization of Securities Commissions, Chairman of Hong Kong Independent Police Complaints Council, a Non-executive Director of Global Digital Creations Holdings Limited. He was an Independent Non-executive Director of Link Management Limited, which is the Manager of Link Real Estate Investment Trust. He was also an Independent Non-executive Director of China Shenhua Energy Company Limited, Bank of China Limited, China Life Insurance Company Limited and New China Life Insurance Company Ltd. Mr. Neoh currently serves as an Independent Non-executive Director of CITIC Limited, Treasurer and Member of Council of The Chinese University of Hong Kong and Chairman of the Asian Academy of International Law. He graduated from the University of London with a Bachelor's degree in Law. He is Honorary Doctorate of Law of Chinese University of Hong Kong and Open University of Hong Kong and Honorary Doctorate of Social Sciences of Lingnan University. He was elected Honorary Fellow of the Hong Kong Securities Institute, Fellow of the Hong Kong Academy of Finance and Academician of the International Euro-Asian Academy of Sciences. Mr. Neoh was appointed as Senior Counsel in Hong Kong. He is a barrister of England and Wales. He was admitted to the State Bar of California.

Yang Siu Shun, Independent Non-executive Director

Mr. Yang has served as Independent Non-executive Director of the Bank since April 2016. He previously served as Chairman and Principal Partner of PricewaterhouseCoopers Hong Kong, Executive Chairman and Principal Partner of PricewaterhouseCoopers Chinese Mainland and Hong Kong, member of five-people leading group of global leadership committee of PricewaterhouseCoopers, Chairman of PricewaterhouseCoopers Asia-Pacific region, Director and Chairman of Audit Committee of Hang Seng Management College, Vice Chairman of the Council of the Open University of Hong Kong and a member of the Exchange Fund Advisory Committee of Hong Kong Monetary Authority. Mr. Yang currently serves as a member of the 13th National Committee of the Chinese People's Political Consultative Conference, a member of the board of directors of the Hong Kong Jockey Club and an Independent Non-executive Director of Tencent Holdings Limited. Mr. Yang graduated from the London School of Economics and Political Science. He was awarded the degree of Honorary Doctor of Social Sciences by The Open University of Hong Kong. He is a Justice of the Peace in Hong Kong. Mr. Yang holds the qualification of Chartered Accountants, and is a senior member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants.

Shen Si, Independent Non-executive Director

Mr. Shen has served as Independent Non-executive Director of the Bank since March 2017. Previously, he served as Deputy Division Chief and Division Chief of Zhejiang Branch of PBC, Deputy General Director of the Investigation and Statistics Department of the Head Office of PBC, and Deputy President of the Hangzhou Branch of Shanghai Pudong Development Bank, Board Secretary of Shanghai Pudong Development Bank and Executive Director and concurrently Board Secretary of Shanghai Pudong Development Bank. He obtained a Master's degree in Economics from Zhejiang University and an EMBA degree. He is a senior economist.

Nout Wellink, Independent Non-executive Director

Mr. Wellink has served as Independent Non-executive Director of the Bank since December 2018. Previously, he served as the Treasurer General in the Dutch Ministry of Finance, member of the Executive Board and the President of the Dutch Central Bank, member of the Governing Council of the European Central Bank, member of the Group of Ten Central Bank Governors and Governor of the International Monetary Fund, member and Chairman of the Board of Directors of the Bank for International Settlements, Chairman of the Basel Committee on Banking Supervision, Independent Director of Bank of China Limited, Vice Chairman of Supervisory Board of PricewaterhouseCoopers Accountants N.V. and an Emeritus Professor at the Free University in Amsterdam. Mr. Wellink also served as member of the supervisory board of a bank, a reinsurance company and other enterprises on behalf of the Dutch authorities, Chairman of the Board of Supervisors of the Netherlands Open Air Museum, member and treasurer of the Royal Picture Gallery Mauritshuis and the Westeinde Hospital in The Hague. He was awarded a Knighthood in the Order of the Netherlands Lion in 1980 and is Commander of the Order of Orange-Nassau since 2011. He received a Master's degree in Law from Leiden University, a Doctorate degree in Economics from Erasmus University Rotterdam and an Honorary Doctorate from Tilburg University.

Fred Zuliu Hu, Independent Non-executive Director

Mr. Hu has served as Independent Non-executive Director of the Bank since April 2019. He previously served as a senior economist at the International Monetary Fund, Head of Research at the World Economic Forum, the chairman for Greater China and a partner at Goldman Sachs Group, Inc., an independent non-executive director of Great Wall Pan Asia Holdings Limited (formerly known as SCMP Group Limited), an independent non-executive director of Hang Seng Bank Limited, the non-executive director of China Asset Management Co., Ltd., an independent director of Dalian Wanda Commercial Management Group Co., Ltd., an independent director of Shanghai Pudong Development Bank and the independent non-executive director of Hong Kong Exchanges and Clearing Limited, etc. Mr. Hu currently serves in various positions such as the chairman of Primavera Capital Group, the non-executive chairman of Yum China Holdings, Inc, the independent non-executive director of Ant Group Co., Ltd., the director of UBS Group AG, the co-chair of The Nature Conservancy's Asia Pacific Council and the director of the China Medical Board. Mr. Hu is also a member of the Global Board of Advisors for the Council on Foreign Relations, the 21st Century Council of the Berggruen Institute, the Harvard Global Advisory Council, the Harvard Kennedy School Mossavar-Rahmani Center for Business and Government, the Stanford Center for International Development, and the Jerome A. Chazen Institute of International Business at Columbia University etc. He concurrently serves as the co-director of the National Center for Economic Research and a professor at Tsinghua University, and he is also an adjunct professor at the Chinese University of Hong Kong and Peking University. Mr. Hu obtained a master's degree in engineering science from Tsinghua University, and a master's degree and a PhD in economics from Harvard University.

Zhang Wei, Shareholder Supervisor

Mr. Zhang has concurrently served as Shareholder Supervisor and Director of the Board of Supervisors' Office of the Bank since June 2016. He joined ICBC in 1994, and has served as Employee Supervisor of the Board of Supervisors, General Manager of the Legal Affairs Department and Chief of Consumer Protection Office of the Bank. He graduated from Peking University with a Doctorate degree in Law and is a research fellow.

Huang Li, Employee Supervisor

Mr. Huang has served as Employee Supervisor of the Bank since June 2016. He joined ICBC in 1994 and is currently the Head of Beijing Branch of the Bank. He served as Deputy General Manager and General Manager of the Banking Department as well as Deputy Head and Head of Guizhou Branch of ICBC. Mr. Huang graduated from The University of Hong Kong with an MBA degree. He is a senior economist.

Wu Xiangjiang, Employee Supervisor

Mr. Wu has served as Employee Supervisor of the Bank since September 2020. He joined ICBC in 1988 and is currently the General Manager of Internal Control & Compliance Department of the Bank. He served such positions at the Bank as Deputy Head of Zhejiang Branch, General Manager of E-banking Department and General Manager of Internet Finance Department. Mr. Wu graduated from Zhejiang University with a Doctorate degree in Management. He is a senior economist.

Shen Bingxi, External Supervisor

Mr. Shen has served as External Supervisor of the Bank since June 2016. He previously served as the Deputy Chief of the Financial Market Division of the Financial System Reform Department, Chief of the System Reform Division and Monetary Policy Research Division of the Policy Study Office, and Chief of the Monetary Policy Research Division of the Research Bureau of the PBC, Chief Representative of the PBC Representative Office in Tokyo, Deputy Director-general and Director-level Inspector of Financial Market Department of the PBC, and Non-executive Director of Agricultural Bank of China. Mr. Shen is currently guest professor of Tsinghua University, Zhejiang University and Nankai University. Mr. Shen graduated from Renmin University of China, and received a Doctorate degree in Economics. He is a research fellow.

Zhang Jie, External Supervisor

Mr. Zhang has served as External Supervisor of the Bank since November 2021. He is currently a professor and doctoral supervisor of the Renmin University of China, director of the International Monetary Institute, a distinguished professor of the Ministry of Education's "Changjiang Scholars Program", a famous teacher of the national "Ten Thousand Talents Program", and a national candidate of the "New Century Talents Project". Mr. Zhang is a recipient of the special government allowance provided by the State Council to experts, and is engaged in research on the topics of institutional finance, China's financial system and financial development. He was the Dean of the School of Finance of Shaanxi Institute of Finance and Economics, the Associate Dean of the School of Economics and Finance of Xi'an Jiaotong University, the Associate Dean of the School of Finance of Renmin University of China, and the first Secretary General of the College Finance Teaching Steering Committee of the Ministry of Education. At present, he is concurrently a researcher of the Finance Research Institute of the Counsellor's Office of the State Council, and an executive director of the China Society for Finance and Banking. Mr. Zhang graduated from Shaanxi University of Finance and Economics with a Doctorate degree in Economics.

Zhang Wenwu, Senior Executive Vice President

Mr. Zhang has served as Senior Executive Vice President of the Bank since July 2020. He joined ICBC in 1995. He was appointed as Deputy General Manager of the Finance & Accounting Department of the Head Office, Deputy Head of Liaoning Branch, Executive Director and Chief Financial Officer of ICBC-AXA Assurance Co., Ltd., Director of the Board of Supervisors' Office of the Head Office, and General Manager of the Finance & Accounting Department of the Head Office. Mr. Zhang graduated from the University of International Business and Economics, and he obtained a Doctorate degree in Management from Renmin University of China. He is a senior accountant.

Xu Shouben, Senior Executive Vice President

Mr. Xu has served as Senior Executive Vice President of the Bank since October 2020. He joined ICBC in 1995. He was appointed as Deputy Head of Guangdong Branch and Head of Shenzhen Branch. Mr. Xu graduated from the Harbin Institute of Technology, and he obtained a Doctorate degree in Economics from Sun Yat-sen University. He is a senior economist.

Zhang Weiwu, Senior Executive Vice President

Mr. Zhang has served as Senior Executive Vice President of the Bank since June 2021. He joined ICBC in July 1999, and was appointed as General Manager of ICBC (Europe) Amsterdam Branch in January 2011, General Manager of Singapore Branch in February 2013 and General Manager of the International Banking Department of the Head Office of ICBC in January 2017. Mr. Zhang graduated from the Northwest University in China and obtained Master's degree in Political Economy and MBA from Hitotsubashi University in Japan. He is a senior economist.

Wang Bairong, Chief Business Officer

Mr. Wang has served as Chief Business Officer of the Bank since April 2020. He began his career in 1986. He joined ICBC in 1991 and previously served as Assistant to Head of Zhejiang Branch and Head of Shaoxing Branch, Deputy Head of Zhejiang Branch and General Manager of the Banking Department of Zhejiang Branch, Deputy Head (person in charge) and Head of Chongqing Branch and Chief Risk Officer. Mr. Wang graduated from the Party School of the Central Committee of CPC and obtained a Master's degree in Economics. He is a senior economist.

Guan Xueqing, Board Secretary

Mr. Guan has served as Board Secretary of the Bank since July 2016. He joined ICBC in 1984 and served as Head of Suining Branch in Sichuan, Representative of Frankfurt Representative Office and Deputy General Manager of Frankfurt Branch, Deputy Head of Sichuan Branch, Deputy Head of Sichuan Branch and General Manager of Banking Department of Sichuan Branch, and Head of Hubei Branch and Sichuan Branch. Previously Mr. Guan was also General Manager of Corporate Strategy and Investor Relations Department of the Bank. He graduated from the Southwestern University of Finance and Economics and obtained a Doctorate degree in Economics. He is a senior economist.

Xiong Yan, Chief Business Officer

Ms. Xiong has served as Chief Business Officer of the Bank since April 2020. She joined ICBC in 1984, and served as Deputy Director-General of Kunming Sub-bureau of the Internal Audit Bureau, Deputy General Manager of Yunnan Branch, Deputy Director-General of the Sub-bureau directly managed by the Internal Audit Bureau, Deputy General Manager of the Corporate Banking Department I (Corporate Banking Department) and General Manager of the Institutional Banking Department of the Head Office. Ms. Xiong graduated from Hunan University, and obtained a degree of International Master of Business Administration (IMBA) from Fudan University and The University of Hong Kong. She is a senior economist.

Song Jianhua, Chief Business Officer

Mr. Song has served as Chief Business Officer of the Bank since April 2020. He joined ICBC in 1987. He was appointed as Deputy General Manager of Jiangsu Branch and General Manager of the Personal Banking Department of the Head Office. Mr. Song graduated from Peking University and obtained a Doctorate degree in management science and engineering from Nanjing University. He is a senior economist.

Mr. Lu Yongzhen, Mr. Feng Weidong, Ms. Cao Liqun, Ms. Chen Yifang and Mr. Dong Yang were recommended by Huijin to serve as Non-executive Directors of the Bank. Huijin holds interests in shares of the Bank. Please refer to the section headed "Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Interests and Short Positions Held by Substantial Shareholders and Other Persons" for further details.

None of the Directors, Supervisors and Senior Management members of the Bank, whether they are incumbent or have left office during the reporting period, have been punished by the securities regulator in the past three years.

Appointment and Removal

Directors

On 25 February 2021, the Board of Directors of the Bank elected Mr. Liao Lin as Vice Chairman of the Bank, and his qualification was approved by CBIRC in March 2021. At the Annual General Meeting for the Year 2020 held on 21 June 2021, Ms. Chen Yifang was elected as Non-executive Director of the Bank, and her qualification was approved by CBIRC in August 2021. At the First Extraordinary General Meeting of 2021 held on 29 July 2021, Mr. Wang Jingwu was elected as Executive Director of the Bank, and his qualification was approved by CBIRC in September 2021. At the Second Extraordinary General Meeting of 2021 held on 25 November 2021, Mr. Zheng Guoyu was elected as Executive Director of the Bank, and his qualification was approved by CBIRC in December 2021; Mr. Dong Yang was elected as Non-executive Director of the Bank, and his qualification was approved by CBIRC in January 2022. On 30 March 2022, the Board of Directors of the Bank nominated Mr. Chen Siqing as the candidate for Executive Director of the Bank and to be re-elected as Executive Director of the Bank, and agreed him to consecutively serve as Chairman of the Bank after his re-election as Executive Director is approved by the Shareholders' General Meeting of the Bank. The appointment of Mr. Chen Siqing as Executive Director of the Bank shall be submitted to the Shareholders' General Meeting of the Bank for deliberation and voting, and his new term of office shall start from the date of review and approval by the Shareholders' General Meeting.

In February 2021, Ms. Mei Yingchun ceased to act as Non-executive Director of the Bank due to expiration of her term of office. In January 2022, Mr. Zheng Fuqing ceased to act as Non-executive Director of the Bank due to expiration of his term of office.

Supervisors

At the First Extraordinary General Meeting of 2021 held on 29 July 2021, Mr. Huang Liangbo was elected as Shareholder Supervisor of the Bank, and his term of office as Shareholder Supervisor of the Bank started from the day of approval by the Shareholders' General Meeting, and his term of office as Chairman of the Board of Supervisors of the Bank took effect simultaneously. At the Second Extraordinary General Meeting of 2021 held on 25 November 2021, Mr. Zhang Jie was elected as External Supervisor of the Bank, and his term of office as External Supervisor of the Bank started from the day of approval by the Shareholders' General Meeting.

In March 2021, Mr. Yang Guozhong ceased to act as Shareholder Supervisor and Chairman of the Board of Supervisors of the Bank due to change of job assignments. In November 2021, Mr. Qu Qiang ceased to act as External Supervisor of the Bank due to change of job assignments.

Senior Management Members

On 25 February 2021, the Board of Directors appointed Mr. Liao Lin as President of the Bank, and his qualification was approved by CBIRC in March 2021. Mr. Liao Lin ceased to act as Chief Risk Officer of the Bank after he took office as President. On 29 April 2021, the Board of Directors appointed Mr. Zhang Weiwu as Senior Executive Vice President of the Bank, and his qualification was approved by CBIRC in June 2021. On 24 September 2021, the Board of Directors appointed Mr. Zheng Guoyu as Senior Executive Vice President of the Bank and Mr. Wang Jingwu as Chief Risk Officer of the Bank.

Annual Remuneration

Unit: RMB10,000

Name	Remuneration from the Bank					Obtain remuneration from shareholder entities or other related parties or not
	Remuneration paid (before tax) (1)	Contribution by the employer to social insurance, housing allowance, annuities, and additional medical insurances (2)	Fees (3)	Other monetary income (4)	Total remuneration before tax (5)=(1)+(2)+(3)+(4)	
Chen Siqing	61.94	20.05	–	–	81.99	No
Liao Lin	61.42	19.70	–	–	81.12	No
Huang Liangbo	30.97	10.06	–	–	41.03	No
Zheng Guoyu	18.58	6.48	–	–	25.06	No
Wang Jingwu	55.74	19.36	–	–	75.10	No
Lu Yongzhen	–	–	–	–	–	Yes
Feng Weidong	–	–	–	–	–	Yes
Cao Liqun	–	–	–	–	–	Yes
Chen Yifang	–	–	–	–	–	Yes
Dong Yang	–	–	–	–	–	Yes
Anthony Francis Neoh	–	–	52.00	–	52.00	Yes
Yang Siu Shun	–	–	47.00	–	47.00	Yes
Shen Si	–	–	47.00	–	47.00	Yes
Nout Wellink	–	–	47.00	–	47.00	No
Fred Zuliu Hu	–	–	41.00	–	41.00	Yes
Zhang Wei	93.95	27.79	–	–	121.74	No
Huang Li	–	–	5.00	–	5.00	No
Wu Xiangjiang	–	–	5.00	–	5.00	No
Shen Bingxi	–	–	–	–	–	No
Zhang Jie	–	–	2.43	–	2.43	No
Zhang Wenwu	55.74	19.36	–	–	75.10	No
Xu Shouben	55.74	19.36	–	–	75.10	No
Zhang Weiwu	41.81	15.80	–	–	57.61	No
Wang Bairong	97.70	28.42	–	–	126.12	No
Guan Xueqing	101.02	29.43	–	–	130.45	No
Xiong Yan	96.04	28.90	–	–	124.94	No
Song Jianhua	96.04	27.97	–	–	124.01	No
Directors, Supervisors and Senior Management Leaving Office						
Yang Guozhong	10.32	3.33	–	–	13.65	No
Zheng Fuqing	–	–	–	–	–	Yes
Mei Yingchun	–	–	–	–	–	Yes
Qu Qiang	–	–	16.32	–	16.32	No

Notes: (1) Since January 2015, the remuneration to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors and other executives of the Bank has followed the State's policies relating to the remuneration reform on executives of central enterprises.

(2) During the reporting period, the total remuneration amount paid to Directors, Supervisors and Senior Management members was RMB14,157.7 thousand. According to the requirements of relevant government authorities, the total final remuneration payable to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors, Executive Directors, Shareholder Supervisors and other Senior Management members is still subject to final confirmation by relevant government authorities. Additional details of remuneration will be disclosed when they have been determined.

(3) In accordance with applicable national regulations, the incentive income for 2018-2020 was paid to the Chairman, the President and Senior Executive Vice President of the Bank in 2021 based on their specific tenure and performance appraisal results. Accordingly, the Bank accrued RMB16 thousand, RMB9.4 thousand, RMB6.5 thousand, RMB5 thousand and RMB3.6 thousand for Mr. Chen Siqing, Mr. Liao Lin, Mr. Wang Jingwu, Mr. Zhang Wenwu and Mr. Xu Shouben respectively, as additional contribution to the Annuity Plan in 2021.

(4) During the reporting period, Mr. Lu Yongzhen, Mr. Feng Weidong, Ms. Cao Liqun, Ms. Chen Yifang, Mr. Zheng Fuqing and Ms. Mei Yingchun did not obtain remuneration from the Bank during their tenure as directors of the Bank.

(5) Fees of Mr. Huang Li and Mr. Wu Xiangjiang are their allowances obtained as Employee Supervisors of the Bank, excluding their remuneration with the Bank in accordance with the employee remuneration system.

(6) As the Bank's Independent Non-executive Directors served as directors or senior management of other legal persons or organizations other than the Bank or the controlled subsidiaries of the Bank, such legal persons or organizations became related parties of the Bank. During the reporting period, Independent Non-executive Directors obtained remuneration from such related parties. Except to the extent of the afore-mentioned circumstances, none of the Bank's Directors, Supervisors and Senior Management was paid by the Bank's related parties during the reporting period.

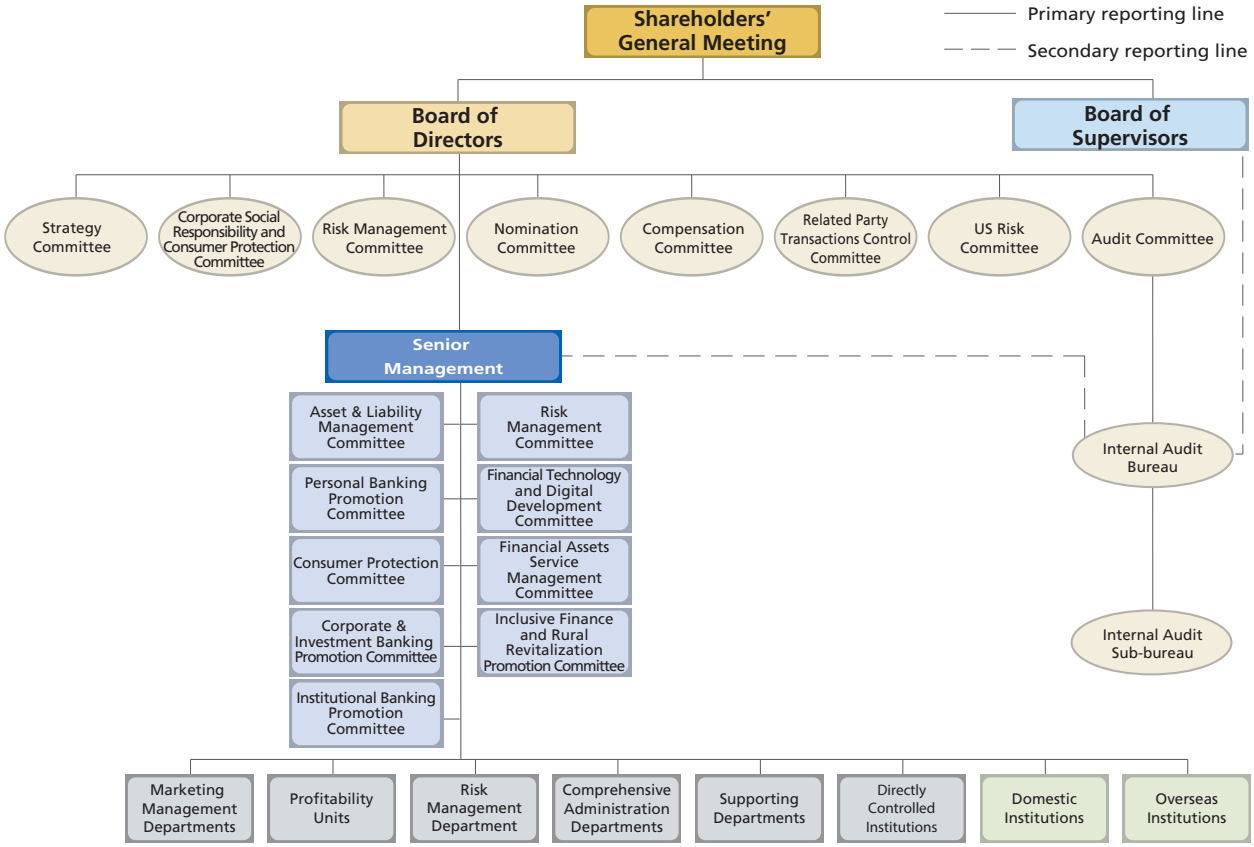
(7) For the change of the Bank's Directors, Supervisors and Senior Management, please refer to the section headed "Appointment and Removal".

Corporate Governance Report

Overview of Corporate Governance

During the reporting period, the Bank refined the modern corporate governance framework, mechanism and culture. The Bank further developed the corporate governance structure which was led by the Bank's Party Committee with the Board of Directors acting as the decision-making organ, the Board of Supervisors responsible for compliance supervision, and the Management in charge of operation. Under the working guideline of "adhere to the guidance of the Party building theory and exercising rigorous corporate governance", the Bank strengthened the organic connection between the rules of procedure of the Party Committee and the decision-making mechanism for corporate governance, deeply applied its institutional advantages to the construction of modern governance system, and constantly improved the governance efficiency and high-quality development capability. The Board of Directors continued to improve corporate frameworks and strengthen strategic guidance. In alignment with the national "14th Five-Year Plan" and the long-range objectives through the year 2035, the Board of Directors coordinated the implementation of the "Three Tasks" of financial work. Focusing on key missions such as service for the high-quality development in manufacturing, self-reliance and self-improvement in science and technology, rural revitalization, inclusive finance, and "carbon peak and carbon neutrality", the Board of Directors formulated overall strategic development plans to provide more adaptive, competitive, and inclusive financial services. The Board of Supervisors gave full play to its supervisory function. It focused on how the Board of Directors and the Senior Management implemented the important decisions and arrangements of the Party Central Committee and the State Council, national economic and financial policies and regulatory requirements, etc. The Board of Supervisors conducted sound supervision on duty performance, financial management, risk management, internal control and compliance and other aspects, putting its important role in corporate governance into good use. There is no material divergence between the actual corporate governance of the Bank, relevant laws and administrative regulations, and the corporate governance-related rules issued by CSRC.

Corporate Governance Framework



Note: The above is the corporate governance framework chart as of the disclosure date of this report.

The Bank has made constant efforts to improve the corporate governance and checks and balances mechanism comprising the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and the Senior Management featuring clearly-defined responsibilities and accountability, coordination and effective checks and balances, and to optimize responsibilities of the authority organ, decision-making organ, supervisory organ and executive organ. As a result, the corporate governance operation mechanism with scientific decision-making process, effective supervision and steady operation has been in place.

Corporate Governance Code

During the reporting period, save as disclosed below, the Bank fully complied with the principles, code provisions and recommended best practices stipulated in the Corporate Governance Code (Appendix 14 to the Hong Kong Listing Rules).

With regard to the compliance with Article C.2.1 of the Corporate Governance Code (Appendix 14 to the Hong Kong Listing Rules), Mr. Gu Shu resigned from his position as President of the Bank on 31 December 2020. The Board of Directors of the Bank deliberated and decided that Mr. Chen Siqing, Chairman of the Board of Directors, should perform the duties of acting President from the date when Mr. Gu Shu does not perform the management duties in the Bank due to job change to the date when the new President appointed by the Board of Directors of the Bank formally takes office. On 16 March 2021, Mr. Liao Lin took office as President of the Bank, and since that date, Mr. Chen Siqing had ceased to serve as acting President.

Shareholders' General Meeting

Responsibilities of the Shareholders' General Meeting

As the organ of power of the Bank, the Shareholders' General Meeting involves all shareholders. The Shareholders' General Meeting is responsible for, among others, deciding on business policies and significant investment plans of the Bank; examining and approving the Bank's annual financial budget, final account proposals, plans for profit distribution and loss make-up; electing and replacing directors, supervisors appointed from the shareholder representatives and external supervisors; examining and approving work report of the Board of Directors and work report of the Board of Supervisors; adopting resolutions on merger, division, dissolution, liquidation, change of corporate form, increase or decrease of the Bank's registered capital, issuance of corporate bonds or other securities and public listing, repurchase of the shares and issuance of preference shares; and amending the Articles of Association of the Bank.

Convening of the Shareholders' General Meeting

During the reporting period, the Bank convened the Annual General Meeting for the Year 2020 on 21 June 2021, the First Extraordinary General Meeting of 2021 on 29 July 2021, and the Second Extraordinary General Meeting of 2021 on 25 November 2021. The afore-mentioned Shareholders' General Meetings were convened and held in strict compliance with relevant laws and regulations and the Articles of Association of the Bank. The Bank made announcements on the resolutions and disclosed legal opinions in a timely manner in accordance with regulatory requirements. For details of the above meetings, please refer to the announcements of the Bank dated 21 June 2021, 29 July 2021 and 25 November 2021 respectively on the website of SSE, the "HKEXnews" website of HKEX and the website of the Bank.

Board of Directors and Special Committees

Responsibilities of the Board of Directors

As the decision-making organ of the Bank, the Board of Directors of the Bank is accountable to, and shall report its work to, the Shareholders' General Meeting. The Board of Directors is responsible for, among others, convening the Shareholders' General Meeting; implementing the resolutions of the Shareholders' General Meeting; deciding on the business plans, investment proposals and development strategies of the Bank; formulating annual financial budget and final accounts of the Bank; formulating plans for profit distribution and loss recovery of the Bank; formulating plans for the increase or decrease of the Bank's registered capital, capital replenishment and financial restructuring of the Bank; formulating basic management systems of the Bank such as risk management system and internal control system, and supervising the implementation of such systems; appointing or removing President and the Board Secretary, and appointing or removing Senior Executive Vice Presidents and other senior management members (except the Board Secretary) who shall be appointed or removed by the Board of Directors under relevant laws according to the nomination of the President and deciding on their compensation, bonus and penalty matters; deciding on or authorizing the President to decide on the establishment of relevant offices of the Bank; regularly evaluating and improving corporate governance of the Bank; managing information disclosure of the Bank; and supervising and ensuring the President and other Senior Management members to perform their management duties effectively.

Implementation of Resolutions of the Shareholders' General Meeting by the Board of Directors

The Board of Directors of the Bank earnestly and fully implemented the resolutions adopted by the Shareholders' General Meeting during the reporting period.

Composition of the Board of Directors

The Bank formulated relatively complete procedures for nominating and electing Directors. With diversified backgrounds, the Directors of the Bank complemented each other on one hand with regard to their expertise, professional competence and experience, which ensured scientific decision-making of the Board of Directors. As at the disclosure date of the results, the Board of Directors of the Bank consisted of 14 directors, including four Executive Directors: Mr. Chen Siqing, Mr. Liao Lin, Mr. Zheng Guoyu and Mr. Wang Jingwu; five Non-executive Directors: Mr. Lu Yongzhen, Mr. Feng Weidong, Ms. Cao Liqun, Ms. Chen Yifang and Mr. Dong Yang; and five Independent Non-executive Directors: Mr. Anthony Francis Neoh, Mr. Yang Siu Shun, Mr. Shen Si, Mr. Nout Wellink and Mr. Fred Zuliu Hu.

Mr. Chen Siqing was Chairman of the Board of Directors. Mr. Liao Lin was Vice Chairman of the Board of Directors. The Executive Directors have worked in the areas of banking and management for a long time, possesses extensive professional expertise and experience in those areas and are familiar with operation and management of the Bank. Non-executive Directors have worked in the fiscal, economic, financial and governing sectors for many years, and they have rich practical experience and relatively high level of understanding of policies and theories. All of the Independent Non-executive Directors are prestigious Chinese or foreign experts in their respective areas, e.g. economy, financial supervision, finance, audit and law, and they are familiar with Chinese and foreign regulatory rules and have a good knowledge of corporate governance, finance and bank management. The number of Independent Non-executive Directors of the Bank accounted for more than one third of the total members of the Board of Directors, complying with relevant regulatory requirements.

Chairman and President

Pursuant to Code Provision C.2.1 of the Corporate Governance Code (Appendix 14 to the Hong Kong Listing Rules) and the Articles of Association of the Bank, the roles of Chairman and President should be held by two persons, and the Chairman shall not concurrently hold the position of legal representative or chief responsible officer of the controlling shareholder.

Chairman Mr. Chen Siqing is the legal representative of the Bank, and is responsible for leading the Board of Directors in considering and formulating business development strategies, risk management, internal control and other significant matters of the Bank.

President Mr. Liao Lin is responsible for the daily management of the business operations of the Bank. The President is appointed by and accountable to the Board of Directors, and performs his responsibilities as stipulated in the Articles of Association of the Bank and as authorized by the Board of Directors.

Mr. Liao Lin took office as President of the Bank on 16 March 2021. Please refer to the section headed "Corporate Governance Report — Corporate Governance Code" for details.

Meetings of the Board of Directors

During the reporting period, the Board of Directors of the Bank held 13 meetings on 29 January, 25 February, 26 March, 29 April, 21 June, 8 July, 19 July, 24 July, 27 August, 24 September, 29 October, 25 November and 17 December 2021, respectively. At these meetings, the Board of Directors considered 78 proposals, and heard 30 reports.

The Board of Directors made scientific decisions on, and reviewed and approved such proposals as development strategy plans for 2021–2023 and establishment of the Rural Revitalization Office in accordance with economic and financial policies and major objectives, including development strategies, preventing and controlling financial risks, serving the real economy, deepening inclusive finance, and supporting rural revitalization.

The Board of Directors attached great importance to the enterprise risk management, continuously improved risk management systems, and prevented the systemic risk with all strength. It revised the Rules on Enterprise Risk Management and the Measures for the Reputational Risk Management, reviewed and approved proposals including the 2020 and 2021 Interim Risk Management Reports, the Liquidity Risk Management Strategy for 2021, the Management Strategy of Interest Rate Risk in the Banking Book for 2021, and heard reports such as Report on Technology Risk Management in 2020.

The Board of Directors improved asset management and continued to meet the capital needs of supporting the real economy and the regulatory requirements on capital management. It reviewed and approved proposals on the 2020 Risk and Capital Adequacy Assessment Report, the 2020 Capital Adequacy Ratio Report, issuing eligible tier 2 capital instruments, etc.

The Board of Directors highly valued the fulfillment of social responsibility and endeavored to maximize the comprehensive value of economy, environment and society. It reviewed and approved proposals on the Donations for extreme heavy rainfall in Henan Province, the Application for Temporary Authorization Limit for External Donations, the Corporate Social Responsibility Report 2020 (ESG Report), the 2021 Business Plan for Inclusive Finance, the Report on the Implementation of Green Finance, the 2020 Work Report on and 2021 Work Plan for Consumer Protection, etc.

For major proposals reviewed by the Board of Directors, please refer to the announcements of the Bank on the website of SSE, the "HKEXnews" website of HKEX or the website of the Bank.

The attendance of each of the Directors in Shareholders' General Meetings and meetings of the Board of Directors and the special committees of the Board of Directors during the reporting period is set out below:

Attendances in person/Number of meetings that should be attended

			Special Committees of the Board of Directors:							
Directors	Shareholders' General Meeting	Board of Directors	Strategy Committee	Corporate Social Responsibility and Consumer Protection Committee	Audit Committee	Risk Management Committee	Nomination Committee	Compensation Committee	Related Party Transactions Control Committee	US Risk Committee
Executive Directors										
Chen Siqing	3/3	11/13	6/8	—	—	—	—	—	—	—
Liao Lin	3/3	13/13	7/7	3/3	—	—	5/5	—	—	—
Zheng Guoyu	—	—	—	—	—	—	—	—	—	—
Wang Jingwu	1/1	4/4	—	—	—	1/1	—	—	1/1	1/2
Non-executive Directors										
Lu Yongzhen	3/3	13/13	8/8	—	—	4/4	—	2/2	—	5/5
Feng Weidong	3/3	13/13	—	—	5/5	4/4	7/7	—	—	5/5
Cao Liqun	3/3	13/13	—	3/3	5/5	4/4	—	—	—	5/5
Chen Yifang	1/1	5/5	3/3	—	—	—	—	—	—	—
Dong Yang	—	—	—	—	—	—	—	—	—	—
Independent Non-executive Directors										
Anthony Francis Neoh	3/3	12/13	8/8	—	5/5	4/4	6/7	2/2	—	5/5
Yang Siu Shun	3/3	13/13	—	—	5/5	4/4	7/7	—	4/4	4/5
Shen Si	3/3	13/13	—	—	5/5	4/4	—	2/2	4/4	5/5
Nout Wellink	3/3	13/13	8/8	3/3	5/5	—	—	2/2	4/4	—
Fred Zuliu Hu	3/3	11/13	6/8	—	3/5	—	6/7	—	—	—
Directors Leaving Office										
Zheng Fuqing	3/3	13/13	8/8	—	—	4/4	—	—	—	5/5
Mei Yingchun	—	1/1	1/1	—	—	—	—	—	—	—

Notes: (1) "Attendances in person" refers to attending meetings in person or on telephone or by video conference.

(2) Directors who did not attend the meetings of the Board of Directors and its special committees in person appointed other directors to attend the meetings and exercise the voting right on their behalf.

(3) For the change of directors, please refer to the section headed "Directors, Supervisors and Senior Management — Appointment and Removal".

Special Committees of the Board of Directors

Special Committees of the Board of Directors

The Board of Directors of the Bank has established eight special committees, namely, the Strategy Committee, the Corporate Social Responsibility and Consumer Protection Committee, the Audit Committee, the Risk Management Committee, the Nomination Committee, the Compensation Committee, the Related Party Transactions Control Committee and the US Risk Committee. Except the Strategy Committee and the Corporate Social Responsibility and Consumer Protection Committee, chairmen of all the other committees are assumed by Independent Non-executive Directors. More than half of the members of the Audit Committee, the Nomination Committee, the Compensation Committee and the Related Party Transactions Control Committee are Independent Non-executive Directors.

As at the disclosure date of the results, the composition of special committees of the Board of Directors of the Bank is as follows:

	Special Committees under the Board of Directors							
Directors	Strategy Committee	Corporate Social Responsibility and Consumer Protection Committee	Audit Committee	Risk Management Committee	Nomination Committee	Compensation Committee	Related Party Transactions Control Committee	US Risk Committee
Chen Siqing	Chairman							
Liao Lin	Committee Member	Chairman			Committee Member			
Zheng Guoyu	Committee Member	Committee Member		Committee Member				
Wang Jingwu				Committee Member			Committee Member	Committee Member
Lu Yongzhen	Committee Member			Committee Member		Committee Member		Committee Member
Feng Weidong			Committee Member	Committee Member	Committee Member			Committee Member
Cao Liqun		Committee Member	Committee Member	Committee Member				Committee Member
Chen Yifang	Committee Member	Committee Member				Committee Member		
Dong Yang	Committee Member			Committee Member				Committee Member
Anthony Francis Neoh	Committee Member		Committee Member	Chairman	Committee Member	Committee Member		Chairman
Yang Siu Shun			Committee Member	Committee Member	Committee Member		Chairman	Committee Member
Shen Si			Chairman	Committee Member		Committee Member	Committee Member	Committee Member
Nout Wellink	Committee Member	Committee Member	Committee Member			Chairman	Committee Member	
Fred Zuliu Hu	Committee Member		Committee Member		Chairman			

During the reporting period, the performance of duties by the special committees of the Board of Directors is set out below:

Strategy Committee	**Primary Responsibilities of the Strategy Committee** The Strategy Committee is mainly responsible for considering the Bank's strategic development plan, risk events that bear material influence on the overall situation, business and institutional development plan, major investment and financing plan, annual social responsibility report and other major matters critical to the Bank's development, making recommendations to the Board of Directors, and examining and assessing the soundness of the corporate governance framework to ensure financial reporting, risk management and internal control are compliant with corporate governance criteria of the Bank. **Performance of the Strategy Committee** During the reporting period, the Strategy Committee of the Board of Directors held eight meetings on 29 January, 26 March, 29 April, 21 June, 27 August, 24 September, 29 October and 25 November 2021, respectively. At these meetings, the Strategy Committee considered and approved 22 proposals, and heard four reports. To promote the coordination between bank-wide strategic planning and national strategies, the Strategy Committee considered and approved the Bank's 2021–2023 Development Strategy Plan as well as four sub-plans on risk management, international development, internal audit development, and group data governance and intelligent application. The Strategy Committee also paid close attention to strategic capital allocation, and reviewed and approved several proposals including the proposals on issuing tier 2 capital instruments and the 2020 capital adequacy ratio management report, providing a driving force for the Bank to promote sustainable development, enhance capital strength, and strengthen risk resistance capacity on all fronts.
Corporate Social Responsibility and Consumer Protection Committee	**Primary Responsibilities of the Corporate Social Responsibility and Consumer Protection Committee** The Corporate Social Responsibility and Consumer Protection Committee is mainly responsible for considering the Bank's fulfillment of social responsibilities with respect to environment, society, corporate governance, precision poverty alleviation, and corporate culture, the strategy, policy and target of consumer protection, green finance strategy, the development plan, basic policy, annual operating plan and assessment method of inclusive finance, and making recommendations to the Board of Directors. **Performance of the Corporate Social Responsibility and Consumer Protection Committee** During the reporting period, the Corporate Social Responsibility and Consumer Protection Committee held three meetings on 25 March, 28 April and 26 August 2021, respectively. At these meetings, the Corporate Social Responsibility and Consumer Protection Committee considered and approved five proposals. It fully performed the political missions and social responsibilities as a major state-owned bank, considered and approved the proposals on the donation of anti-epidemic materials in 2020 and the application for temporary authorization limit for external donations, etc., providing continuous support for the epidemic prevention and control, charity, culture, education and other public-interested activities. The committee focused on the development of green finance and inclusive finance, considered and approved the proposals on the implementation of green finance and the 2021 annual business plan for inclusive finance, and actively practiced China's green development concept and sustainable development strategy.
Audit Committee	**Primary Responsibilities of the Audit Committee** The Audit Committee is mainly responsible for constantly overseeing the Bank's internal control system, and supervising, inspecting and evaluating financial information and internal audit of the Bank, proposing the engagement or replacement of external auditors, reviewing the reports of external auditors, and coordinating the communication between the internal audit departments and external auditors, and assessing mechanisms for the Bank's staff to report misconducts in financial statements, internal control, etc., and assessing the mechanism for the Bank to conduct independent and fair investigations and take appropriate actions in relation to the reported matters. **Performance of the Audit Committee** During the reporting period, the Audit Committee held five meetings on 29 January, 25 March, 28 April, 26 August and 28 October 2021, respectively. At these meetings, the Audit Committee considered and approved 10 proposals, and heard 22 reports. The Audit Committee continued to oversee the Bank's internal control system, reviewed and approved the Bank's annual internal control assessment report, and heard reports on internal control audit results to improve the Group's compliant operation. It inspected and supervised the implementation of internal and external audits, considered and approved proposals on the internal audit plan and the amendment to the evaluation plan of annual performance of external auditors, heard reports on the implementation of internal audits and the summary of external audit to promote the formation of an effective communication mechanism between internal and external audits.

- Reviewing periodic reports

The Audit Committee periodically reviewed the financial reports of the Bank. It had reviewed and submitted to the Board of Directors to approve the annual report, interim report and quarterly reports of the Bank. It also organized and conducted an internal control assessment of the Group for 2020 and engaged external auditors to audit the assessment report of the Bank on internal control in accordance with the relevant regulatory requirements. Additionally, it enhanced communication with external auditors, attached importance to the supervision of external auditors and heard several reports of external auditors concerning audit results, and management proposals. The Audit Committee was also concerned with the compliant development of overseas institutions and heard related branches' reports on internal audit work.

During the preparation and audit of the 2021 financial statements, the Audit Committee discussed and agreed with the external auditors on matters such as audit schedule and progress arrangement, followed the status of external audit and conducted supervision over relevant work at appropriate time by means of hearing reports and holding informal discussions, and reviewed the unaudited and preliminarily audited annual financial statements respectively. The Audit Committee held a meeting on 29 March 2022, and considered that the 2021 financial statements truly, accurately and completely reflected the financial position of the Bank.

- Examining internal control system

The Audit Committee is responsible for constantly monitoring and examining the internal control system of the Bank, and examining the effectiveness of the system at least on an annual basis. The Audit Committee performed its function of examining the Bank's internal control system through reviewing the administrative rules and regulations and their implementation, and examined and assessed the compliance and effectiveness of major operating activities of the Bank.

The Board of Directors of the Bank is responsible for establishing, improving and effectively implementing internal control, assessing its effectiveness and truthfully disclosing internal control assessment reports according to the standard system for enterprise internal control. The objective of the internal control of the Bank is to reasonably assure the compliance of its operation and management with relevant laws, safety of its assets, as well as the authenticity and completeness of its financial reports and relevant information, in order to enhance operation efficiency and results, and to facilitate the realization of its development strategy. Due to inherent limitation of internal control, only reasonable assurance can be provided for the afore-mentioned objectives. The Board of Directors and the Audit Committee have reviewed and approved the 2021 Internal Control Assessment Report of the Bank. For details of the Bank's internal control, please refer to the section headed "Corporate Governance Report — Internal Control".

- Effectiveness of the internal audit function

The Bank has established a vertical and independent internal audit management system responsible and reporting to the Board of Directors. The Board of Directors regularly reviews the internal audit plan and hears internal audit reports on internal audit activities, audit supporting measures, internal audit team building, etc., thus effectively performing the function of risk management. The Audit Committee examines, monitors and assesses the internal audit work of the Bank, supervises the internal audit rules and their implementation, and makes assessment of audit procedures and results of the internal audit department. It is also responsible for urging the Bank to ensure adequate resources for the internal audit department and coordinating the communication between the internal audit department and external auditors. The internal audit department is accountable to and reports to the Board of Directors, is guided by the Board of Supervisors and is under the examination, supervision and assessment of the Audit Committee. For details of the internal audit, please refer to the section headed "Corporate Governance Report — Internal Audit".

Risk Management Committee	**Primary Responsibilities of the Risk Management Committee** The Risk Management Committee is primarily responsible for constantly overseeing the Bank's risk management system, reviewing and revising the strategy, policy and procedures of risk management and internal control process of the Bank, and supervising and evaluating the performance of Senior Management members and risk management departments in respect of risk management. **Performance of the Risk Management Committee** During the reporting period, the Risk Management Committee held four meetings on 25 March, 28 April, 26 August and 28 October 2021, respectively. At these meetings, the Risk Management Committee considered and approved 16 proposals, and heard five reports. The Risk Management Committee continuously supervised enterprise risk management. It considered and approved proposals on the 2020 and 2021 Interim Risk Management Report, the 2020 Report on Management of Interest Rate Risk in the Banking Book, the 2020 Report on the Risk Appetite Implementation and Assessment, the 2020 Compliance Risk Management Report of the Group and the 2020 Case Prevention Report and heard reports on technology risk management and the Group's anti-money laundering in 2020. It has become more foresighted in preventing and controlling financial risks and refining the risk management mechanism, in a bid to assist the Board of Directors in improving its risk management, prevention and control capabilities. • Examining the risk management system The Risk Management Committee is responsible for constantly monitoring and examining the risk management system of the Bank, and examining the effectiveness of the system at least on an annual basis. Under the enterprise risk management system structure of the Bank, the Risk Management Committee performed its function of examining the Bank's risk management system through reviewing and revising the risk strategy, risk management policy, risk appetite and the enterprise risk management structure, monitoring and evaluating the setup, mode of organization, work procedures and results of risk management departments, regularly assessing the risk policy, risk appetite and enterprise risk management status, supervising and assessing risk control activities conducted by the Senior Management members in terms of credit risk, market risk, operational risk, liquidity risk, compliance risk, reputational risk and interest rate risk in the banking book. For details of the risk management, please refer to the section headed "Discussion and Analysis — Risk Management".
Nomination Committee	**Primary Responsibilities of the Nomination Committee** The Nomination Committee is mainly responsible for making recommendations to the Board of Directors on candidates for Directors and Senior Management members, nominating candidates for chairmen and members of special committees of the Board of Directors, formulating the standards and procedures for selection and appointment of Directors and Senior Management members, and formulating the training and development plans for Senior Management members and key reserved talents. The Nomination Committee is also responsible for assessing the structure, size and composition of the Board of Directors on a yearly basis and making recommendations to the Board of Directors based on the Bank's development strategy. The Articles of Association of the Bank specifies methods and procedures to nominate Directors. Please refer to Article 118 of the Articles of Association. During the reporting period, the Bank appointed and renewed the appointments of Directors of the Bank in strict accordance with the Articles of Association of the Bank. The Nomination Committee reviews the qualifications of candidates for Directors based on whether the candidate complies with applicable laws, administrative rules, regulations and the Articles of Association of the Bank. The Bank attached importance to diversified sources and backgrounds of Directors and continued the efforts to enhance the professionalism of the Board of Directors, thus laying the foundation for the effective operation and scientific decision-making of the Board of Directors. According to the requirement on diversified composition of the Board of Directors in the Rules for Recommendation and Nomination of Board Candidates of the Bank, the Nomination Committee shall pay attention to the complementarity of the candidates in terms of expertise, professional competence and experience, cultural and educational background, gender, etc., to ensure the members of the Board of Directors are well equipped, experienced and have diversified perspectives and views. In order to implement the diversity policy, the Nomination Committee discusses and designs measurable goals according to actual conditions and assesses the improvement of diversified composition of the Board of Directors during the course of its yearly assessment on the framework, number of Directors and composition of the Board of Directors. As at the disclosure date of the results, there were five Independent Non-executive Directors, accounting for more than one third of the total members of the Board of Directors.

	Performance of the Nomination Committee During the reporting period, the Nomination Committee held seven meetings on 29 January, 25 February, 28 April, 8 July, 26 August, 24 September and 25 November 2021, respectively. Through the seven meetings, the Nomination Committee considered and approved 13 proposals including the proposals on the election of Mr. Liao Lin as Vice Chairman of the Bank, the nomination of Mr. Zheng Guoyu and Mr. Wang Jingwu as candidates for Executive Directors of the Bank, the nomination of Ms. Chen Yifang and Mr. Dong Yang as candidates for Directors of the Bank, and the appointment of Mr. Liao Lin as President of the Bank, Mr. Zheng Guoyu and Mr. Zhang Weiwu as Senior Executive Vice Presidents of the Bank, and Mr. Wang Jingwu concurrently as Chief Risk Officer of the Bank, and heard the report on the framework of the Board of Directors in 2020. The Nomination Committee prudently assessed the organizational structure of the Bank's Board of Directors and its special committees, promoted the change of directors in an orderly manner and continuously improved the composition of special committees of the Board of Directors.
Compensation Committee	**Primary Responsibilities of the Compensation Committee** The Compensation Committee is mainly responsible for formulating assessment measures on the performance of duties and compensation plans for Directors, organizing the assessment on the performance of duties of Directors, putting forth proposal on remuneration distribution for Directors, formulating and reviewing the assessment measures and compensation plans for Senior Management members of the Bank and evaluating the performance and behaviors of Senior Management members. **Performance of the Compensation Committee** During the reporting period, the Compensation Committee held two meetings on 25 March and 26 August 2021, respectively. At these meetings, the Compensation Committee considered and approved five proposals including the proposals on the payment of remuneration to Directors and Senior Management members for 2020, the Senior Management performance evaluation plan for 2021, the coverage of directors, supervisors and officers liability insurance for 2021–2022 and the Employment Plan of the Group for 2022, and heard the 2020 assessment report on the performance of duties of Directors by the Board of Directors. The Compensation Committee, in accordance with regulatory requirements, drafted the remuneration of directors, and improved the performance evaluation indicators and the incentive and constraint mechanism.
Related Party Transactions Control Committee	**Primary Responsibilities of the Related Party Transactions Control Committee** The Related Party Transactions Control Committee is mainly responsible for developing the basic policies governing the management of related party transactions, identifying the Bank's related parties, approving related party transactions and other related matters within the authority granted by the Board, receiving related party transaction statistics for filing purpose, reviewing the related party transactions that are subject to the approval of the Board of Directors or the Shareholders' General Meeting, and reporting to the Board of Directors on the implementation of the related party transaction management policies as well as the conditions on these transactions. **Performance of the Related Party Transactions Control Committee** During the reporting period, the Related Party Transactions Control Committee held four meetings on 25 March, 21 June, 26 August and 17 December 2021, respectively. At these meetings, the Related Party Transactions Control Committee considered and approved four proposals including the proposal on identification of related parties of the Bank, and heard two reports including the report on related party transactions in 2020 and the identification of related parties of the Bank in 2020. The Related Party Transactions Control Committee focused on reviewing the fairness and objectivity of related party transactions, urged the Bank to strengthen the management of related party transactions and inside transactions, and assisted the Board of Directors in ensuring the Bank's related party transactions are carried out in compliance with laws and regulations.
US Risk Committee	**Primary Responsibilities of the US Risk Committee** In accordance with the relevant requirements in the Enhanced Prudential Standards for Bank Holding Companies and Foreign Banking Organizations established by the Federal Reserve Board, the US Risk Committee supervised the implementation of the US business-related risk management framework and relevant policies. **Performance of the US Risk Committee** During the reporting period, the US Risk Committee held five meetings on 25 March, 21 June, 26 August, 28 October and 17 December 2021, respectively. At these meetings, the US Risk Committee considered and approved four proposals, and heard 12 reports. It attached importance to and strengthened the compliance management of overseas institutions, reviewed and approved the proposals including the risk management framework and the annual audit of risk appetite in the US, and the liquidity stress testing, funding contingency plans, key business lines and product liquidity risks in the US, heard the reports on the risk management and liquidity risk management in the US in 2020, and assisted the Board of Directors in urging the Management to well perform in compliance and risk prevention and control in international operation.

Term of Directors

In accordance with the Articles of Association of the Bank, Directors are elected by the Shareholders' General Meeting with a term of three years, and the appointment shall take effect from the date of approval by CBIRC or upon completion of relevant procedures according to the requirements of CBIRC. Directors may be re-appointed through re-election at the Shareholders' General Meeting after expiry of their term.

Responsibilities of Directors in Respect of Financial Statements

The Directors of the Bank acknowledged that they are responsible for the preparation of the financial statements of the Bank. During the reporting period, in strict compliance with relevant provisions, the Bank published the 2020 Annual Report, the First Quarterly Report of 2021, the 2021 Interim Report and the Third Quarterly Report of 2021 as scheduled.

Investigation and Training of Directors

During the reporting period, Directors of the Bank proactively conducted surveys on departments of the Bank, branches and subsidiaries concerning such topics as serving the new development paradigm, supporting rural revitalization, FinTech, green finance, wealth management, and pension finance. In the form of survey reports and briefs, such investigations provide the Bank with constructive suggestions and opinions.

During the reporting period, the Bank developed an overall training plan, increased training resources, and encouraged and actively organized the Directors to attend trainings in many ways, with the aim of assisting the Directors in continuing to improve their ability to perform their duties. Directors of the Bank attended relevant trainings according to work needs.

Subject matters of the trainings attended by the Directors of the Bank during the reporting period were mainly as follows:

External trainings	SSE: Follow-up training for independent directors of listed companies China Banking Association: Interpretation of Guidelines on Corporate Governance of Banking and Insurance Institutions and Measures for Evaluating the Performance of Directors and Supervisors of Banks and Insurance Institutions (Pilot) The Listed Companies Association of Beijing: "Compliance Operation", "Investor Protection" "Innovative Development", "Capital Operation"
Internal trainings	Anti-money Laundering Climate risk management and green finance Trainings on business of the Bank Introduction trainings for newly-appointed directors

Training of Board Secretary

During the reporting period, the Board Secretary of the Bank attended the relevant specialized trainings, with the training hours over 15 hours, which meets relevant regulatory requirements.

Independence and Performance of Duties of Independent Non-executive Directors

The qualifications, number and proportion of the Bank's Independent Non-executive Directors comply with regulatory requirements. The Bank's Independent Non-executive Directors do not have any business or financial interests in the Bank or its subsidiaries, and they have not assumed any managerial position in the Bank. The Bank has received the annual confirmation on independence from all Independent Non-executive Directors and considered that they were independent.

During the reporting period, Chairman Chen Siqing held discussions with the Bank's Independent Non-executive Directors, who provided suggestions with respect to the Bank's development strategies, business transformation and risk control, etc. The Bank's Independent Non-executive Directors earnestly attended the meetings of the Board of Directors and special committees, and during consideration of issues, gave independent opinions on improving the abilities of serving national strategies, focusing on risk control and compliance development, and speeding up FinTech innovation, etc. They also carried out active discussions or surveys on financial support for the real economy, climate risk management, green finance development, etc., exchanged ideas, and put forward comments and suggestions. The Bank paid close attention to the relevant comments and suggestions, and organized the implementation thereof according to the actual conditions.

During the reporting period, the Bank's Independent Non-executive Directors did not raise any objection on proposals of the Board of Directors and special committees of the Board of Directors.

For the details on performance of duties of Independent Non-executive Directors of the Bank during the reporting period, please refer to the Work Report of Independent Directors for 2021 issued by the Bank on 30 March 2022.

Independent Non-executive Directors' Special Explanation and Independent Opinions on External Guarantees of the Bank

In accordance with relevant provisions and requirements of CSRC, we, in the capacity of Independent Non-executive Directors of the Bank, reviewed external guarantees of the Bank on the principles of fairness, impartiality and objectivity, and hereby give our specific explanation and opinions as follows: upon review, external guarantees provided by the Bank mainly focus on issuance of letters of guarantee and standby letters of credit, which is part of the ordinary banking services within the business scope of the Bank as approved by relevant regulatory authorities. As at 31 December 2021, the balance of letters of guarantee and standby letters of credit issued by the Bank totaled RMB494,532 million.

The Bank has attached great importance to the management of risks arising from such business, formulated strict rules on the credit ratings of the entities to which the guarantee was provided and on the operation process and duration management of provision of guarantee services, and carried out relevant business on such basis.

Independent Non-executive Directors of Industrial and Commercial Bank of China Limited

Anthony Francis Neoh, Yang Siu Shun, Shen Si, Nout Wellink and Fred Zuliu Hu

Board of Supervisors

Responsibilities of the Board of Supervisors

As the supervisory organ of the Bank, the Board of Supervisors is accountable to, and shall report its work to, the Shareholders' General Meeting. The Board of Supervisors is responsible for, among others, supervising the performance and due diligence of Directors and Senior Management members; supervising the performance of duties by the Board of Directors and the Senior Management; conducting exit audits on Directors and Senior Management members when necessary; inspecting and supervising financial activities of the Bank; examining financial information such as financial report, business report and profit distribution plan to be submitted to the Shareholders' General Meeting by the Board of Directors; inspecting and supervising the business decision-making, risk management and internal control of the Bank and guiding the internal audit department of the Bank; formulating performance evaluation measures of the Board of Directors and the Senior Management and their members as well as supervisors; evaluating the performance of the Board of Directors and the Senior Management and their members as well as supervisors, and reporting to the Shareholders' General Meeting for approval; presenting proposals to the Shareholders' General Meeting; proposing to convene an extraordinary general meeting, and convening and presiding over the extraordinary general meeting in case the Board of Directors fails to perform its duty of convening Shareholders' General Meeting; proposing to convene an interim meeting of the Board of Directors.

Composition of the Board of Supervisors

As at the disclosure date of the results, the Board of Supervisors of the Bank consisted of six members, including two Shareholder Supervisors, namely Mr. Huang Liangbo and Mr. Zhang Wei; two Employee Supervisors, namely Mr. Huang Li and Mr. Wu Xiangjiang; and two External Supervisors, namely Mr. Shen Bingxi and Mr. Zhang Jie.

Meetings of the Board of Supervisors

During the reporting period, the Board of Supervisors held nine meetings, reviewed 20 proposals including the Report on the Work of the Board of Supervisors for 2020 and the Report on Performance Evaluation, heard nine reports on the business operation, development strategy planning, the Group's anti-money laundering and other contents, and reviewed 43 documents including the documents on the supervision in each quarter of 2021 and relevant survey reports of the Board of Supervisors.

Attendance of supervisors of the Bank in meetings during the reporting period is as follows:

Attendances in person/Number of meetings that should be attended

Supervisor	Shareholders' General Meeting	Board of Supervisors
Huang Liangbo	1/1	4/4
Zhang Wei	3/3	9/9
Huang Li	3/3	9/9
Wu Xiangjiang	3/3	9/9
Shen Bingxi	3/3	9/9
Zhang Jie	—	1/1
Supervisor Leaving Office		
Yang Guozhong	—	1/1
Qu Qiang	3/3	8/8

Note: For the change of supervisors, please refer to the section headed "Directors, Supervisors and Senior Management — Appointment and Removal".

Securities Transactions of Directors and Supervisors

The Bank has adopted a set of codes of conduct concerning the securities transactions by directors and supervisors which are no less stringent than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Hong Kong Listing Rules. After making enquiries to all Directors and Supervisors of the Bank, each Director and Supervisor confirmed that he/she has complied with the provisions of the afore-said codes of conduct during the reporting period.

Senior Management

Responsibilities of the Senior Management

As the executive organ of the Bank, the Senior Management is accountable to the Board of Directors. The Senior Management is responsible for, among others, the operation and management of the Bank; organizing the implementation of operation and investment plans approved by the Board of Directors; formulating specific rules and regulations of the Bank; determining plans for compensation distribution and performances evaluation of persons in charge of internal departments and branches of the Bank (except the internal audit department); truthfully reporting to the Board of Directors or the Board of Supervisors on the business performance; drafting the annual financial budget plan, final account plan, profit distribution plan and loss make-up plan, plans for increase or reduction of the registered capital, the issuance of bonds or other securities and listing, and making suggestions in that respect to the Board of Directors.

Powers and Functions of the Senior Management

The powers of the Board of Directors and the Senior Management are separated in strict compliance with the Articles of Association and other corporate governance documents of the Bank. During the reporting period, the Bank made an inspection on the implementation of the plan on authorization of the Board of Directors to the President, and no matter was found to be beyond the approval authority of the President.

Shareholders' Rights

Proposing the Convening of an Extraordinary General Meeting

An extraordinary general meeting should be convened within two (2) months from the date when shareholders holding more than ten percent (10%) of the voting shares of the Bank, either individually or jointly, request to convene in writing. Proposing shareholders shall have the right to request the Board of Directors in writing to convene an extraordinary general meeting. The Board of Directors shall make a written response as to whether or not it agrees to convene such a meeting within ten (10) days upon receipt of the request in accordance with laws, administrative regulations, rules and the Articles of Association of the Bank. Reasonable expenses incurred from the case where shareholders convene the meeting by themselves due to the failure of the Board of Directors to convene the meeting shall be borne by the Bank, and deducted from the payment to those negligent directors.

Submitting Interim Proposals for the Shareholders' General Meeting

Shareholders who hold more than three percent (3%) of shares of the Bank, either individually or jointly, may prepare an interim proposal and submit it in writing to the Board of Directors ten (10) days before the Shareholders' General Meetings convened. The Board of Directors shall issue a supplementary notice for the Shareholders' General Meeting within two (2) days upon receipt of the proposal and submit such proposal to the Shareholders' General Meeting for approval.

Putting Forward Suggestions and Reviewing Documents

Shareholders are entitled to supervise business operation of the Bank and put forward suggestions or inquiries accordingly. Shareholders are entitled to review the information of the Bank such as the Articles of Association, the register of shareholders, documents on status of share capital and minutes of Shareholders' General Meetings, etc.

Special Provisions on Rights of Preference Shareholders

In the following circumstances, preference shareholders of the Bank have the right to attend the Shareholders' General Meeting and exercise voting rights: (1) amendments to the Articles of Association which relate to preference shares; (2) the reduction of the registered capital of the Bank by more than 10% (either separately or in aggregate); (3) merger, division and dissolution or change of corporate form of the Bank; (4) issuance of preference shares; and (5) other events specified in the Articles of Association that will change or abrogate the rights of preference shareholders. If any of the above circumstances occurs, the notice of a Shareholders' General Meeting shall be given to preference shareholders in accordance with the notification procedures applicable to ordinary shareholders as specified in the Articles of Association.

In the event that the Bank failed to pay the agreed dividend to preference shareholders for three years in aggregate or for two consecutive years, from the next day following the date of approval of the proposal not paying the agreed dividend for the current year by the Shareholders' General Meeting, preference shareholders shall be entitled to attend and vote (together with ordinary shareholders) at the Shareholders' General Meeting. For preference shares the dividend of which is non-cumulative, the voting rights shall be temporarily restored until the full payment of the agreed dividend for the current year by the Bank.

Other Rights

Ordinary shareholders of the Bank have the right to collect dividends and other forms of benefits distributed on the basis of the number of shares held by them; preference shareholders shall be entitled to rights to dividends in priority to payment of dividends to ordinary shareholders. Shareholders have other rights conferred by laws, administrative regulations, rules and the Articles of Association of the Bank.

Inside Information Management

The Bank manages inside information and insiders in accordance with regulatory requirements of the exchanges on which the Bank is listed and the Bank's rules, and conducts the collection, delivery, sorting, preparation and disclosure of relevant information in compliance with applicable laws and regulations. During the reporting period, the Bank continued to strengthen inside information management, timely organized the completion of insider lists and regularly conducted insider transaction self-inspections. After self-inspections, none of the insiders of the Bank were found to be involved in dealings in shares of the Bank who have taken advantage of inside information during the reporting period.

Investor Relations

Effective Communication with Shareholders and Review of Investor Relations Activities

In 2021, with the consistent adherence to the investor-centered approach, the Bank strove to improve the quality of investor relations services and generate stable return to shareholders following the principle of serving investors in a comprehensive, proactive, precise, coordinated and efficient manner.

During the reporting period, the Bank proactively carried out frequent "online + offline" and "face-to-face + screen-to-screen" investor exchanges, and held annual and interim results releases through "on-site meetings + global teleconferencing + public opinion collection + livestreaming". The Bank made constant and extensive communication with institutional investors and minority investors through online and offline channels like press conferences in relation to periodic results announcements, reverse roadshows, domestic and overseas non-deal roadshows, investor hotline, investor relations mailbox, investor relations website and the online platform of sns.sseinfo.com. In this way, the Bank presented its operational quality, efficiency and strategic achievements to the capital market, actively responded to the concerns from investors and analysts, and strove to deliver the values of ICBC. Besides, it enhanced investors' comprehensive and objective understanding and cognition in economic development of China and high-quality development of the Bank and helped bring the market value in line with the long-term intrinsic value of the Bank. The Bank improved investor relations information collection and market information feedback mechanism, followed and analyzed spotlight issues of the capital market, and effectively enhanced the quality of communication with the investors. The Bank actively understood and solicited the comments and suggestions of the capital market on the Bank, and assisted the Management in making timely reaction with the help of many operation and communication strategies, so as to continuously strengthen the level of corporate governance and core values of the Bank.

In 2022, the Bank will further and proactively deepen the communication and exchange with investors to enhance investors' understanding and recognition of the Bank and continue to protect legitimate interests of the investors, and at the same time hope to receive more support from, and attention of the investors.

Investor Enquiries

If an investor wishes to enquire any questions related to operation performance of the Bank, please contact:

Telephone: 86-10-66108608

Facsimile: 86-10-66107571

E-mail: ir@icbc.com.cn

Address: Corporate Strategy and Investor Relations Department, Industrial and Commercial Bank of China Limited, 55 Fuxingmennei Avenue, Xicheng District, Beijing, China

Postal code: 100140

Internal Control

The Board of Directors is responsible for formulating the basic regulations for internal control and supervising the implementation of such regulations. The Audit Committee of the Board of Directors supervises the development of the internal control system and evaluates the compliance and effectiveness of the major operation and management activities of the Bank. The Bank has set up the Internal Audit Bureau and the Internal Audit Sub-bureau, which adopt a hierarchical management system and are responsible to and report to the Board of Directors. The Senior Management of the Bank is responsible for formulating systematic policies, procedures and methods, as well as taking risk control measures. Under the Senior Management, the Operational Risk and Internal Control Management Committee subordinated to the Risk Management Committee, performs the responsibilities related to internal control and evaluates the sufficiency and effectiveness of internal control. The Head Office and branches have internal control and compliance departments which are responsible for the organization, promotion and coordination of internal control.

During the reporting period, the Bank continued to optimize its internal control mechanism for higher quality and efficiency of the Group. The Bank formulated and implemented the 2021–2023 Development Plan for Internal Control System and continuously refined the internal control environment. The Bank improved the "9+X" risk assessment technologies and methods, focused on case and compliance risk control, and enhanced prospective risk identification and response capabilities. The Bank optimized the system governance mechanism and authorization management, strengthened the management on key positions and personnel, and improved the process and system management for key areas and business links, thus developing better capacities in the process control of risk. The Bank advanced the development of data assets, and boosted the collection, processing and analysis of information, ensuring smooth and effective internal and external communication. The Bank deeply coordinated supervision and inspection, optimized the internal control evaluation system, and strengthened the dual closed-loop remediation of problems, making all-round efforts to implement the new accountability mechanism for violations, and enhancing the synergistic supervision of the "three lines of defense", in an endeavor to ensure stable operations.

Internal Control Assessment Report and Internal Control Audit

While disclosing the annual report, the Bank also disclosed the 2021 Internal Control Assessment Report of Industrial and Commercial Bank of China Limited in accordance with the requirements of MOF, CSRC and SSE. The report stated that the Bank had maintained effective internal control over financial reporting in all material aspects in accordance with the standard system for enterprise internal control and relevant rules as at 31 December 2021 (benchmark date). Deloitte Touche Tohmatsu Certified Public Accountants LLP has audited the effectiveness of the Bank's internal control over financial reporting as at 31 December 2021 and issued the standardized audit report on internal control. For details, please refer to the announcements published by the Bank on the website of SSE, the "HKEXnews" website of HKEX and the website of the Bank.

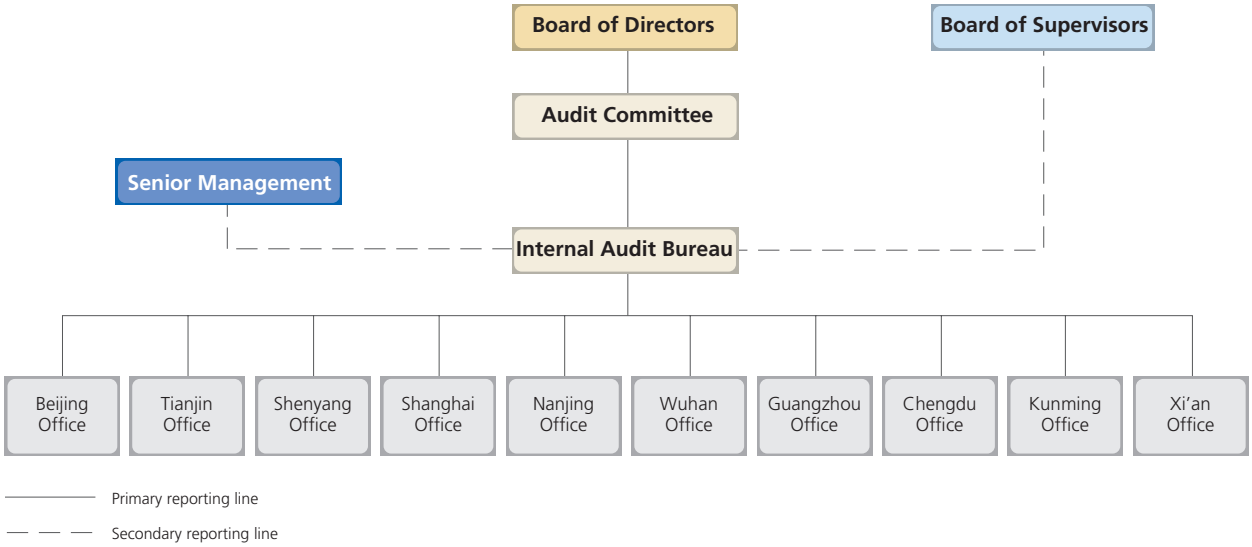
Internal Control Evaluation and Defects

The Board of Directors of the Bank conducted an assessment on the effectiveness of the Group's internal control during the reporting period in accordance with the Basic Standard for Enterprise Internal Control and its supporting guidelines issued by five ministries and commissions including MOF, and relevant regulatory requirements of SSE and CBIRC. No significant or material deficiencies were detected in the Bank's internal control system during the assessment. Risks that may arise from ordinary deficiencies are controllable and corrective actions have been or are being taken, which have no material impact on the fulfillment of internal control objectives of the Bank. The Bank had maintained effective internal control in all material aspects in accordance with the standard system for enterprise internal control and relevant rules.

There was no factor that affected the assessment conclusion of internal control effectiveness from the benchmark date to the issuance date of the internal control assessment report.

Internal Audit

The Bank established a vertical and independent internal audit management system responsible and reporting to the Board of Directors. The chart below illustrates the internal audit management and reporting framework of the Bank:



During the reporting period, the Bank acted on the regulatory requirements on the industry, implemented risk-oriented audit activities and fully accomplished the annual audit plan according to the development strategies and central tasks of the Bank. The audit activities covered domestic and overseas key institutions of the Group, major areas, key processes and the main responsible persons of domestic and overseas institutions. The audit activities focused on the Bank's performance in supporting national policies, meeting regulatory requirements, strengthening risk prevention and control, promoting strategy implementation and other aspects, covering such key areas as financial benefit, credit business, emerging business, FinTech, operation management, capital management and internal control. The Bank also paid close heed to and made full use of audit findings and recommendations, with the aim of continuously improving risk management, internal control and corporate governance.

During the reporting period, internal audit of the Bank actively adapted to the changes in the risk management conditions, properly responded to the COVID-19 pandemic, refined the audit management mechanism, optimized the audit mode, accelerated digital transformation, promoted the deep integration between technologies and businesses, improved audit efficiency and value, strengthened the audit team's ability to perform duties, and constantly enhanced the audit service capacity and professionalism.

Engagement of Auditors

Deloitte Touche Tohmatsu Certified Public Accountants LLP[1] was the domestic auditors of the Bank for the financial statements audit in 2021, and Deloitte Touche Tohmatsu[1] was the international auditors of the Bank for the financial statements audit in 2021. Deloitte Touche Tohmatsu Certified Public Accountants LLP was also the auditors of internal control of the Bank in 2021. KPMG Huazhen LLP[1] and KPMG[1] resigned from the positions of providers of audit services for the Bank after serving a maximum term of eight consecutive years from 2013 to 2020.

1 Deloitte Touche Tohmatsu Certified Public Accountants LLP and KPMG Huazhen LLP are Recognized Public Interest Entity Auditor under Hong Kong's Financial Reporting Council Ordinance. Deloitte Touche Tohmatsu and KPMG are Registered Public Interest Entity Auditor under Hong Kong's Financial Reporting Council Ordinance.

During the reporting period, the Group paid Deloitte Touche Tohmatsu and its member institutions a total fee of RMB176 million for the audit of financial statements (including the audit of financial statements of subsidiaries and overseas branches). Of which, RMB104 million (including fee for internal control audit of RMB8.80 million) was paid by the Bank.

During the reporting period, Deloitte Touche Tohmatsu and its member institutions provided the Group with non-audit services including professional services for asset securitization and bonds issuance etc., and received RMB7 million for such professional non-audit services.

Management on Subsidiaries

For the information of management and control on subsidiaries, please refer to "Discussion and Analysis — Business Overview — Diversified Operation and Subsidiary Management, Major Controlled Subsidiaries and Equity Participating Company".

Remediation of Problems in the Self-inspection amid the Governance Improvement Campaign of Listed Companies

During the reporting period, in accordance with the relevant notices of CSRC, the Bank conducted a self-inspection amid the governance improvement campaign of listed companies. The self-inspection results showed that, from 2018 to 2020, the Bank had complete internal rules and regulations for corporate governance, sound organizational structure, standardized operation procedures, smooth mechanism for the communication with investors, and stable cash dividend ratio.

Principal Business

The principal business of the Bank and its subsidiaries is the provision of banking and related financial services. Please refer to the section headed "Discussion and Analysis" for the business review of the Bank.

Profits and Dividends Distribution

The profit and financial status of the Bank during the reporting period are presented in the Auditor's Report and Financial Statements of the Annual Report.

As approved at the Annual General Meeting for the Year 2020 held on 21 June 2021, the Bank has distributed cash dividends of about RMB94,804 million, or RMB2.660 per ten shares (pre-tax) for the period from 1 January 2020 to 31 December 2020 to the ordinary shareholders whose names appeared on the share register after the close of market on 5 July 2021.

The Board of Directors of the Bank proposed distributing cash dividends of RMB2.933 (pre-tax) for each ten shares of 356,406,257,089 ordinary shares for 2021, totaling about RMB104,534 million. The distribution plan will be submitted for approval to the Annual General Meeting for the Year 2021. Once approved, the above-mentioned dividends will be paid to the holders of A shares and H shares whose names appeared on the share register of the Bank after the close of market on 11 July 2022. The Bank will suspend the registration procedures of H share ownership transfer on 6 July 2022 (inclusive) through 11 July 2022 (inclusive). The holders of H shares of the Bank that desire to receive the proposed cash dividends but have not registered the ownership transfer documents are requested to hand over their ownership transfer documents together with the H shares to the Bank's H share registrar — Computershare Hong Kong Investor Services Limited that is located at Room 1712–1716, 17 Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. of 5 July 2022. Pursuant to relevant regulatory requirements and operational rules, dividends on A shares and H shares will be paid on 12 July 2022 and 27 July 2022, respectively.

For dividend-related tax and tax reduction, please refer to the announcements on dividend distribution of the Bank.

The Bank did not convert any capital reserve to share capital in the last three years. The table below sets out the dividend distribution of ordinary shares of the Bank for the last three years:

Item	2021	2020	2019
Dividend per ten shares (pre-tax, in RMB yuan)	2.933	2.660	2.628
Cash dividends (pre-tax, in RMB millions)	104,534	94,804	93,664
Percentage of cash dividends[1] (%)	30.9	30.9	30.4

Note: (1) Calculated by dividing cash dividends on ordinary shares (pre-tax) by net profit attributable to ordinary shareholders of the parent company for the period.

For details on the distribution of dividends on preference shares of the Bank, please refer to the section headed "Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Preference Shares".

Formulation and Implementation of Cash Dividend Policy

The Articles of Association of the Bank explicitly stipulates that the Bank's profit distribution policy shall maintain its continuity and stability and meanwhile have regard to the long-term interest of the Bank, the overall interests of all shareholders and the sustainable development of the Bank. It emphasizes the priority to adopt cash dividend as the profit distribution method and provides that the Bank's adjustment to the profit distribution policy shall be discussed by the Board of Directors as a special proposal and the grounds for adjustment shall be substantiated and proved in detail and presented in a written substantiating report for Independent Non-executive Directors to issue their opinions, and then the report will be submitted to the Shareholders' General Meeting for approval as a special resolution.

The formulation and implementation of the Bank's cash dividend policy accords with the provisions stipulated in the Articles of Association and the requirements provided in the resolutions of the Shareholders' General Meeting, the dividend distribution standards and proportion are clear and explicit, and the decision-making procedure and mechanism are complete. Moreover, Independent Non-executive Directors had issued their opinions for it. Minority shareholders can fully express their opinions and appeals, to completely safeguard their legitimate rights.

Distributable Reserves Details of the distributable reserves of the Bank as at 31 December 2021 are set out in "Note 39. to the Consolidated Financial Statements: Reserves" of this annual report.

Financial Summary The summary of results, assets and liabilities for the five years ended 31 December 2021 is set out in the section headed "Financial Highlights" of this annual report.

Donations During the reporting period, the Group made external donations of RMB114.81 million equivalent.

Subsidiaries Particulars of the Bank's major subsidiaries as at 31 December 2021 are set out in the sections headed "Discussion and Analysis — Business Overview" and "Note 25. to the Consolidated Financial Statements: Investments in Subsidiaries" in this annual report.

Share Capital and Public Float

Changes in the share capital of the Bank for the year ended 31 December 2021 are set out in "Note 37. to the Consolidated Financial Statements: Share Capital".

As at the latest practicable date before the disclosure date of the results, the Bank has maintained the minimum public float of 23.45%, based on the publicly available information and to the best knowledge of the Board of Directors of the Bank.

Purchase, Sale and Redemption of Shares During the reporting period, except the redemption of offshore EUR preference shares, neither the Bank nor any of its subsidiaries purchased, sold or redeemed any listed shares of the Bank. For details on the redemption of offshore EUR preference shares, please refer to the section headed "Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Preference Shares".

Pre-emptive Rights The Articles of Association of the Bank does not have any mandatory provision regarding pre-emptive rights. Pursuant to the Articles of Association, the Bank may increase its registered capital after obtaining approval of the Shareholders' General Meeting and of relevant authorities, by issuing shares through public or non-public offering, issuing bonus shares to the existing shareholders, converting capital reserve to share capital or using other methods as allowed by applicable laws and administrative regulations or approved by relevant authorities.

Major Customers In 2021, the aggregate interest income and other operating income from top five customers of the Bank did not exceed 30% of the interest income and other operating income of the Bank for the year.

Use of Proceeds from Fundraising Activities

The funds raised from the Bank's fundraising activities were used for the purposes as disclosed in the prospectuses, namely, strengthening the capital base to support the ongoing business growth of the Bank.

For future planning disclosed in the public disclosure documents such as previous offering prospectuses and fund raising prospectuses issued by the Bank which has continued during the reporting period, its implementation progress conformed to the planning as described after verification and analysis.

Equity-linked Agreement The Bank had no equity-linked agreements required to be disclosed by the Hong Kong Listing Rules.

Management Contracts During the reporting period, the Bank did not enter into or have any contract regarding the management and administration of the whole or any important business.

Directors' and Supervisors' Interests in Transactions, Agreements or Contracts of Significance During the reporting period, none of the Directors or Supervisors of the Bank had any material interests, whether directly or indirectly, in any transaction, arrangement or contract of significance regarding the Bank's business to which the Bank, its subsidiaries, its controlling shareholders or subsidiaries of its controlling shareholders was a party. None of the Directors or Supervisors of the Bank have entered into any service contract with the Bank, which is not determinable by the Bank within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Competing Business None of the Bank's Directors held any interests in any business competes or competed or is or was likely to compete, either directly or indirectly, with the Bank.

Directors' and Supervisors' Rights to Acquire Shares or Debentures None of the Bank, its subsidiaries, its controlling shareholders or subsidiaries of its controlling shareholders entered into any agreement or arrangement enabling the Directors and Supervisors to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

Interests in Shares, Underlying Shares, and Debentures Held by Directors and Supervisors As at 31 December 2021, none of the Directors or Supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance of Hong Kong) which have to be notified to the Bank and SEHK under Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance of Hong Kong (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the Securities and Futures Ordinance of Hong Kong), or any interests or short positions which have to be recorded in the register under Section 352 of the Securities and Futures Ordinance of Hong Kong, or any interests or short positions which have to be notified to the Bank and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules.

Connected Transactions

In 2021, the Bank carried out standardized management of the Group's connected transactions in strict accordance with the regulations of CBIRC and CSRC as well as listing rules in Shanghai and Hong Kong, and had no connected transaction to be submitted to the Board of Directors or the Shareholders' General Meeting for review. All connected transactions occurred complied with the disclosure exemptions under the Listing Rules of the Shanghai Stock Exchange and the Hong Kong Listing Rules. The disclosure exemptions abided by the provisions of SSE for disclosure of connected transactions as well as the provisions of SEHK for reporting and announcement of connected transactions.

During the reporting period, the Bank's connected transactions under the rules of CBIRC mainly included inter-bank lending, bond repurchase, bond investment, loans, deposits and financial market derivative transactions etc., with a total amount of RMB1,430,056 million accumulatively.

Please refer to "Note 47. to the Consolidated Financial Statements: Related Party Disclosures" for details of the related party transactions defined under the laws, regulations and accounting standards of China.

Participation in Investing in National Financing Guarantee Fund Co., Ltd. In July 2018, the Bank signed the Promoter's Agreement of the National Financing Guarantee Fund Co., Ltd. In October 2018, upon the approval of CBIRC, the Bank planned to contribute RMB3.0 billion to National Financing Guarantee Fund Co., Ltd., which shall be paid by instalments. In May 2021, the Bank completed the entire contribution. For details on the investment, please refer to the announcements published by the Bank on the website of SSE, the "HKEXnews" website of HKEX and the website of the Bank.

Participation in Investing in National Green Development Fund Co, Ltd. In July 2020, the Bank signed the Promoter's Agreement of the National Green Development Fund Co, Ltd. In April 2021, upon the approval of CBIRC, the Bank planned to contribute RMB8.0 billion to National Green Development Fund Co, Ltd., which shall be paid by instalments. In May 2021, the Bank completed the first contribution of RMB0.8 billion. For details on the investment, please refer to the announcements published by the Bank on the website of SSE, the "HKEXnews" website of HKEX and the website of the Bank.

Liability Insurance of Directors, Supervisors and Senior Management Members Pursuant to the Articles of Association of the Bank, where conditions permit, the Bank may establish the professional liability insurance system of Directors, Supervisors and Senior Management members upon approval of the Shareholders' General Meeting. The Bank will use its own assets to compensate each Director, Supervisor and Senior Management member for any liability arising during their performance period to the maximum extent permitted by laws and administrative regulations or within the scope not prohibited by laws and administrative regulations, unless the Directors, Supervisors and Senior Management members are otherwise proved to have failed to act honestly or in good faith during their duty performance. During the reporting period, the Bank purchased liability insurance for Directors, Supervisors and Senior Management members.

Relations among Directors, Supervisors and Senior Management Directors, Supervisors and Senior Management members of the Bank are not related to one another with respect to finance, business, family, or other material relationships which are required to be disclosed.

Remuneration Policy for Directors, Supervisors and Senior Management The Bank has clearly documented the remuneration policy for Directors, Supervisors and Senior Management members, and has continuously improved its performance assessment system and incentive restriction mechanism. From the perspectives of economic benefit, prevention and control of financial risks and support for the real economy and social responsibilities, the Bank adopted a system composed of the Bank's overall operation and management based indicators for the Management and duties allocation based indicators for individuals. The remuneration to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors and other executives of the Bank has followed the State's policies relating to the remuneration reform on executives of central enterprises, which consists of basic annual remuneration, performance-based remuneration and incentive income linked to term appraisal. The remuneration to other Senior Management members and Shareholder Supervisors consists of basic annual remuneration and performance-based remuneration, and part of performance-based remuneration is paid in a deferred manner. The Bank has contributed to statutory retirement programs organized by Chinese governmental organizations at different levels for Directors, Supervisors and Senior Management members concurrently as the employees of the Bank. Upon obtaining all applicable approvals, the Bank will implement a long-term incentive program. As at 31 December 2021, the Bank had not granted any share appreciation rights to any Director, Supervisor, Senior Management member, or other core business personnel designated by the Board of Directors.

Members of the Board of Directors

As at the disclosure date of the results, the composition of the Board of Directors of the Bank is as follows:

Executive Directors: Mr. Chen Siqing, Mr. Liao Lin, Mr. Zheng Guoyu and Mr. Wang Jingwu;

Non-executive Directors: Mr. Lu Yongzhen, Mr. Feng Weidong, Ms. Cao Liqun, Ms. Chen Yifang and Mr. Dong Yang;

Independent Non-executive Directors: Mr. Anthony Francis Neoh, Mr. Yang Siu Shun, Mr. Shen Si, Mr. Nout Wellink and Mr. Fred Zuliu Hu.

Industrial and Commercial Bank of China Limited
Board of Directors

Work of the Board of Supervisors

During the reporting period, the Board of Supervisors, pursuant to relevant laws and regulations, regulatory requirements and the Articles of Association, performed supervision duties earnestly. Relying on a variety of methods such as onsite surveying and offsite monitoring, it carried out supervision of duty performance and due diligence, financial activities, risk management and internal control, etc. in a down-to-earth way. With its important role in corporate governance exploited adequately, it promoted the legal, compliant operation and development across the Bank.

Performance of the Board of Supervisors. In 2021, the Board of Supervisors held nine meetings, considered 20 proposals including proposals on the 2020 work report of the Board of Supervisors and assessment report on the duty performance, heard nine reports on the topics including the operation, development strategy planning and the Group's AML work, and reviewed 43 reports including reports on the quarterly supervision and relevant surveys of the Board of Supervisors in 2021. It issued opinions in an objective and fair manner and appropriately exercised voting rights. The members of the Board of Supervisors diligently and faithfully fulfilled their duties, attended three Shareholders' General Meetings, and attended nine meetings of the Board of Directors and 36 meetings of special committees as non-voting attendees. They input adequate time and effort in supervisory inspections, attached equal importance to theoretical learning and experience summary from practice, with an aim to further build up their duty performance ability. External supervisors of the Bank worked for more than 15 working days in the Bank, complying with the relevant requirements.

Supervision on the performance of duties. The Board of Supervisors supervised the Board of Directors, Senior Management and their members on their compliance with the laws and regulations, the Articles of Association of the Bank, and the implementation of the resolutions of the Shareholders' General Meeting and the Board of Directors and the regulatory opinions. It paid close attention to how the Board of Directors and the Senior Management implemented the economic and financial policies of the state and regulatory requirements, served the implementation of major national strategies, responded to the COVID-19 pandemic, supported the real economy, promoted the key tasks of "ensuring stability on six key fronts" and "maintaining security in six key areas", facilitated the inclusive finance and green finance development, prevented and defused financial risks, and handled information disclosure. It ensured the Bank could well-perform the political, social and economic responsibilities as a large state-owned bank.

Financial supervision. The Board of Supervisors supervised the Bank's financial activities as well as decisions on and implementation of material financial issues. It paid close attention to the major accounting issues, expected credit loss, financial approval issues, and relevant accounting items of the Bank, kept alert to the impact of domestic and overseas pandemic situations on the Bank's business operation, and conducted in-depth analysis on the major factors affecting the Group's profitability. It carefully reviewed periodic reports, final accounts and profit distribution plan, learned about and kept watchful eye on the external audit work, and oversaw and evaluated the quality of external audit. It focused on the allocation of financial resources and the operation of financial management mechanism to intensify supervision constantly.

Risk supervision. The Board of Supervisors supervised the effectiveness and soundness of the risk management system and mechanism. It paid close attention to the risk management strategies, the formulation and transmission of risk appetite, and improvement and implementation of risk management policies and procedures. It supervised capital management, consolidated management, stress testing management and regulatory indicators, and tracked changes in major risks such as credit risk, market risk and liquidity risk. It concerned about the impact of continued spreading of pandemic on the domestic economy and finance as well as relevant risk prevention and control measures taken by the Bank, and strengthened the supervision of key regions, key institutions and key businesses, to analyze and expose the potential risks and hazards as early as possible.

Supervision on internal control. The Board of Supervisors supervised the effectiveness of the internal control system, the performance of internal control duties and the business compliance with laws and regulations. It paid close attention to the operation of internal control mechanism, policy system building, implementation of regulatory opinions, remediation of inspection findings, management of material risk events and accountability for operating losses, among other aspects. The Board of Supervisors effectively supervised key institutions and business areas, paid continuous attention to internal control in case prevention management, AML, information

technology and other aspects, and gave full play to the supervision efficiency to effectively improve the Group's internal control compliance management.

Independent Opinions of the Board of Supervisors on Relevant Issues

Compliant Operation During the reporting period, the Board of Directors and the Senior Management of the Bank continued to operate in compliance with applicable laws and regulations, and the decision-making procedures complied with applicable laws and regulations and the Articles of Association of the Bank. Members of the Board of Directors and the Senior Management diligently and faithfully performed their duties, and the Board of Supervisors did not find any violation of laws and regulations, or any circumstance that contravened the interests of the Bank in their performance of duties during the reporting period.

Preparation of Annual Report Preparation and review procedures of the Bank's Annual Report were in compliance with laws, regulations and regulatory rules. Contents of this report reflected the actual conditions of the Bank truly, accurately and completely.

Use of Proceeds from Fundraising Activities During the reporting period, the use of proceeds from the Bank's fundraising activities was consistent with the purpose stated in the prospectuses.

Purchase and Sale of Assets During the reporting period, the Board of Supervisors did not find any insider trading or any circumstance that contravened the shareholders' interests or caused the loss of the Bank's assets in the process of the Bank's purchase or sale of assets.

Connected Transactions During the reporting period, the connected transactions of the Bank were conducted on normal commercial terms. The Board of Supervisors did not find any circumstance that infringed upon the interests of the Bank. The approval, voting, disclosure and implementation of connected transactions complied with applicable laws and regulations and the Articles of Association of the Bank.

Implementation of Resolutions Passed at the Shareholders' General Meeting During the reporting period, the Board of Supervisors had no objection to the reports or proposals presented by the Board of Directors to the Shareholders' General Meeting for consideration. The Board of Directors earnestly implemented the resolutions approved at the Shareholders' General Meetings.

Review of the Internal Control Assessment Report The Board of Supervisors reviewed the 2021 Internal Control Assessment Report of the Bank and had no objection to the report.

Implementation of Information Disclosure Rules During the reporting period, the Bank performed its duty of information disclosure in compliance with the regulatory requirements, implemented the information disclosure management rules in earnest, and disclosed information in a timely and fair manner. Information disclosed was authentic, accurate and complete.

Save as disclosed above, the Board of Supervisors had no objection to any other matters during the reporting period.

Fulfillment of Environmental and Corporate Social Responsibilities

During the reporting period, being fully committed to the strategic plan of carbon peak and carbon neutrality, the Bank established and improved the green financial development system, issued the Work Plan of Industrial and Commercial Bank of China Limited for Carbon Peak and Carbon Neutrality (Trial), and set up the Steering Group for Carbon Peak and Carbon Neutrality to carry out the systematic planning and overall deployment of the Bank's carbon neutrality efforts. Leveraging on the investment and financing toolkit of "loan, bond, stock, agency, lease and consultant", the Bank promoted investment and financing restructuring across all regions, increased financial support for green technology, and made every effort to drive innovation in financial products and services. Progress was made in approaching the national carbon emissions trading market by offering it comprehensive financial services. ICBC Credit Suisse, one of the Bank's subsidiaries, launched an ESG-themed ETF that was the first one of the kind approved in the industry, and ICBC Wealth Management released the first ESG-themed net worth-based wealth management product in the industry. The Bank actively supported the innovation-driven development of the national pilot zone for green finance reform and innovation, and further strengthened the environmental and social risk prevention and control. It also launched the "ICBC ESG" column on its official website, through which the 2021 interim ESG special report was released for the first time globally. Moreover, further progress was made in exchange, cooperation and prospective studies on green finance.

Green Finance

The Bank continuously refined the green finance policy system, intensified the implementation of green finance planning, and strengthened the policy guidance of differentiated investment and financing to positively advance the green adjustment of investment and financing structure. As part of its efforts to intensify the management of environment (climate) and social risks, the Bank fully implemented the green-classified management of investment and financing business, actively advanced systematic control over environment (climate) and social risks of investment and financing, and took the initiative to conduct the climate risks studies. As at the end of 2021, the Bank recorded a balance of RMB2,480,621 million of domestic loans granted to such green fields as energy saving and environmental protection, clean production, clean energy, ecological environment, green upgrade of infrastructures and green services, representing an increase of RMB634,902 million over the end of the previous year. In 2021, green projects supported by the Bank's green loans converted into savings of 47,381.3 thousand tons of standard coal, a reduction of 98,846.9 thousand tons in carbon dioxide emissions.

The Bank was actively engaged in the issuance, underwriting and investment of green bonds, and provided green financial support for the key areas of ecological civilization development, such as ecological protection and clean energy. In 2021, it completed the issuance of 67 green bonds of various categories as lead underwriter, and assisted other issuers in raising funds of RMB140,130 million with a lead underwriting scale of RMB63,637 million, including 24 carbon-neutral bonds with a lead underwriting scale of RMB24,909 million which ranked No.1 in the market. In 2021, the total amount of offshore green bonds issued by the Bank reached USD13.06 billion, with 11 international awards received by the Bank.

The Bank made sustained efforts to scale up lending to new energy, resource recycling, advanced manufacturing and other areas of transformation and upgrading, with a focus on providing financing support to small and micro enterprises in green and low-carbon industries. Taking into account the new types of financing needs arising from the low-carbon transformation of small and micro enterprise customers, the Bank actively developed supporting products to promote innovation of small and micro financing products. It remained committed to the development approach of "digital inclusive finance", accelerated the digital transformation of traditional credit products for small and micro enterprises, and progressively guided and promoted the digital and low-carbon transformation of production and operation of micro and small enterprises. By actively taking advantage of innovative financial instruments such as digital credit note, it worked to increase the supply of funds and support for small and micro enterprises in green industry chains such as clean energy, pollution control and resource recycling.

Green Office

The Bank made steady progress in promoting carbon footprint management. It established an information statistics and analysis system for carbon footprint

management in its operation, made use of information technology to collect, analyze and summarize historical carbon emission data, and provided strong support for continuous digital carbon emission management. On the basis of the pilot carbon emission inventory conducted by the Head Office, Beijing Branch and Hunan Branch, the Bank launched the relevant work to find out the real carbon emissions data in the past five years. According to the total amount and structure of carbon emissions in the past, the Bank studied and developed the implementation roadmap for carbon neutrality in its operation as well as the energy saving and emission reduction pathway, and gradually advanced the carbon neutrality in its operation.

Remarkable results were achieved in green office. The Bank implemented independent and controllable localization of office platform, optimized the system functions of official document processing and business trip reimbursement, integrated and upgraded mobile office functions, with the daily active users of mobile office increasing by more than 50% year-on-year.

International Exchange and Cooperation

The Bank conducted in-depth researches on topics such as low-carbon transformation of commercial banks, financial support for carbon market development, and business promotion of pilot zones for green finance reform and innovation, explored quantitative assessment methods for corporate green development, and established an assessment mechanism of green finance development under the framework of Paris Agreement. It also updated and published the 2021 edition of the Belt and Road Green Finance (Investment) Indexes Report, launched China's first industry standard for environmental information disclosure by financial institutions, and developed the CERAT online instrument for environmental risk analysis to help enterprises and financial institutions quantify the environmental risks of overseas projects. It actively participated in the global financial governance of the Task Force on Climate-Related Financial Disclosures, and spared no efforts to push forward climate change response and "dual carbon" work through international platforms such as United Nations Environment Programme Finance Initiative (UNEP FI), Global Investors for Sustainable Development Alliance (GISD), Green Investment Principles (GIP) for the Belt and Road, and the Belt and Road Inter-bank Regular Cooperation Mechanism (BRBR).

For details of the Bank's fulfillment of corporate social responsibilities, please refer to the 2021 Corporate Social Responsibility (ESG) Report of Industrial and Commercial Bank of China Limited published by the Bank on the website of SSE, the "HKEXnews" website of HKEX and the website of the Bank.

Scan for access to the 2021 Corporate Social Responsibility (ESG) Report of Industrial and Commercial Bank of China Limited

Consolidation of Achievements in Poverty Alleviation and Services for Rural Revitalization

The Bank fully implemented the national strategic plans for rural revitalization, and resolutely followed the regulatory requirements of financial services for rural revitalization. To "address the country's needs, give full play to finance and tap into ICBC strengths", the Bank put in place the urban-rural collaborative development strategy and made all-round efforts to consolidate and expand the achievements made in poverty alleviation in coordination with the extensive drive for rural vitalization.

The urban-rural collaborative development strategy was put in place. The Bank established the "Steering Group for Financial Services for Rural Revitalization" headed by the chairman of the Bank and the "Committee for Promoting Financial Services for Rural Revitalization" with the president of the Bank serving as the director. Leveraging the advantages in urban finance, technological development and integrated services, the Bank formulated and implemented the urban-rural collaborative development strategy, released the Action Plan for Financial Support to Rural Revitalization, and introduced 15 action measures. It also launched a uniform brand of financial services for rural revitalization — "ICBC Xingnongtong" to strengthen the urban-rural collaborative financial services to rural areas featuring urban areas helping rural areas and urban-rural complementarity and boost the comprehensive extension of industrial chain, supply chain and capital chain from urban to rural areas.

A rural financial service system was built and relevant systems and mechanisms were further refined. The Bank established a specialized institution of Rural Vitalization Office which was designed to coordinate financial services for rural revitalization, and set up the specialized line of financial services for rural revitalization. With all these efforts, the Bank was committed to building an all-round rural financial service system covering agriculture, rural areas and farmers, offering rural customer groups with meticulous, warm and convenient customer experience, and delivering readily available, intelligent and wholehearted financial services to boost prosperity in rural areas, rural industries and livelihood of rural residents.

Achievements made in poverty alleviation were consolidated and expanded. The Bank continued to provide all kinds of support for poverty alleviation with financial services, optimized micro loan products for poverty alleviation, and strongly supported the financing needs of key counties for national rural revitalization assistance. Furthermore, the Bank launched the specialized rural revitalization recruitment of "ICBC Stars · Supporting Rural Residents and Enabling Dreams", targeting at college students from families that have shaken off poverty, people involved in "three supports and one assistance" and other key targeted groups and areas of national poverty alleviation efforts as well as groups providing support for agriculture, rural areas and farmers.

Targeted assistance for poverty alleviation was continuously improved to help the targeted regions realize rural revitalization. The Bank formulated and released the Work Plan on Targeted Poverty Alleviation for 2021, established a "Three-to-One" paired assistance mechanism, and organized 12 branches to pair up with targeted assistance counties to help attract investment and high-caliber professionals. It insisted on promoting poverty assistance through healthcare and education, business development, and consumption growth, in a way to help the invigoration of high-caliber talents.

Service was further delivered in lower-tier market. The Bank developed an online-offline integrated rural services delivery system highlighting online, streamlined and efficient operation. In terms of offline channels, relying on rural service sites for inclusive finance, it built a light-asset and flexible ICBC messenger operation and service model to effectively fill the gap of rural financial services. In terms of online channels, the Bank built a comprehensive service platform — ICBC "Xingnongtong" APP, effectively realizing the service downward penetration of "one-point access, borderless rural revitalization".

Innovation was made in rural revitalization product. Nearly 100 credit and non-credit products and services were launched to form a product and service system with ICBC characteristics, covering rural industry, rural development, inclusive finance, farmer services, GBC interaction and technology empowerment. It made breakthrough in launching an online agriculture-related inclusive loan product, i.e., "ICBC Prosperous Agriculture Loan", and cooperated with the Ministry of Agriculture and Rural Affairs to carry out various activities such as the "agricultural matchmaking" activity and the "serving thousands of villages and accompanying ten thousands of households" campaign. It also launched a series of training for rural customers on "practical skills for poverty alleviation of Jinyang", and promoted the brand of "ICBC Training for Rural Revitalization", with the aim to create an integrated rural revitalization service with ICBC characteristics that combined financing, consulting and commercial services.

As at the end of 2021, the Bank's balance of agriculture-related loans exceeded RMB2.6 trillion, an increase of over RMB400.0 billion from the beginning of the year. The balance of loans placed at areas that have been lifted out of poverty was RMB782.0 billion, up over RMB100 billion from the beginning of the year. The balance of loans in granted for key poverty assistance counties exceeded RMB100.0 billion, an increase higher than the average of the Bank's loans.

Consumer Protection

The Bank conscientiously implemented the laws, regulations and regulatory requirements regarding consumer protection, took various measures to improve the consumer protection governance system, and comprehensively enhance its ability to protect the legitimate rights and interests of consumers. It strengthened the guidance and coordination of the consumer protection work of the Board of Directors, the Board of Supervisors and the Senior Management, and continuously consolidated the management groundwork of corporate governance. It incorporated the risks of consumer protection into a comprehensive risk management system, refined the key rules and regulations for consumer protection, and continuously improved the systematization and standardization of consumer protection. Moreover, it optimized the system functions of financial information protection and sales of financial products, and enhanced the level of intelligent management and control of consumer protection risks

in a targeted manner. The Bank also strengthened the management of third-party cooperation agencies and continuously improved the level of compliance operations. By creating the "ICBC with You" elderly customer service brand, it worked to make the elderly customers more satisfied and happier with financial service and to contribute to the effective implementation of the national strategy of responding to population aging. It also continued to conduct reviews and risk warning on policies, procedures, financial products and services related to consumer protection, actively protected consumer rights and enhanced consumer experience.

The Bank highly valued the integration of online and offline efforts, launching consumer protection promotion activities such as "March 15th Consumer Protection Publicity Week", "Financial Knowledge Publicity Month, Household Financial Knowledge, Be a Rational Investor and a Good Financial Internet User ", "Spreading Financial Knowledge, Protecting Your Pocket" and "Publicizing Financial Knowledge to Walk Ten Thousand Miles", where the efforts were especially directed at key contents and special groups with an aim to continuously enhance consumers' financial literacy and risk prevention capability. The Bank designed itself a uniform consumer protection logo, established a library of consumer protection materials and gave full play to its advantages in channels, brands and talented staff. It also made sustained efforts to enhance the standardization, quality and efficiency of consumer protection promotion endeavors, in an effort to build a publicity brand with the Bank's own characteristics.

The Bank widely rolled out the series of "Chunxun Action" training ("Spring Training Action") for consumer protection to promote more effective implementation of the laws, regulations and regulatory requirements of consumer protection in key areas such as personal banking, credit cards and Internet finance. Ongoing efforts were made to strengthen special training, where corresponding training content and focus of consumer protection were set in accordance with the management level, profession and job responsibilities of the targeted groups, in a bid to constantly improve the accuracy and effectiveness of training.

Adhering to putting the customer first, the Bank took special measures to tackle the pain points of customer experience, carried out "I do practical things for the public" service improvement campaign, and implemented root-cause rectification in terms of rules and regulations formulation, products improvement, processes optimization and systems refinement to continuously improve the quality of financial services. The Bank also established a customer complaint management system that is more compatible with customer demands and regulatory requirements, and strengthened the full-chain management covering monitoring and early warning, standardized processing, and supervision and implementation. In 2021, the Bank further broadened its complaint acceptance channels and optimized the relevant process, as part of its effort to listen more to customers' voices and respond to and resolve customer appeals in a more comprehensive way, with customer satisfaction reaching 86.8%.

Material Lawsuits or Arbitration Cases

During the reporting period, the Bank incurred no material lawsuits or arbitration cases. It was involved in several legal disputes in its ordinary course of business. Most of these cases were initiated by the Bank to recover non-performing loans, while some were related to disputes with clients. As at 31 December 2021, the amount of cases pending judgements or arbitrations awards in which the Bank and/or its subsidiaries are defendants totaled RMB6,165 million, and the Bank does not expect any material adverse effect from the above-mentioned cases on the Bank's business, financial position or operating results.

Material Assets Acquisition, Sale and Merger

During the reporting period, the Bank had no material assets acquisition, sale and merger.

Credit Standing

During the reporting period, neither the Bank nor its controlling shareholders had ever failed to fulfil obligations provided in effective legal documents issued by court for material lawsuits, nor had there been any outstanding debt of significant amount.

Implementation of Share Incentive Plan and Employee Stock Ownership Plan during the Reporting Period

During the reporting period, the Bank did not implement any share incentive plan or any employee stock ownership plan.

Key Audit Matters

The Audit Committee has reviewed the key audit matters in the audit report and concluded that it is unnecessary to provide a supplementary explanation.

Material Related Party Transactions

During the reporting period, the Bank did not enter into any material related party transactions.

Please refer to "Note 47. to the Consolidated Financial Statements: Related Party Disclosures" for details of the related party transactions defined under the laws and regulations of China and the relevant accounting standards.

Material Contracts and Performance of Obligations thereunder

Material Trust, Sub-contract and Lease

During the reporting period, the Bank had not held on trust to a material extent or entered into any material sub-contract or lease arrangement in respect of assets of other corporations, which were subject to disclosure, and no other corporation had held on trust to a material extent or entered into any material sub-contract or lease arrangement in respect of the Bank's assets, which were subject to disclosure.

Material Guarantees

The provision of guarantees is in the ordinary course of business of the Bank. During the reporting period, the Bank did not have any material guarantee that needs to be disclosed except for the financial guarantee services within the business scope as approved by PBC and the CBIRC.

Other Material Contracts

During the reporting period, the Bank did not have any other material contracts which were subject to disclosure.

External Guarantees

During the reporting period, the Bank did not enter any guarantee contract against the resolution procedures for external guarantees that are prescribed by laws, administrative regulations or CSRC.

Occupation of Fund by Controlling Shareholders and Other Related Parties

During the reporting period, none of the controlling shareholders and other related parties of the Bank occupied any fund of the Bank. The auditors have issued the Special Explanation on the Occupation of Fund by Controlling Shareholders and Other Related Parties of Industrial and Commercial Bank of China Limited in 2021.

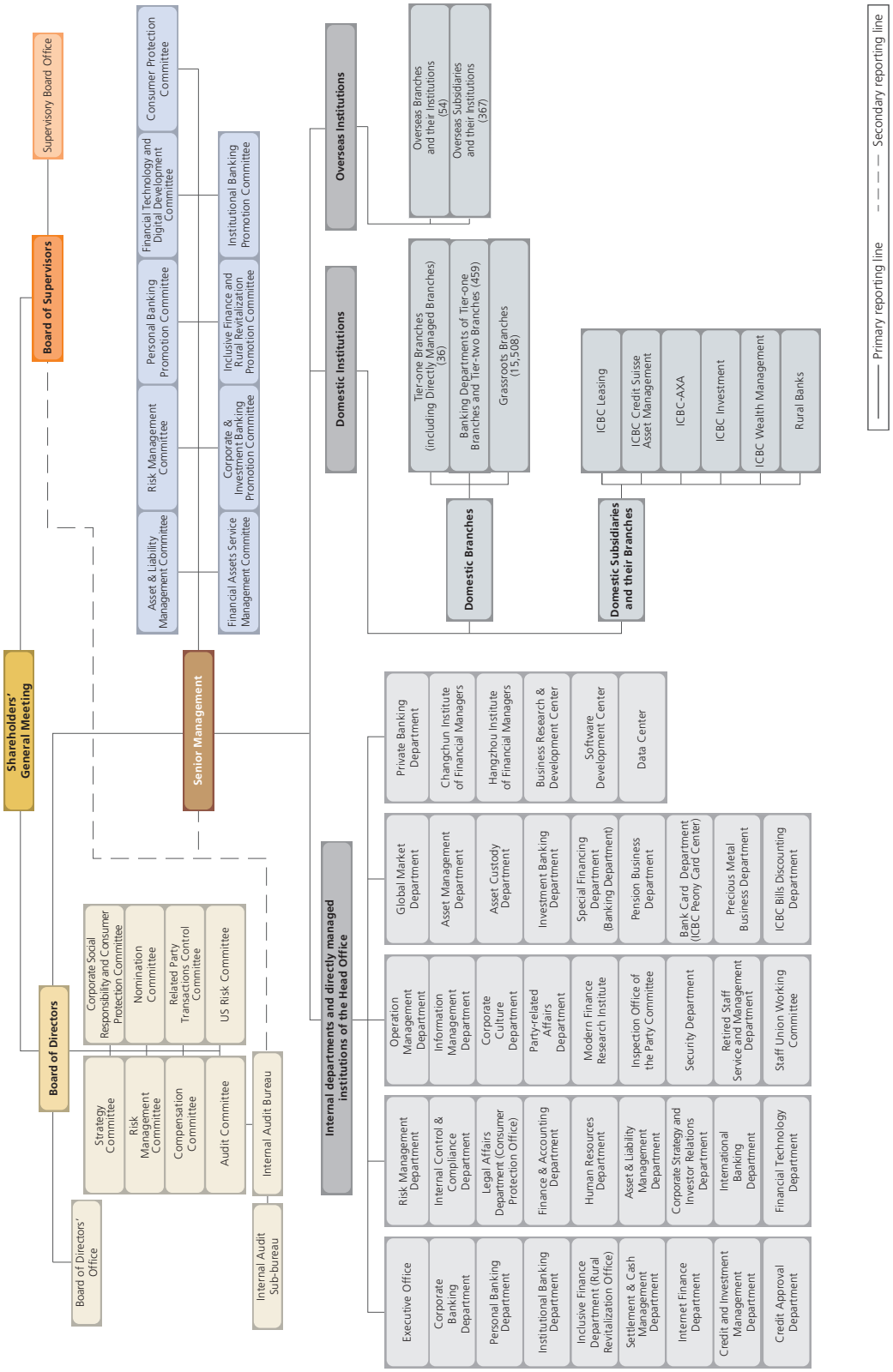
Commitments

As at 31 December 2021, all of the continuing commitments made by the shareholders were properly fulfilled, and were listed as follows:

Shareholder	Type of commitment	Time and term of commitment	Legal document under which the commitment is made	Commitment	Fulfillment of commitment
Huijin	Commitment of non-competition	October 2006/ No specific term	Prospectus of Industrial and Commercial Bank of China Limited on Initial Public Offering (A Share)	Provided that Huijin continues to hold any share of the Bank or is deemed as the controlling shareholder of the Bank or the related party of the controlling shareholder of the Bank according to the laws or listing rules of China or the listing place of the Bank, Huijin will not engage in or participate in any competitive commercial banking business including but not limited to granting loans, attracting deposits and providing settlement, fund custody, bank card and money exchange services. However, Huijin can engage in or participate in some competitive businesses by investing in other commercial banks. In this regard, Huijin has committed that it will: (1) fairly treat the investments in commercial banks and will not make any decision or judgment that will have adverse impact on the Bank or be beneficial to other commercial banks by taking advantage of the status of being a shareholder of the Bank or information obtained by taking advantage of the status of being a shareholder of the Bank; and (2) perform the shareholders' rights for the maximum interests of the Bank.	As at 31 December 2021, Huijin strictly fulfilled the above commitment and did not do anything in violation of the commitment.
		November 2010/ No specific term	Prospectus on A Share Rights Issue of Industrial and Commercial Bank of China Limited		
SSF	Commitment of performing the obligation of lock-up period for A shares	Taking effect from December 2019/ Above three years	Simplified Report of Changes in Equity of National Council for Social Security Fund	According to the Notice of the State Council on Issuing the Implementation Plan for Transferring Part of State-Owned Capital to Fortify Social Security Funds (Guo Fa [2017] No. 49), SSF shall perform the obligation of more than 3-year lock-up period as of the date of the receipt of transferred shares.	As at 31 December 2021, SSF strictly fulfilled the above commitment and did not do anything in violation of the commitment.

Disciplinary Actions During the reporting period, the Bank was not subject to any case filing investigation for suspected crime, nor was any of its controlling shareholders, Directors, Supervisors and Senior Management members subject to coercive measures for suspected crime; neither the Bank nor its controlling shareholders, Directors, Supervisors and Senior Management members were subject to any criminal penalty or any case filing investigation by CSRC for suspected illegality or irregularity or administrative penalty by CSRC or material administrative penalty by other competent authority; none of its controlling shareholders, Directors, Supervisors and Senior Management members was held in retention by the disciplinary inspection and supervision organ because of suspected serious illegality or irregularity or work-related crime, which affected their duty performance; none of its Directors, Supervisors and Senior Management members was subject to coercive measures taken by other competent authority for suspected illegality or irregularity, which affected their duty performance; neither the Bank nor any of its controlling shareholders, Directors, Supervisors and Senior Management members was subject to any administrative or regulatory measures taken by CSRC or disciplinary sanction imposed by stock exchanges.

Organizational Chart



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Deloitte. 德勤

To the Shareholders of Industrial and Commercial Bank of China Limited

(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Industrial and Commercial Bank of China Limited (the "Bank") and its subsidiaries (collectively referred to as the "Group") set out on pages 153 to 274, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, 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 a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current 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.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance of loans and advances to customers measured at amortised cost	
The Group uses an expected credit loss ("ECL") model to calculate the loss allowance for loans and advances to customers measured at amortised cost in accordance with IFRS 9. As at 31 December 2021, the Group's loans and advances to customers measured at amortised cost was RMB20,174,699 million, and the related impairment provision was RMB603,764 million. The management exercised significant judgements and estimation in its assessment of ECL allowance of loans and advances to customers measured at amortised cost. They include the determination of staging of loans and advances to customers including determining whether the credit risk has increased significantly and credit impairment events have occurred; the determination of key parameters used in the ECL model including probability of default (PD), loss given default (LGD), exposure at default (EAD), discount rate, and forward-looking information for stage 1 and 2 corporate loans and advances, discounted bills and all personal loans and advances; the determination of key parameters used in discounted cash flow assessment in respect of stage 3 corporate loans and advances including recoverable cash flows and discount rates.	Our audit procedures in respect of expected credit loss allowance of loans and advances to customers measured at amortised cost included the following: (1) Design and operating effectiveness of key internal controls • understood, assessed and tested the design and operating effectiveness of key internal controls relating to approval, recording, monitoring and regular evaluation of internal credit risk ratings which are relevant inputs to the ECL model; • understood, assessed and tested the design and operating effectiveness of key internal controls of ECL model, including the selection, approval, and application of ECL model methodology, on-going model monitoring, input of underlying data and parameters, and loan staging based on customer asset quality, cash flow projection used in the discounted cash flow method, and the review and approval of forward-looking information; • understood, assessed and tested the information technology system and design and operating effectiveness of the related controls, including general information technology controls, data transmission between systems, mapping of parameters of ECL model, and system calculation of loss allowance.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance of loans and advances to customers measured at amortised cost (continued)	
Due to the significance of allowance for impairment losses of loans and advances to customers measured at amortised cost and the associated ECL allowance and the significant judgements and estimation exercised by management in estimating ECL, we identified this as a key audit matter. Refer to Note 4 (10), Note 5, Note 14, Note 23, and Note 49(a) to the consolidated financial statements for relevant disclosures.	(2) ECL model • assessed the reliability and appropriateness of the ECL model and the reasonableness of key parameters used in the model, including: PD, LGD, EAD, discount rate, forward-looking adjustments, and evaluated the rationality of the key management judgements on those key parameters; • assessed the internal credit risk rating benchmark used in the ECL model by reviewing its periodic validation and monitoring report to evaluate the reasonableness of the validation approach, completeness of the validation scope and accuracy of the validation, and selected samples to verify the accuracy of internal rating calculation; • verified, on a sample basis, the accuracy of ECL model data input such as loan agreement amount, due date, interest rate, guarantee method; • assessed the reasonableness of the selection and weighting of economic indicators, multiple macro-economic scenarios, and other inputs and assumptions used by management in the forward-looking adjustments; assessed the reasonableness of forecasted macro-economic indicators and industry data by comparing to available third party information, and reviewed the sensitivity analysis of economic indicators; • verified, on a sample basis, the calculation of ECL model, and tested whether the model reasonably reflected management's modelling methodology; • performed back-testing, and verified the results of the model using actual observable data, and evaluated whether there was any indication of management bias.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance of loans and advances to customers measured at amortised cost (continued)	
	(3) Risk based sample selection for credit review • selected samples for credit review by focusing on industries that are significantly affected by fluctuations of economic cycle and policy regulations, regions with high credit risk exposure, and loans with other high-risk characteristics such as non-performing loans, overdue performing loans, rescheduled loans and borrowers with negative publicity; • analysed the borrower's financial and non-financial information, and other available information, and evaluated the reasonableness of management's judgement on staging, including whether credit risk has increased significantly since initial recognition and whether credit impairment events have occurred by reviewing the credit files, interviewing management, independently searching for publicly available information and exercising professional judgement; • performed credit assessments on borrower's and guarantor's financial information, collateral valuation and other sources of repayment for the selected stage 3 credit-impaired corporate loans and advances, tested the recalculation of impairment provision based on the recoverable cash flows and discount rates, and evaluated whether there was any material misstatement.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Consolidation of structured entities	
Structured entities mainly include wealth management products, investment funds, trust plans, asset management plans and asset-backed securities in which the Group has interests in them through their initiation, management or investment. In determining whether the Group has control and therefore should consolidate a structured entity, management is required to consider the power it possesses, its exposure to variable returns, and its ability to use its power to affect returns. The Group is required to collectively consider the relevant facts and substance to assess whether it has control over the structured entity. We identified the consolidation of structured entities as a key audit matter because the amount involved is significant and the evaluation on whether the Group has control over the structured entities requires significant accounting judgement. Refer to Note 4(2), Note 5 and Note 42 to the consolidated financial statements for relevant disclosures.	Our audit procedures in respect of consolidation of structured entities included the following: Understood, assessed and tested the related design and operating effectiveness of the internal controls relating to the consolidation of structured entities. Selected samples to perform the following audit procedures: • inspected agreements relating to the structured entity and understood the purpose of its set up; assessed the power the Group has over the structured entity according to the Group's rights and obligations under different transaction structures and its involvement with the structured entity; • verified the analysis on the Group's variable return which includes, but is not limited to, fixed management fee and performance fees obtained through acting as asset manager, as well as the returns obtained from holding an interest in a structured entity, and providing liquidity support or other support; • analysed the scope of the Group's decision-making power over the structured entity, the level of remuneration obtained from providing asset management services, the risk of variable return borne by holding other interests in the structured entity and the substantive rights held by other participants, checked the Group's analysis on the magnitude and variability of variable return, and assessed whether the Group acts as principal or agent in the structured transaction; • assessed the management's decision on the consolidation of structured entities through carrying out the above procedures.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Fair value of financial instruments	
The valuation of the Group's financial instruments measured at fair value is based on readily available market data or valuation models. For financial instruments without readily available market data such as debt securities, equities, over-the-counter derivative contracts and structured deposits, fair values are measured based on valuation techniques. The selection of valuation techniques and significant unobservable input data requires significant accounting judgement and estimation by management. As at 31 December 2021, the Group's financial assets that were measured at fair value amounted to RMB3,198,887 million, representing 9.10% of total assets; financial liabilities that were measured at fair value amounted to RMB454,645 million, representing 1.43% of total liabilities. Level 3 financial assets and liabilities with significant unobservable input data amounted to RMB153,164 million and RMB1,993 million respectively. We identified fair value assessment of financial instruments as a key audit matter because the amount involved is significant and the valuation requires significant judgement and estimation, and particularly for level 3 financial instruments due to the uncertainty arising from the use of unobservable input data. Refer to Note 4(7), Note 5, Note 21, Note 22, Note 23, Note 24, Note 30, and Note 50 to the consolidated financial statements for relevant disclosures.	Our audit procedures in respect of fair value assessment of financial instruments included the following: Understood, assessed and tested the design and operating effectiveness of internal controls relating to the valuation of financial instruments, independent pricing validation, and valuation model validation and approval. Selected samples to perform the following audit procedures: • evaluated the fair value of level 1 financial instruments by comparing the fair value with publicly available market observable data; • evaluated the appropriateness of the Group's valuation techniques, inputs and assumptions for level 2 and 3 financial instruments, and compared the observable market data with publicly available market data; • assessed and verified the valuation techniques used in the valuation of complex financial instruments valuation, selected samples to perform independent valuation and compared the results with the Group's valuation.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
IT systems and controls over financial reporting	
As a large banking group, the Group's IT systems are complex. To ensure the accuracy of financial reports, IT over financial reporting and its related general controls and automated controls are required to be designed and operated effectively. The related general controls include IT governance, controls over program development and changes, access to programs and data and IT operations. Automated controls include system calculations and data logic relating to significant accounts, as well as interfaces between business management systems and accounting systems. With the rapid increase in the volume of on-line transactions of the Group, as well as the continuous development and application of new technologies and open banking that increased third party network access, the Group faces increasing challenges on cyber security and data protection that warrant close monitoring of their potential impact on financial reporting related IT systems. We identified IT systems and controls over financial reporting as a key audit matter because the Group's financial accounting and reporting systems are highly reliant on complex IT systems and control processes, and the IT systems are required to serve the Group's global customer base, handle large volumes of frequent transactions, and continue to develop in response to changing business needs.	Our audit procedures in respect of IT systems and controls over financial reporting included the following: • understood, assessed and tested the design and operating effectiveness of key internal controls of the IT systems relevant to financial reporting; • understood, assessed and tested the design and operating effectiveness of automated controls relevant to significant accounts and assertions or risk of material misstatement, and such IT automated controls include accuracy of system calculation logic and consistency of data transmission, covering business in corporate banking, personal banking, and financial markets, as well as financial reporting process; • understood, assessed and tested the design and operating effectiveness of controls over cyber security management mechanism, the operational security of key information infrastructure, data and customer information management, and system operation monitoring and emergency management.

Other information

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 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 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.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- 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.

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 Wu Wei Jun, David.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 March 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021
(In RMB millions, unless otherwise stated)

	Notes	2021	2020
Interest income	6	1,162,218	1,092,521
Interest expense	6	(471,538)	(445,756)
NET INTEREST INCOME	6	690,680	646,765
Fee and commission income	7	148,727	146,668
Fee and commission expense	7	(15,703)	(15,453)
NET FEE AND COMMISSION INCOME	7	133,024	131,215
Net trading income	8	8,955	2,222
Net gains on financial investments	9	16,440	11,829
Other operating income, net	10	11,781	8,044
OPERATING INCOME		860,880	800,075
Operating expenses	11	(236,227)	(206,585)
Impairment losses on assets	14	(202,623)	(202,668)
OPERATING PROFIT		422,030	390,822
Share of results of associates and joint ventures		2,869	1,304
PROFIT BEFORE TAXATION		424,899	392,126
Income tax expense	15	(74,683)	(74,441)
PROFIT FOR THE YEAR		350,216	317,685
Profit for the year attributable to:			
Equity holders of the parent company		348,338	315,906
Non-controlling interests		1,878	1,779
PROFIT FOR THE YEAR		350,216	317,685
EARNINGS PER SHARE			
— Basic (RMB yuan)	18	0.95	0.86
— Diluted (RMB yuan)	18	0.95	0.86

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021
(In RMB millions, unless otherwise stated)

	Note	2021	2020
Profit for the year		350,216	317,685
Other comprehensive income (after tax, net):	40		
(a) Items that will not be reclassified to profit or loss:			
(i) Changes in fair value of equity instruments designated as at fair value through other comprehensive income		(1,180)	1,289
(ii) Other comprehensive income recognised under the equity method		15	(5)
(iii) Other		28	8
(b) Items that may be reclassified subsequently to profit or loss:			
(i) Changes in fair value of debt instruments measured at fair value through other comprehensive income		1,623	(3,042)
(ii) Credit losses of debt instruments measured at fair value through other comprehensive income		1,827	1,051
(iii) Reserve from cash flow hedging instruments		442	(253)
(iv) Other comprehensive income recognised under the equity method		541	14
(v) Foreign currency translation differences		(12,353)	(16,212)
(vi) Other		885	1,311
Subtotal of other comprehensive income for the year		(8,172)	(15,839)
Total comprehensive income for the year		342,044	301,846
Total comprehensive income for the year attributable to:			
Equity holders of the parent company		340,089	300,536
Non-controlling interests		1,955	1,310
		342,044	301,846

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2021
(In RMB millions, unless otherwise stated)

	Notes	31 December 2021	31 December 2020
ASSETS			
Cash and balances with central banks	19	3,098,438	3,537,795
Due from banks and other financial institutions	20	827,150	1,081,897
Derivative financial assets	21	76,140	134,155
Reverse repurchase agreements	22	663,496	739,288
Loans and advances to customers	23	20,109,200	18,136,328
Financial investments	24	9,257,760	8,591,139
— Financial investments measured at fair value through profit or loss		623,223	784,483
— Financial investments measured at fair value through other comprehensive income		1,803,604	1,540,988
— Financial investments measured at amortised cost		6,830,933	6,265,668
Investments in associates and joint ventures	26	61,782	41,206
Property and equipment	27	290,296	286,279
Deferred tax assets	28	79,259	67,713
Other assets	29	707,862	729,258
TOTAL ASSETS		**35,171,383**	**33,345,058**

The accompanying notes form part of these consolidated financial statements.

	Notes	31 December 2021	31 December 2020
LIABILITIES			
Due to central banks		39,723	54,974
Financial liabilities designated as at fair value through profit or loss	30	87,180	87,938
Derivative financial liabilities	21	71,337	140,973
Due to banks and other financial institutions	31	2,921,029	2,784,259
Repurchase agreements	32	365,943	293,434
Certificates of deposit	33	290,342	335,676
Due to customers	34	26,441,774	25,134,726
Income tax payable		92,443	89,785
Deferred tax liabilities	28	5,624	2,881
Debt securities issued	35	791,375	798,127
Other liabilities	36	789,355	712,770
TOTAL LIABILITIES		**31,896,125**	**30,435,543**
EQUITY			
Equity attributable to equity holders of the parent company			
Share capital	37	356,407	356,407
Other equity instruments	38	354,331	225,819
Reserves	39	926,375	800,718
Retained earnings		1,620,642	1,510,558
		3,257,755	2,893,502
Non-controlling interests		17,503	16,013
TOTAL EQUITY		**3,275,258**	**2,909,515**
TOTAL EQUITY AND LIABILITIES		**35,171,383**	**33,345,058**

Chen Siqing
Chairman

Liao Lin
Vice Chairman
and President

Liu Yagan
General Manager of
Finance and Accounting Department

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021
(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company													
			Reserves											
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2021	356,407	225,819	148,640	322,911	339,701	22,377	(27,882)	(4,725)	(304)	800,718	1,510,558	2,893,502	16,013	2,909,515
Profit for the year	–	–	–	–	–	–	–	–	–	–	348,338	348,338	1,878	350,216
Other comprehensive income	–	–	–	–	–	1,917	(12,117)	482	1,469	(8,249)	–	(8,249)	77	(8,172)
Total comprehensive income	–	–	–	–	–	1,917	(12,117)	482	1,469	(8,249)	348,338	340,089	1,955	342,044
Dividends — ordinary shares 2020 final (note 17)	–	–	–	–	–	–	–	–	–	–	(94,804)	(94,804)	–	(94,804)
Distributions to other equity instrument holders (note 17)	–	–	–	–	–	–	–	–	–	–	(9,607)	(9,607)	–	(9,607)
Appropriation to surplus reserve (i)	–	–	–	34,258	–	–	–	–	–	34,258	(34,258)	–	–	–
Appropriation to general reserve (ii)	–	–	–	–	99,251	–	–	–	–	99,251	(99,251)	–	–	–
Capital injection by other equity instrument holders	–	139,730	–	–	–	–	–	–	–	–	–	139,730	–	139,730
Capital reduction by other equity instrument holders	–	(11,218)	63	–	–	–	–	–	–	63	–	(11,155)	–	(11,155)
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(465)	(465)
Other comprehensive income transferred to retained earnings	–	–	–	–	–	334	–	–	–	334	(334)	–	–	–
Balance as at 31 December 2021	**356,407**	**354,331**	**148,703**	**357,169**	**438,952**	**24,628**	**(39,999)**	**(4,243)**	**1,165**	**926,375**	**1,620,642**	**3,257,755**	**17,503**	**3,275,258**

(i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB56 million and RMB1,764 million, respectively.

(ii) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB47 million and RMB1,746 million, respectively.

The accompanying notes form part of these consolidated financial statements.

	Attributable to equity holders of the parent company													
			Reserves											
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2020	356,407	206,132	149,139	292,291	305,019	23,280	(18,568)	(4,453)	(1,597)	745,111	1,368,536	2,676,186	15,817	2,692,003
Profit for the year	–	–	–	–	–	–	–	–	–	–	315,906	315,906	1,779	317,685
Other comprehensive income	–	–	–	–	–	(672)	(15,753)	(272)	1,327	(15,370)	–	(15,370)	(469)	(15,839)
Total comprehensive income	–	–	–	–	–	(672)	(15,753)	(272)	1,327	(15,370)	315,906	300,536	1,310	301,846
Dividends — ordinary shares 2019 final (note 17)	–	–	–	–	–	–	–	–	–	–	(93,664)	(93,664)	–	(93,664)
Distributions to other equity instrument holders (note 17)	–	–	–	–	–	–	–	–	–	–	(8,839)	(8,839)	–	(8,839)
Appropriation to surplus reserve (i)	–	–	–	31,485	–	–	–	–	–	31,485	(31,485)	–	–	–
Appropriation to general reserve (ii)	–	–	–	–	34,682	–	–	–	–	34,682	(34,682)	–	–	–
Capital injection by other equity instrument holders	–	19,687	–	–	–	–	–	–	–	–	–	19,687	–	19,687
Change in shareholding in subsidiaries	–	–	(499)	–	–	–	–	–	–	(499)	–	(499)	(780)	(1,279)
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(337)	(337)
Other comprehensive income transferred to retained earnings	–	–	–	–	–	(221)	–	–	–	(221)	218	(3)	3	–
Other	–	–	–	(865)	–	(10)	6,439	–	(34)	5,530	(5,432)	98	–	98
Balance as at 31 December 2020	**356,407**	**225,819**	**148,640**	**322,911**	**339,701**	**22,377**	**(27,882)**	**(4,725)**	**(304)**	**800,718**	**1,510,558**	**2,893,502**	**16,013**	**2,909,515**

(i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB101 million and RMB935 million, respectively.

(ii) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB11 million and RMB1,435 million, respectively.

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021
(In RMB millions, unless otherwise stated)

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		424,899	392,126
Adjustments for:			
Share of results of associates and joint ventures		(2,869)	(1,304)
Depreciation		28,194	27,046
Amortisation	11	3,125	2,607
Impairment losses on assets	14	202,623	202,668
Unrealised gains on foreign exchange		(22,300)	(12,642)
Interest expense on debt securities issued		27,673	25,549
Accreted interest on impaired loans		(1,964)	(1,710)
Net gains on financial investments		(18,349)	(9,814)
Interest income on financial investments		(262,827)	(245,294)
Net gains on changes in fair value		(14,473)	(12,797)
Net gains on disposal and stocktake of property and equipment and other assets (other than repossessed assets)		(2,077)	(1,238)
Dividend income	9	(3,388)	(2,355)
		358,267	362,842
Net decrease/(increase) in operating assets:			
Due from central banks		155,880	75,762
Due from banks and other financial institutions		157,890	(16,064)
Financial assets measured at fair value through profit or loss		143,496	284,342
Reverse repurchase agreements		99,863	123,955
Loans and advances to customers		(2,184,611)	(2,079,400)
Other assets		(43,570)	(51,517)
		(1,671,052)	(1,662,922)
Net (decrease)/increase in operating liabilities:			
Financial liabilities designated as at fair value through profit or loss		(853)	(7,530)
Due to central banks		(15,161)	53,959
Due to banks and other financial institutions		158,557	563,361
Repurchase agreements		77,427	30,155
Certificates of deposit		(37,420)	269
Due to customers		1,261,998	2,219,487
Other liabilities		311,773	82,547
		1,756,321	2,942,248
Net cash flows from operating activities before tax		443,536	1,642,168
Income tax paid		(82,654)	(84,552)
Net cash flows from operating activities		360,882	1,557,616

The accompanying notes form part of these consolidated financial statements.

	Note	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment and other assets		(27,584)	(38,005)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)		13,008	8,539
Purchases of financial investments		(3,344,684)	(3,191,273)
Proceeds from sale and redemption of financial investments		2,423,298	1,845,743
Investments in associates and joint ventures		(21,207)	(11,690)
Proceeds from disposal of associates and joint ventures		206	627
Investment returns received		282,407	250,962
Net cash flows from investing activities		(674,556)	(1,135,097)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of other equity instruments		139,793	19,716
Proceeds from issuance of debt securities		835,441	927,759
Interest paid on debt securities		(26,320)	(25,137)
Repayment of debt securities		(836,623)	(858,858)
Cash payment for redemption of other equity instruments		(11,155)	—
Acquisition of non-controlling interests		—	(1,279)
Dividends paid on ordinary shares		(94,804)	(93,664)
Dividends or interest paid to other equity instrument holders		(9,607)	(8,839)
Dividends paid to non-controlling shareholders		(465)	(337)
Cash payment for other financing activities		(7,813)	(6,310)
Net cash flows from financing activities		(11,553)	(46,949)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(325,227)	375,570
Cash and cash equivalents at beginning of the year		1,791,122	1,450,413
Effect of exchange rate changes on cash and cash equivalents		(29,138)	(34,861)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	41	1,436,757	1,791,122
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		939,737	902,804
Interest paid		(351,322)	(393,080)

The accompanying notes form part of these consolidated financial statements.

1. CORPORATE INFORMATION

Industrial and Commercial Bank of China Limited (the "Bank"), which was previously known as Industrial and Commercial Bank of China ("ICBC"), used to be a wholly-state-owned commercial bank established on 1 January 1984 based on the authorisation of the State Council and the People's Bank of China (the "PBOC") of the People's Republic of China (the "PRC"). On 28 October 2005, with the approval of the State Council, ICBC was restructured and incorporated as a joint-stock limited company. The joint-stock limited company undertook all the assets and liabilities of ICBC upon the restructuring. On 27 October 2006, the Bank was listed on both Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.

The Bank obtained authorisation to carry out banking business with an institution code of No. B0001H111000001 from the China Banking and Insurance Regulatory Commission (the "CBIRC") of the PRC. The Bank obtained its business license with unified social credit code 91100000100003962T from the State Administration for Industry and Commerce of the PRC. The legal representative is Mr. Chen Siqing and the registered office is located at No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, the PRC.

The Bank's stock codes of A Shares and H Shares listed on Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited are 601398 and 1398, respectively. The Bank's offshore preference shares are listed on The Stock Exchange of Hong Kong Limited and the stock code is 4620. The Bank's domestic preference shares are listed on Shanghai Stock Exchange and the stock codes are 360011 and 360036.

The principal activities of the Bank and its subsidiaries (collectively referred to as the "Group") comprise corporate and personal financial services, treasury operations, investment banking, asset management, trust, financial leasing, insurance and other financial services. Domestic establishments refer to the Head Office of the Bank, branches and subsidiaries established in Chinese mainland. Overseas establishments refer to branches and subsidiaries established in jurisdictions outside Chinese mainland.

2. BASIS OF PREPARATION

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board (the "IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance and 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 have been prepared under the historical cost convention, except for certain financial instruments, and certain non-financial assets measured at fair value, as further explained in the respective accounting policies below.

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 and liabilities, income and expenses. Actual results may differ from these estimates. Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are disclosed in Note 5.

3. APPLICATION OF THE NEW AND AMENDMENTS TO IFRSs

(1) Mandatory amendments to IFRSs effective for the current year

In the current year, the Group has applied, for the first time, the following amendments to IFRSs issued by the IASB which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group's consolidated financial statements:

— Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform (Phase 2)

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate. Such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

— the change is necessary as a direct consequence of interest rate benchmark reform; and

— the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in IFRS 9 *Financial Instruments* on modification of a financial asset or a financial liability for additional changes to which the practical expedient does not apply.

Transition and summary of effects

The Group's business impacted by interest rate benchmark reform are mainly those linked with London Interbank Offered Rate, consisting of loans, debt investments and derivatives. The Group considered the application of this amendment had no material impact on the Group's financial positions and performance for the current period.

The Group has early adopted amendments to IFRS 16 — COVID 19 Related Rent Concession Beyond 30 June 2021. The amendment has no significant financial and operational impacts to the Group.

(2) Issued but not yet effective IFRSs and amendments to IFRSs

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective.

IFRS 17: Insurance Contracts and the related Amendments [2]

Amendments to IFRS 3: Reference to the Conceptual Framework[1]

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

Amendments to IAS 1: Classification of Liabilities as Current or Non-current[2]

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies[2]

Amendments to IAS 8: Definition of Accounting Estimates[2]

Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]

Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use[1]

Amendments to IAS 37: Onerous Contracts — Cost of Fulfilling a Contract[1]

Amendments to IFRSs: Annual Improvements to IFRSs 2018–2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.

2 Effective for annual periods beginning on or after 1 January 2023.

3 Effective for annual periods beginning on or after a date to be determined.

Further information about those changes that are expected to affect the Group:

IFRS 17 Insurance Contracts and the related amendments

IFRS 17 is issued to resolve the comparability issues created by IFRS 4 *Insurance Contracts* by setting out a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

The IASB issued the amendments to IFRS 17 in 2020 to provide response to the stakeholders and are designed to:

— reduce costs by simplifying certain requirements in the IFRS 17;

— make financial performance easier to explain; and

— ease transition by deferring the effective date of IFRS 17 to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time.

The Group is currently assessing the impact of the standard and its amendments on the Group's financial position and financial performance.

Other new and revised IFRSs that have been issued but are not yet effective are expected to have no material impact on the financial position and financial performance of the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Functional currency and foreign currency translation

Functional currency

The functional currency of the Group's domestic establishments is Renminbi ("RMB"). The overseas establishments determine their own functional currencies which best represent the economic environment they operate in. These financial statements are presented in RMB millions except when otherwise indicated.

Foreign currency translation

Foreign currency transactions are initially recorded in the functional currency using the exchange rates at the dates of the transactions or deemed exchange rates. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the applicable exchange rates ruling at the end of the reporting period. Exchange differences arising on the settlement of monetary items or on translating monetary items at period end rates are recognised in profit or loss, with the exception that they are taken directly to other comprehensive income when the monetary items are designated as part of the hedge of the Bank's net investment in a foreign entity, and the aggregate exchange differences are not recognised in profit or loss until the disposal of such net investment.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date when the fair value is determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as foreign assets and liabilities of the foreign operation and translated at the deemed rates at the end of the reporting period. The exchange differences are recognised in profit or loss or in other comprehensive income, depending on the nature of non-monetary items.

As at the end of the reporting period, the assets and liabilities of foreign operations are translated into the presentation currency of the Bank at the exchange rates ruling at the end of the reporting period. For overseas business not operating in a hyperinflationary economy, all items within equity except for retained earnings are translated at the exchange rates ruling at the dates of the initial transactions. Income and expenses in the statement of profit or loss are translated using the exchange rates at the date of the transactions or deemed exchange rates. The exchange differences arising on the above translation are taken to other comprehensive income. On disposal of a foreign operation, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss. The effect of exchange rate changes on cash and cash equivalents is presented separately in the statement of cash flows.

(2) Subsidiaries

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity if it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an entity.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual or other arrangements.

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 any unrealised profit or loss arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements.

In the Bank's statement of financial position, investments in subsidiaries are stated at cost less impairment losses.

(3) Non-controlling interests

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to a parent.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity holders 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 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 holders of the Bank.

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 statement of equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

(4) Associates and joint ventures

An associate is an entity in which the Group has significant influence. A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement. Other than those measured at fair value through profit or loss, the Group's investments in associates or joint ventures are accounted for using the equity method.

Under the equity method, an investment in an associate or joint venture is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate or joint venture, less any impairment losses. The consolidated statement of profit or loss reflects the share of the results of operations of the associate or joint venture. Unrealised profits and losses resulting from transactions between the Group and the associates or joint ventures are eliminated to the extent of the Group's interests in the associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture, the retained interest is not re-measured. Instead, the investment continues to be accounted under the equity method, and vice versa.

In the Bank's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses.

(5) Business combination and goodwill

Business combinations are accounted for by applying the acquisition method. The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether the acquired set of assets is not a business. If the concentration test is met, the set of assets is determined not to be a business; otherwise, the Group shall then perform an assessment in accordance with the requirements of business. The consideration transferred is measured at acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Any costs directly attributable to the combination are recognised in profit or loss when incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives from host contracts of the acquiree.

If the business combination is achieved in stages, the acquirer's previously-held equity interest in the acquiree is re-measured to the acquisition date fair value through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is classified as a financial asset or financial liability, is recognised in profit or loss. If the contingent consideration is classified as equity, it shall not be re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and the fair value of the acquirer's previously-held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets and liabilities acquired. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as gains on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill at year end date. For the purpose of impairment testing, goodwill arising in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU"), or group of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in subsequent period.

Where goodwill forms part of a CGU or group of CGUs and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU or group of CGUs retained.

(6) Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) 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); or
- (viii) 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.

(7) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Initial recognition and measurement of financial instruments

At initial recognition, financial assets and financial liabilities are measured at fair value. For financial assets and financial liabilities measured at fair value through profit or loss ("FVTPL"), any related directly attributable 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 recognised value.

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 shall take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date (including the condition of the asset; and restrictions, if any, on the sale or use of the asset), and use valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. The adopted valuation techniques mainly include market approach, income approach and cost approach.

(ii) Classification and subsequent measurement of financial assets

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 amortised cost, at fair value through other comprehensive income ("FVTOCI"), or at 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 amortised 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.

A financial asset is measured at FVTOCI 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 achieved by both collecting contractual cash flows and selling financial assets; 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.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis, and the investment should meet the definition of an equity instrument from perspective of the issuer.

All financial assets not classified as measured at amortised cost or FVTOCI 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 amortised cost or at FVTOCI 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 on the principal amount outstanding, 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 the above contractual cash flows characteristics.

Subsequent measurement of financial assets

Financial assets measured at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

Financial assets measured at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise impairment gain or loss.

Debt instruments measured at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity instruments measured at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised 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 and other financial liabilities.

Financial liabilities measured at FVTPL

A financial liability is classified as measured 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 measured at FVTPL are subsequently measured at fair value and net gains and losses (including any interest expense) are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

For the financial liabilities designated as at FVTPL, the gains and losses from changes in fair value of the financial liability arising from changes in the Group's own credit risk are included in other comprehensive income; other changes in fair value of the financial liabilities are recognised in profit or loss. If the treatment of the impact of changes in the financial liabilities' own credit risk will create or enlarge the accounting mismatch in profit or loss, the Group shall recognise the entire gains or losses of the financial liabilities (including the amount of the impact of changes in its own credit risk) in profit and loss. When these liabilities are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified from reserve to retained earnings.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

(iv) Financial instruments reclassification

The Group will reclassify all related financial assets when it changes its business model for managing financial assets, and the reclassification applies prospectively from the reclassification date (the first day of the first reporting period following the change in business model).

(8) Trade date accounting

All regular way purchases and sales of financial assets are recognised at the trade date, which is the date that the Group commits to purchase or sell the assets. A regular way purchase or sale is the purchase or sale of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the marketplace.

(9) Presentation of financial instruments

Financial assets and financial liabilities are generally presented separately in the statement of financial position and shall not be offset. However, a financial asset and a financial liability are offset and the net amount is presented in the statement of financial position when both the following conditions are satisfied:

— the Group currently has a legally enforceable right to set off the recognised amounts; and

— the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(10) Impairment of financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on:

— financial assets measured at amortised cost;

— debt instruments measured at FVTOCI; and

— loan commitments and financial guarantee contracts.

Financial assets measured at fair value, including debt or equity instruments measured at FVTPL, equity instruments designated as at FVTOCI and derivative financial assets, are not subject to ECL assessment.

Measurement of ECL

ECL is a probability-weighted amount that is determined with the respective risks of default occurring as the weight. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The Group's method of measuring ECL of financial instruments reflects the following elements: (i) unbiased weighted average probability determined by the results of evaluating a range of possible outcomes; (ii) time value of money; (iii) reasonable and evidence-based information about past events, current conditions, and future economic forecasts that are available at no additional cost or effort at the end of the reporting period.

The maximum period considered when estimating ECL is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECL is the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL is the portion of ECL that result from default events that are possible within the 12 months after the end of the reporting period (or a shorter period if the expected life of the instrument is less than 12 months).

The Group classifies financial instruments into three stages and provides provisions for ECL accordingly, depending on whether credit risk on that financial instrument has increased significantly since initial recognition.

The three risk stages are defined as follows:

Stage 1: A financial instrument of which the credit risk has not significantly increased since initial recognition. The amount that equals to 12-month ECL is recognised as loss allowance.

Stage 2: A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired. The amount that equals to lifetime ECL is recognised as loss allowance. Refer to Note 49(a) credit risk for the description of how the Group determines when a significant increase in credit risk has occurred.

Stage 3: A financial instrument is considered to be credit-impaired as at the end of the reporting period. The amount that equals to lifetime ECL is recognised as loss allowance. Refer to Note 49(a) credit risk for the definition of credit-impaired financial assets.

Presentation of allowance for ECL

ECL is re-measured at the end of each reporting period to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises impairment gains or losses for financial instruments measured at amortised cost with a corresponding adjustment to their carrying amount through allowance for impairment loss. For debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income, which does not decrease the carrying amount of the financial assets. The Group recognises loss allowance for loan commitments and financial guarantee contracts through other liabilities (provisions for credit commitments).

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. A write-off constitutes a derecognition event. 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. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(11) Modification of financial assets contracts

In some cases (such as renegotiating loans), the Group may renegotiate or otherwise modify the financial assets contracts. The Group would assess whether or not the new contractual terms are substantially different to the original terms. If the terms are substantially different, the Group derecognises the original financial asset and recognises a new asset under the revised terms. If the renegotiation or modification does not result in derecognition, but leads to changes in contractual cash flows, when assessing whether a significant increase in credit risk has occurred, the Group compares the risk of a default occurring under the revised terms as at the end of the reporting period with that as at the date of initial recognition under original terms.

(12) Derecognition of financial assets and liabilities

Derecognition of financial assets

Financial asset is derecognised 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; or

— 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 the Group has transferred its rights to receive cash flows from an asset or has retained its rights to receive cash flows from the asset but assumed the obligation to pay those cash flows to the eventual recipients and meanwhile meet the conditions of the transfer of financial assets, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Securitisation

As part of its operational activities, the Group securitises credit assets. When a securitisation of financial assets does not qualify for derecognition, the relevant financial assets are not derecognised, and the consideration paid by third parties are recorded as a financial liability; when the securitisation of financial assets partially qualifies for derecognition, the Group continues to recognise the transferred assets to the extent of its continuing involvement, and derecognises the remaining portion. The carrying amount of the transferred assets is apportioned between the derecognised portion and the retained portion based on their relative fair values, and the difference between the carrying amount of the derecognised portion and the total consideration paid for the derecognised portion is recorded in profit or loss.

Sales of assets on condition of repurchase

The derecognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase, the Group will derecognise the financial asset.

Derecognition of financial liabilities

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

(13) Derivatives and hedge accounting

Derivatives

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

If the host contract included in the hybrid contract is a financial asset, the embedded derivative is no longer split from the main contract of the financial asset, and the hybrid financial instrument as a whole is related to the classification of the financial asset provision. If the host contract included in the hybrid contract is not a financial asset, when the embedded derivative's economic characteristics and risks are not closely related to those of the hybrid contract, those separate instruments with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid instrument is not carried at FVTPL, derivatives embedded in other financial instruments should be split from the hybrid contract and treated as separate derivatives. These embedded derivatives are measured at fair value with the changes in fair value recognised in profit or loss.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss.

For less complex derivative products, the fair values are principally determined by valuation models which are commonly used by market participants. Inputs to valuation models are determined from observable market data wherever possible, including foreign exchange spot and forward rates and interest rate yield curves. For more complex derivative products, the fair values are mainly determined by quoted prices from dealers.

Hedge accounting

At the inception of a hedging relationship, the Group formally designates the hedging instruments and the hedged items, and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to meet the hedge effectiveness in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to analyse the sources of hedge ineffectiveness which are expected to affect the hedging relationship in remaining hedging period. If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio, but the risk management objective for that designated hedging relationship remains the same, the Group would rebalance the hedging relationship.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting and are therefore treated as derivatives held for trading with fair value gains or losses recognised in profit or loss.

Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or unrecognised firm commitment, that is attributable to a particular risk and could affect the profit or loss or other comprehensive income. Among them, the circumstances affecting other comprehensive income are limited to the hedging for the risk exposure from fair value change of non-trading equity investment designated as at FVTOCI. For fair value hedges, the carrying amount of the hedged item not already measured at fair value is adjusted for the gain or loss attributable to the risk being hedged and is taken to profit or loss or other comprehensive income. The gains or losses for hedging instrument re-measured at fair value are taken to profit or loss or other comprehensive income.

When the hedged item in a fair value hedge is measured at amortised cost, any hedge adjustment to its carrying amount is amortised to profit or loss. The amortisation is based on a recalculated effective interest rate at the date when amortisation begins.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in fair value of the hedging instrument are also recognised in profit or loss.

The Group discontinues fair value hedge accounting when the hedging relationship ceases to meet the qualifying criteria after taking into account any rebalancing of the hedging relationship, including the hedging instrument has expired or has been sold, terminated or exercised. If the hedged items are derecognised, the unamortised adjustment to carrying amount is recorded in profit or loss.

Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, a highly probable forecast transaction or a component of any such item, and could affect profit or loss. For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in profit or loss.

When the hedged cash flow affects profit or loss, the gain or loss on the hedging instrument recognised directly in other comprehensive income is recycled in the corresponding income or expense line of the statement of profit or loss. When the hedging relationship ceases to meet the qualifying criteria after taking into account any rebalancing of the hedging relationship, including the hedging instrument has expired or has been sold, terminated or exercised, any cumulative gains or losses existing in other comprehensive income at that time remains in other comprehensive income until the hedged forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss.

Net investment hedges

A net investment hedge is a hedge of the currency risk of a net investment in a foreign institution operation.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in other comprehensive income; the gain or loss relating to the ineffective portion is recognised in profit or loss immediately. Gains and losses accumulated in other comprehensive income are included in profit or loss when the foreign operation is disposed of as part of the gains or losses on the disposal.

(14) Repurchase and reverse repurchase transactions (including securities borrowing and lending)

Assets sold under agreements to repurchase at a specified future date ("repos") are not derecognised from the statement of financial position. The corresponding cash received, including accrued interest, is recognised on the statement of financial position as a "repurchase agreement". The difference between the sale and repurchase prices is treated as an interest expense and is amortised over the life of the agreement using the effective interest method.

Conversely, assets purchased under agreements to resell at a specified future date ("reverse repos") are not recognised on the statement of financial position. The corresponding cash paid, including accrued interest, is recognised on the statement of financial position as a "reverse repurchase agreement".

According to the policy of classification of financial assets, the reverse repurchase agreements held by the Group were divided into different classifications according to the entity's business model for managing the financial instruments and the contractual cash flow characteristics of the assets: financial assets measured at amortised cost and financial assets measured at FVTPL. The difference between the purchase and resale prices of reverse repurchase agreements measured at amortised cost is treated as an interest income and is amortised over the life of the agreement using the effective interest method.

Securities borrowing and lending transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognised in the statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a financial liability held for trading and measured at fair value with any gains or losses included in profit or loss.

(15) Insurance contracts

Insurance contracts classification

The Group's insurance subsidiary executes the contract with the policyholder. Where the Group undertakes insurance risk (other than financial risk) transferred from the policyholders, the contract is classified as an insurance contract. Insurance risk refers to the risk that the combined cost of claims, administration and policy acquisitions may exceed the aggregate amount of premiums received and investment income over time. Where the Group undertakes the risks other than insurance risk, the contract is classified as a non-insurance contract. Where the Group undertakes both insurance risk and other risks, forming a contract with mixed risks, the following stipulations are applied:

(i) where the insurance risk and other risks can be distinguished from each other and separately measured, the insurance risk is separated from other risks. The insurance risk is accounted for as an insurance contract and other risks are accounted for according to the relevant accounting standards;

(ii) where the insurance risk and other risks cannot be distinguished from each other, or can be distinguished but cannot be separately measured, an umbrella contract applies and a significant insurance risk test shall be performed based on it. If the insurance risk is significant, the contract is accounted for as an insurance contract; otherwise, it is accounted for as a non-insurance contract.

Insurance income recognition

Insurance premium income is recognised when:

(i) the insurance contract is issued, and related insurance risk is taken on by the Group;

(ii) the related economic benefits are likely to flow to the Group; and

(iii) related income can be reliably measured.

Insurance contract liabilities

When measuring insurance contract liabilities, the Group classifies insurance contracts whose insurance risks are of similar nature as a measurement unit. Insurance contract liabilities are measured based on a reasonably estimated amount of payment that the Group is obliged to pay to fulfill relevant obligations under the insurance contract. At the end of each reporting period, the adequacy of liability is tested. If the insurance contract liabilities re-calculated with the insurance actuarial method exceed their carrying amounts on the date of the liability adequacy test, an additional provision shall be made for the respective insurance contract liabilities based on the difference. Otherwise, no adjustment is made to the respective insurance contract liabilities.

(16) Leases

A lease is when the lessor conveys the right to control the use of an asset for a period of time in exchange for the consideration of the lessee.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of one or more identified assets for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

— the contract involves the use of an identified asset. An identified asset may be specified explicitly or implicitly in a contract and should be physically distinct, or a capacity portion or other portion of an asset that is not physically distinct but represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from the use of the asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;

— the lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;

— the lessee has the right to direct the use of the asset.

For a contract that contains more than one separate lease components, the lessee and the lessor separate lease components and account for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee and the lessor separate lease components from non-lease components. However, for the leases in which the Group is a lessee, the Group has elected not to separate lease components from non-lease components and accounts for the lease and non-lease components as a single lease component.

(i) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to exercise a purchase option by the end of the lease term, the right-of-use asset is depreciated over the remaining useful lives of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy described in Note 4(23).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate if the interest rate implicit in the lease is not readily determinable. Each institution of the Group uses an interest rate that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment as the incremental borrowing rate.

A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability are charged to profit or loss or included in the cost of assets where appropriate as incurred.

Under the following circumstances after the commencement date, the Group re-measures lease liabilities based on the present value of revised lease payments:

— there is a change in the amounts expected to be payable under a residual value guarantee;

— there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;

— there is a change in the assessment of whether the Group will exercise a purchase, extension or termination option, or there is a change in the exercise of the extension or termination option.

When the lease liability is re-measured, 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.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

(ii) As a lessor

The Group 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 ownership of an underlying asset irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

When the Group is a sub-lessor, it assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If the head lease is a short-term lease to which the Group applies practical expedient described above, then it classifies the sub-lease as an operating lease.

Under a finance lease, at the commencement date, the Group recognises the finance lease receivable and derecognises the finance lease asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return. The impairment and derecognition of the finance lease receivable are recognised in accordance with the accounting policy in Note 4(10) and 4(12). Variable lease payments not included in the measurement of net investment in the lease are recognised as income as they are earned.

Lease receipts from operating leases is recognised as income using the straight-line method over the lease term. The initial direct costs incurred in respect of the operating lease are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Variable lease payments not included in lease receipts are recognised as income as they are earned.

(17) Financial guarantee contracts

The Group issues financial guarantee contracts, including letters of credit, letters of guarantee and acceptance. These financial guarantee contracts provide for specified payments to be made to reimburse the holders for the losses they incur when a guaranteed party defaults under the original or modified terms of a debt instrument, loan or any other obligation.

The Group initially measures all financial contracts at fair value, in other liabilities, being the premium received. This amount is recognised ratably over the period of the contract as fee and commission income. Subsequently, the liabilities are measured at the higher of the amount of the loss allowance determined in accordance with impairment policies of financial instruments and the amount initially recognised less the cumulative amount of income. Any increase in the liability relating to a financial guarantee is taken to the statement of profit or loss.

(18) Fiduciary activities

When the Group acts in a fiduciary capacity such as custodian or agent, assets arising thereon together with related undertakings to return such assets to customers are excluded from the statement of financial position.

The asset custody services of the Group refer to the business that the Group as trustee approved by regulatory authorities, signs custody agreement with clients and takes the responsibility of trustee in accordance with relevant laws and regulations. The assets under custody are not recorded on the statement of financial position as the Group merely fulfils the responsibility as trustee and charges fees in accordance with these agreements without retaining any risks or rewards of the assets under custody.

The Group grants entrusted loans on behalf of trustors, which are recorded off-balance sheet. The Group, as a trustee, grants such entrusted loans to borrowers under the direction of those trustors who fund these loans. The Group has been contracted by those trustors to manage the administration and collection of these loans on their behalf. Those trustors determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The Group charges a commission related to its activities in connection with entrusted loans which are recognised ratably over the period in which the service is provided. The risk of loss is borne by those trustors.

(19) Precious metals

Precious metals comprise gold, silver and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in the statement of profit or loss.

The Group records the precious metals received as an asset. A liability to return the amount of precious metals deposited is also recognised. The precious metals deposited with the Group are measured at fair value both on initial recognition and in subsequent measurement.

(20) Property and equipment

Property and equipment, other than construction in progress are stated at costs less accumulated depreciation and any impairment loss. The cost of an item of property and equipment comprises its purchase price, tax and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement.

Construction in progress comprises the direct costs of construction during the period of construction and is not depreciated. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment, less any estimated residual value, over the estimated useful life. The estimated useful life, estimated residual value and the annual depreciation rate of each item of property and equipment (excluding aircraft and vessels) are as follows:

	Estimated useful life	Estimated residual value rate	Annual depreciation rate
Properties and buildings	5–50 years	0%–3%	1.94%–20%
Office equipment and motor vehicles (excluding aircraft and vessels)	2–7 years	–	14.29%–50%
Leasehold improvements		The shorter of the economic useful lives and remaining lease terms	

Equipment under operating leases where the Group is the lessor contains aircraft, aircraft engines and vessels. The estimated useful lives and depreciation methods are determined according to the conditions of individual aircraft and vessel. The residual values are assessed by an independent appraiser based on historical data. The estimated useful lives range from 15 to 25 years.

For an impaired fixed asset, the depreciation is calculated based on the carrying value less the cumulative impairment loss.

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognised.

(21) Land use rights

Land use rights are recognised at cost, being the fair value at the time of injection from the central government of the PRC (the "Government") during the Group's restructuring or the consideration paid. The rights are amortised using the straight-line method over the periods of the leases. When the prepaid land lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the costs of properties and buildings as finance leases in property and equipment.

(22) Repossessed assets

Repossessed assets are initially recognised at fair value of assets not retained plus related costs, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

(23) Non-financial asset impairment

The Group assesses at the end of each reporting period whether there is any indication that property and equipment, land use rights, right-of-use assets, associates and joint ventures and other non-financial assets may be impaired. If any such indication exists, or when impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined on an individual basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs. Where the gross carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In assessing value in use of an asset, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of any depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Any such reversal is recognised in profit or loss. After such a reversal, the depreciation or amortisation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(24) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. When the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. When determining the best estimate, the Group considers factors pertaining to a contingency such as risks, uncertainties and time value of money. Where there is a range of possible outcome, and each possible outcome in that range is as likely as any other, the best estimate is the mid-point of that range. In other cases, the best estimate is determined according to the following circumstances:

— where the contingency involves a single item, the best estimate is the most likely outcome;

— where the contingency involves a large population of items, the best estimate is determined by weighting all possible outcomes by their associated probabilities.

The Group reviews the carrying amount of a provision at the end of reporting period. The carrying amount is adjusted to the current best estimate.

(25) 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 recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably. Contingent liabilities are disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably estimated, it will then be recognised as a provision.

(26) Convertible instruments

Convertible instruments issued by the Group that can be converted to equity shares, where the number of shares to be issued and the value of consideration to be received at that time do not vary, are accounted for as compound financial instruments containing both liability and equity components.

The initial carrying amount of a compound financial instrument is allocated to its equity and liability components. The amount recognised in equity is the difference between the fair value of the instrument as a whole and the separately determined fair value of the liability component (including the value of any embedded derivatives other than the equity component). Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method, unless it is designated upon recognition at FVTPL. The equity component is not re-measured.

If the convertible instrument is converted, the liability component, together with the equity component, are transferred to equity. If the convertible instrument is redeemed, the consideration paid and transaction fees for the redemption are allocated to the liability and equity components. The method used to allocate the consideration and transaction costs is the same as that used for issuance. After allocating the consideration and transaction costs, the difference between the allocated and carrying amounts is charged to profit and loss if it relates to the liability component or directly recognised in equity if it relates to the equity component.

(27) Preference shares and perpetual bonds

At initial recognition, the Group classifies the preference shares, perpetual bonds issued or their components as financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial liabilities and equity instruments. Preference shares and perpetual bonds issued containing both equity and liability components are accounted for using the accounting policy for convertible instruments containing an equity component.

Preference shares and perpetual bonds issued that should be classified as equity instruments are recognised in equity based on the actual amount received. Any distribution of dividends or interests during the instrument's duration is treated as profit appropriation. When the preference shares and perpetual bonds are redeemed according to the contractual terms, the redeemed amount is charged to equity.

(28) Cash and cash equivalents

Cash and cash equivalents refer to monetary assets, which are short-term, highly liquid, readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents comprise cash, unrestricted balances with central banks, amounts due from banks and other financial institutions and reverse repurchase agreements with original maturity of less than three months.

(29) Revenue recognition

Interest income

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as financial assets measured at FVTOCI, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, where appropriate, to the gross carrying amount of the financial asset, or the amortised cost of financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not expected credit losses.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets and is recognised as interest income, except for:

(i) purchased or originated credit-impaired financial assets, whose interest income is calculated, since initial recognition, by applying the credit adjusted effective interest rate to their amortised cost; and

(ii) purchased or originated financial assets that are not credit-impaired but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets quality improve so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

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 recognised 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 recognised when its performance obligation in contracts is satisfied.

(i) The Group recognises 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; or
- 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.

(ii) In other cases, the Group recognises revenue at a point in time at which a customer obtains control of the promised services.

Dividend income

Dividend income is recognised when the Group's right to receive payment is established, it is probable that the related economic benefits will flow to the Group and the related income can be reliably measured.

(30) Employee benefits

Employee benefits refer to all forms of consideration and other related expenditure given by the Group in exchange for services rendered by employees. The benefits payable are recognised as liabilities during the period in which the employees have rendered services to the Group. If the effect of discounting the benefits payable which are payable after one year from the end of the reporting period is significant, the Group will present them at their present value.

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 at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

All eligible employees outside Chinese mainland participate in local defined contribution schemes. The Group contributes to these defined contribution schemes based on the requirements of the local regulatory bodies and charge to profit or loss or included in the cost of assets where appropriate.

Post-employment benefits-defined contribution plans

Pursuant to the relevant laws and regulations of the PRC, the Group participates in a defined contribution basic pension insurance and unemployment insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance and unemployment insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance and unemployment insurance contributions are recognised as liabilities with a corresponding charge to profit or loss or included in the cost of assets where appropriate as the related services are rendered by the employees.

In addition, employees in Chinese mainland also participate in a defined contribution retirement benefit plan established by the Group (the "Annuity Plan"). The Group and its employees are required to contribute a certain percentage of the employees' previous year basic salaries to the Annuity Plan. The Group pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions if the Annuity Plan does not hold sufficient assets to pay all employee benefits. The contribution is charged to profit or loss when it is incurred.

Termination benefits

Termination benefits are payable as a result of either the Group's decision to terminate an employee's employment before the due date of labor contract or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Group recognises termination benefits in profit or loss at the earlier of:

— when the Group can no longer withdraw an offer of those benefits;

— when the Group has a specific, formal restructure plan involving payment of termination benefits, and the plan has started or informed each affected party about the influence of the plan, therefore each party formed reasonable expectations.

Early retirement benefits

According to the Bank's policy on early retirement benefits, certain employees are entitled to take leave of absence and in return receive a certain level of staff salaries and related benefits from the Bank. The salaries and benefit payments are made from the date of early retirement to the normal retirement date. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss.

(31) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the statement of profit or loss except that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of each reporting period.

Deferred tax

Deferred tax is provided using the balance sheet liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(i) where the taxable temporary difference arises from the initial recognition of goodwill;

(ii) where the taxable temporary difference arises from the initial recognition of assets and liabilities in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income (or deductible expenses).

In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax liabilities are recognised except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except that deferred tax assets are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction and that:

(i) transaction is not a business combination;

(ii) at the time of the transaction, it affects neither the accounting profit nor taxable income (or deductible expenses).

In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, and reflect the corresponding tax effect.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilised. When it is virtually probable that sufficient taxable income will be available, the reduced amount can be reversed accordingly.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(32) Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders in general meetings and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Bank. A dividend for the year that is approved after the end of the reporting period is disclosed as an event after the reporting period.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management is required to make judgements, estimates and assumptions of the effects of uncertain future events on the financial statements. The most significant use of judgements, estimates and assumptions concerning the uncertainty of the future at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Measurement of the ECL allowance

The measurement of the ECL allowance for financial assets measured at amortised cost and FVTOCI and with exposure arising from 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). Refer to Note 49(a) credit risk for the explanation of the inputs, assumptions and estimation techniques used in measuring ECL.

Impairment of goodwill

The Group assesses whether goodwill is impaired at least on an annual basis and when circumstances indicate that the carrying value may be impaired. The Group allocates the goodwill to the CGU or group of CGUs and makes an estimate of the expected future cash flows from the CGU or group of CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Income tax

Determining income tax provisions requires the Group to estimate the future tax treatment of certain transactions. The Group evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

Fair value of financial instruments

If the market for a financial instrument is not active, the Group determines the fair value by using valuation technique, including using recent arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Valuation technique makes maximum use of observable market input. However, where observable market inputs are not available, management makes estimates on such unobservable market inputs.

Determination of control over investees

Management applies its judgement to determine whether the control indicators set out in Note 4(2) indicate that the Group controls securitisation vehicles, wealth management products, investment funds, trust plans, asset management plans and asset-backed securities.

Securitisation vehicles

Certain securitisation vehicles sponsored by the Group under its securitisation programme are run according to predetermined criteria at the initial set up of the vehicles. In addition, the Group is exposed to variability of returns from the vehicles through holding interests in the vehicles and the day-to-day servicing of the underlying assets in the vehicles which is carried out by the Group under a servicing contract. Key decisions are usually required only when underlying assets go into default. Therefore, in considering whether it has control, the Group considers whether it can use its power to influence these vehicles' returns.

Wealth management products, investment funds, trust plans, asset management plans and asset-backed securities

The Group acts as manager or investor in a number of wealth management products, investment funds, trust plans, asset management plans and assets-backed securities. When assessing whether the Group controls such a structured entity, the Group would determine whether it exercises the decision-making rights as a principal or an agent and usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity. The Group would also determine whether another entity with decision-making rights is acting as an agent for it.

6. NET INTEREST INCOME

	2021	2020
Interest income on:		
Loans and advances to customers:	832,136	766,407
Corporate loans and advances	467,973	436,520
Personal loans	353,733	318,272
Discounted bills	10,430	11,615
Financial investments	262,827	243,545
Due from central banks	42,027	42,022
Due from banks and other financial institutions (i)	25,228	40,547
	1,162,218	1,092,521
Interest expense on:		
Due to customers	(397,625)	(364,173)
Due to banks and other financial institutions (ii)	(44,387)	(51,477)
Debt securities issued and certificates of deposit	(29,526)	(30,106)
	(471,538)	(445,756)
Net interest income	690,680	646,765

(i) Includes interest income on reverse repurchase agreements.

(ii) Includes interest expense on due to central banks and repurchase agreements.

The above interest income and expense are related to financial instruments which are not measured at fair value through profit or loss.

7. NET FEE AND COMMISSION INCOME

	2021	2020
Settlement, clearing business and cash management	41,270	39,101
Personal wealth management and private banking services (i)	30,001	29,630
Investment banking business	22,416	21,460
Bank card business	16,679	18,623
Corporate wealth management services (i)	15,165	15,554
Guarantee and commitment business	9,756	10,101
Asset custody business (i)	8,738	7,545
Trust and agency services (i)	1,808	1,617
Other	2,894	3,037
Fee and commission income	148,727	146,668
Fee and commission expense	(15,703)	(15,453)
Net fee and commission income	133,024	131,215

(i) Included in personal wealth management and private banking services, corporate wealth management services, asset custody business and trust and agency services above is an amount of RMB20,999 million (2020: RMB16,584 million) with respect to trust and other fiduciary activities for 2021.

8. NET TRADING INCOME

	2021	2020
Debt securities	6,781	5,964
Derivatives and other	2,370	(6,938)
Equity investments	(196)	3,196
	8,955	2,222

The above amounts mainly include gains and losses arising from the buying and selling of, the interest income and expense on, and the changes in fair value of financial assets and liabilities held for trading.

9. NET GAINS ON FINANCIAL INVESTMENTS

	2021	2020
Dividend income from equity investments designated as at FVTOCI, including:	3,388	2,355
Derecognised during the year	291	133
Held at the year end	3,097	2,222
Gains on financial instruments measured at FVTPL, net, including:	10,739	7,402
Net losses on financial instruments designated as at FVTPL	(17,674)	(8,859)
Net gains on disposal of financial instruments measured at FVTOCI, net	2,084	2,389
Other	229	(317)
	16,440	11,829

10. OTHER OPERATING INCOME, NET

	2021	2020
Net premium income	46,024	47,573
Operating cost of insurance business	(49,706)	(53,366)
Lease income	13,016	12,756
Net gains on disposal of property and equipment, repossessed assets and other	2,182	1,323
Other	265	(242)
	11,781	8,044

11. OPERATING EXPENSES

	2021	2020
Staff costs:		
Salaries and bonuses	90,250	82,416
Staff benefits	30,800	29,915
Post-employment benefits — defined contribution plans (i)	18,313	14,241
	139,363	126,572
Property and equipment expenses:		
Depreciation charge for property and equipment	14,596	13,689
Depreciation charge for right-of-use assets and other leasing expense	8,173	8,348
Repairs and maintenance charges	4,106	4,086
Utility expenses	1,947	1,837
	28,822	27,960
Amortisation	3,125	2,607
Other administrative expenses (ii)	26,539	25,686
Taxes and surcharges	9,318	8,524
Other	29,060	15,236
	236,227	206,585

(i) The defined contribution plans mainly include pension insurance, unemployment insurance and the Annuity Plan.

(ii) The principal auditor's remuneration of RMB183 million for the year (2020: RMB224 million) is included in other administrative expenses.

12. DIRECTORS' AND SUPERVISORS' REMUNERATION

Details of the directors' and supervisors' remuneration before tax, as disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance, are as follows:

		Year ended 31 December 2021			
Name	Position	Remuneration paid before tax RMB'000 (1)	Contribution by the employer to social insurance, housing allowance, annuities, and additional medical insurances RMB'000 (2)	Fees RMB'000 (3)	Total remuneration before tax RMB'000 (4)=(1)+(2)+(3)
Chen Siqing	Chairman, Executive Director	619	201	–	820
Liao Lin (i)	Vice Chairman, Executive Director, President	614	197	–	811
Huang Liangbo (ii)	Chairman of the Board of Supervisors	310	100	–	410
Zheng Guoyu (iii)	Executive Director, Senior Executive Vice President	186	65	–	251
Wang Jingwu (iv)	Executive Director, Senior Executive Vice President, Chief Risk Officer	557	194	–	751
Lu Yongzhen	Non-executive Director	–	–	–	–
Feng Weidong	Non-executive Director	–	–	–	–
Cao Liqun	Non-executive Director	–	–	–	–
Chen Yifang (v)	Non-executive Director	–	–	–	–
Dong Yang (vi)	Non-executive Director	–	–	–	–
Anthony Francis Neoh	Independent Non-executive Director	–	–	520	520
Yang Siu Shun	Independent Non-executive Director	–	–	470	470
Shen Si	Independent Non-executive Director	–	–	470	470
Nout Wellink	Independent Non-executive Director	–	–	470	470
Fred Zuliu Hu	Independent Non-executive Director	–	–	410	410
Zhang Wei	Shareholder Supervisor	939	278	–	1,217
Huang Li	Employee Supervisor	–	–	50	50
Wu Xiangjiang	Employee Supervisor	–	–	50	50
Shen Bingxi	External Supervisor	–	–	–	–
Zhang Jie (vii)	External Supervisor	–	–	24	24
Yang Guozhong (viii)	Former Chairman of the Board of Supervisors	104	33	–	137
Zheng Fuqing (ix)	Former Non-executive Director	–	–	–	–
Mei Yingchun (x)	Former Non-executive Director	–	–	–	–
Qu Qiang (xi)	Former External Supervisor	–	–	163	163
Total		3,329	1,068	2,627	7,024

Note: Since January 2015, the remuneration to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors and other executives of the Bank has followed the State's policies relating to the remuneration reform on executives of central enterprises.

The total compensation packages for the Chairman of the Board of Directors, President, Chairman of the Board of Supervisors, Executive Directors, and Shareholder Representative Supervisors of the Bank have not been finalised in accordance with the regulations of the PRC relevant authorities. The remuneration not yet accrued is not expected to have a significant impact on the Group's 2021 consolidated financial statements. The total compensation packages will be further disclosed when determined by the relevant authorities.

In accordance with applicable national regulations, the incentive income for 2018–2020 was paid to the Chairman, the President and Senior Executive Vice President of the Bank in 2021 based on their specific tenure and performance appraisal results. Accordingly, the Bank accrued RMB16 thousand, RMB9 thousand and RMB7 thousand for Mr. Chen Siqing, Mr. Liao Lin and Mr. Wang Jingwu respectively, as additional contribution to the Annuity Plan in 2021.

Fees of Mr. Huang Li and Mr. Wu Xiangjiang are their allowances obtained as Employee Supervisors of the Bank, excluding their remuneration with the Bank in accordance with the employee remuneration system.

As at the approval date of these financial statements, changes of directors and supervisors of the Bank were as follows:

(i) On 25 February 2021, the Board of Directors elected Mr. Liao Lin as Vice Chairman of the Bank and appointed Mr. Liao Lin as President of the Bank, and his qualification was approved by CBIRC in March 2021. Mr. Liao Lin ceased to act as Chief Risk Officer of the Bank after he took office as President.

(ii) At the First Extraordinary General Meeting of 2021 held on 29 July 2021, Mr. Huang Liangbo was elected as Shareholder Supervisor of the Bank, and his term of office as Shareholder Supervisor of the Bank started from the day of approval by the Shareholders' General Meeting, and his term of office as Chairman of the Board of Supervisors of the Bank took effect simultaneously.

(iii) On 24 September 2021, the Board of Directors appointed Mr. Zheng Guoyu as Senior Executive Vice President of the Bank. At the Second Extraordinary General Meeting of 2021 held on 25 November 2021, Mr. Zheng Guoyu was elected as Executive Director of the Bank, and his qualification was approved by CBIRC in December 2021.

(iv) At the First Extraordinary General Meeting of 2021 held on 29 July 2021, Mr. Wang Jingwu was elected as Executive Director of the Bank, and his qualification was approved by CBIRC in September 2021. On 24 September 2021, the Board of Directors appointed Mr. Wang Jingwu as Chief Risk Officer of the Bank.

(v) At the Annual General Meeting for the Year 2020 held on 21 June 2021, Ms. Chen Yifang was elected as Non-executive director of the Bank, and her qualification was approved by CBIRC in August 2021.

(vi) At the Second Extraordinary General Meeting of 2021 held on 25 November 2021, Mr. Dong Yang was elected as Non-executive Director of the Bank, and his qualification was approved by CBIRC in January 2022.

(vii) At the Second Extraordinary General Meeting of 2021 held on 25 November 2021, Mr. Zhang Jie was elected as External Supervisor of the Bank, and his term of office as External Supervisor of the Bank started from the day of approval by the Shareholders' General Meeting.

(viii) In March 2021, Mr. Yang Guozhong ceased to act as Shareholder Supervisor and Chairman of the Board of Supervisors of the Bank due to change of job assignments.

(ix) In January 2022, Mr. Zheng Fuqing ceased to act as Non-executive Director of the Bank due to expiration of his term of office.

(x) In February 2021, Ms. Mei Yingchun ceased to act as Non-executive Director of the Bank due to expiration of her term of office.

(xi) In November 2021, Mr. Qu Qiang ceased to act as External Supervisor of the Bank due to change of job assignments.

		Year ended 31 December 2020						
Name	Position	Fees RMB'000 (1)	Remuneration RMB'000 (2)	Discretionary bonuses RMB'000 (3)	Contribution by the employer to social insurance, housing allowance, annuities and additional medical insurances RMB'000 (4)	Total emoluments before tax RMB'000 (5)=(1)+(2)+(3)+(4)	Of which: deferred payment RMB'000 (6)	Actual amount of remuneration paid before tax RMB'000 (7)=(5)-(6)
Chen Siqing	Chairman, Executive Director	–	354	498	159	1,011	–	1,011
Liao Lin (i)	Vice Chairman, Executive Director, President	–	319	448	154	921	–	921
Lu Yongzhen	Non-executive Director	–	–	–	–	–	–	–
Zheng Fuqing	Non-executive Director	–	–	–	–	–	–	–
Feng Weidong	Non-executive Director	–	–	–	–	–	–	–
Cao Liqun	Non-executive Director	–	–	–	–	–	–	–
Anthony Francis Neoh	Independent Non-executive Director	520	–	–	–	520	–	520
Yang Siu Shun	Independent Non-executive Director	470	–	–	–	470	–	470
Shen Si (ii)	Independent Non-executive Director	470	–	–	–	470	–	470
Nout Wellink	Independent Non-executive Director	470	–	–	–	470	–	470
Fred Zuliu Hu	Independent Non-executive Director	410	–	–	–	410	–	410
Zhang Wei	Shareholder Supervisor	–	580	1,285	234	2,099	515	1,584
Huang Li	Employee Supervisor	50	–	–	–	50	–	50
Wu Xiangjiang (iii)	Employee Supervisor	13	–	–	–	13	–	13
Qu Qiang	External Supervisor	250	–	–	–	250	–	250
Shen Bingxi	External Supervisor	–	–	–	–	–	–	–
Gu shu (iv)	Former Vice Chairman of the Board of Directors, Executive Director, President	–	354	498	159	1,011	–	1,011
Yang Guozhong (v)	Former Chairman of the Board of Supervisors	–	354	498	159	1,011	–	1,011
Hu Hao	Former Executive Director, Senior Executive Vice President	–	27	37	13	77	–	77
Ye Donghai	Former Non-executive Director	–	–	–	–	–	–	–
Mei Yingchun (vi)	Former Non-executive Director	–	–	–	–	–	–	–
Dong Shi	Former Non-executive Director	–	–	–	–	–	–	–
Sheila Colleen Bair (vii)	Former Independent Non-executive Director	115	–	–	–	115	–	115
Hui Ping (viii)	Former Employee Supervisor	37	–	–	–	37	–	37
		2,805	1,988	3,264	878	8,935	515	8,420

Note: Since January 2015, the remuneration to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors and other executives of the Bank has followed the State's policies relating to the remuneration reform on executives of central enterprises.

The remuneration before tax payable to Directors and Supervisors for 2020 set out in the table above represents the total amount of annual remuneration for each of these individuals, which include the amounts disclosed in the 2020 Annual Report.

Pursuant to the PRC relevant regulations, a portion of the discretionary bonus payments for the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors, Executive Directors and other senior management members are deferred based on the future performance.

Fees of Mr. Huang Li, Mr. Wu Xiangjiang and Mr. Hui Ping were their allowances obtained as Employee Supervisors of the Bank, excluding their remuneration with the Bank in accordance with the employee remuneration system.

As at the approval date of the consolidated financial statements for the year ended 31 December 2020, changes of directors and supervisors of the Bank were as follows:

(i) At the Annual General Meeting of the Bank for the Year 2019 held on 12 June 2020, Mr. Liao Lin was elected as Executive Director of the Bank, and his qualification was approved by CBIRC in July 2020. On 25 February 2021, the Board of Directors of the Bank elected Mr. Liao Lin as Vice Chairman of the Bank and appointed Mr. Liao Lin as President of the Bank, and his qualification was approved by CBIRC in March 2021. Mr. Liao Lin ceased to act as Chief Risk Officer of the Bank after he took office as President.

(ii) At the Annual General Meeting of the Bank for the Year 2019 held on 12 June 2020, Mr. Shen Si was re-elected as Independent Non-executive Director of the Bank, and his new term of office started from the day of approval at the Annual General Meeting.

(iii) At the special meeting of the first session of employee representative assembly of the Bank held on 15 September 2020, Mr. Wu Xiangjiang was elected as Employee Supervisor of the Bank, and his term of office started from the day of approval by the employee representative assembly.

(iv) In December 2020, Mr. Gu Shu ceased to act as Vice Chairman, Executive Director and President of the Bank due to change of job assignments.

(v) At the First Extraordinary General Meeting of 2020 held on 8 January 2020, Mr. Yang Guozhong was elected as Shareholder Supervisor of the Bank, and his new term of office started from the day of approval by the Shareholders' General Meeting, and his term of office as Chairman of the Board of Supervisors of the Bank took effect simultaneously. In March 2021, Mr. Yang Guozhong ceased to act as Shareholder Supervisor and Chairman of the Board of Supervisors of the Bank due to change of job assignments.

(vi) In February 2021, Ms. Mei Yingchun ceased to act as Non-executive Director of the Bank due to expiration of her term of office.

(vii) In March 2020, Ms. Sheila Colleen Bair ceased to act as Independent Non-executive Director of the Bank due to expiration of her term of office.

(viii) In September 2020, Mr. Hui Ping ceased to act as Employee Supervisor of the Bank due to his age.

The Non-executive Directors of the Bank who were recommended by Huijin received emoluments from Huijin in respect of their services during the year.

In 2021, there was no arrangement under which a Director or a Supervisor of the Bank waived or agreed to waive any remuneration (2020: Nil).

In 2021, no emolument was paid by the Group to any of the Directors or Supervisors as an inducement to join or upon joining the Group or as a compensation for loss of office (2020: Nil).

13. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group are employees of the Bank's subsidiaries. Their emoluments were determined based on the prevailing market rates in the respective countries/regions where the subsidiaries are operating. None of them are directors, supervisors or key management personnel of the Bank whose emoluments are disclosed in notes 12 and 47(g) to the consolidated financial statements. Details of the emoluments in respect of the five highest paid individuals are as follows:

	2021 RMB'000	2020 RMB'000
Salaries and allowances	15,998	15,889
Discretionary bonuses	66,495	39,256
Other	349	8,772
	82,842	63,917

The number of these individuals whose emoluments fell within the following bands is set out below:

	Number of employees	
	2021	2020
RMB10,500,001 Yuan to RMB11,000,000 Yuan	1	2
RMB11,000,001 Yuan to RMB11,500,000 Yuan	1	–
RMB11,500,001 Yuan to RMB12,000,000 Yuan	1	–
RMB13,500,001 Yuan to RMB14,000,000 Yuan	–	1
RMB14,000,001 Yuan to RMB14,500,000 Yuan	–	1
RMB14,500,001 Yuan to RMB15,000,000 Yuan	–	1
RMB23,500,001 Yuan to RMB24,000,000 Yuan	1	–
RMB25,000,001 Yuan to RMB25,500,000 Yuan	1	–
	5	5

In 2021, no emoluments were paid by the Group to any of these non-director and non-supervisor individuals as an inducement to join or upon joining the Group (2020: Nil).

14. IMPAIRMENT LOSSES ON ASSETS

	2021	2020
Loans and advances to customers (note 23)	168,267	171,830
Other	34,356	30,838
	202,623	202,668

15. INCOME TAX EXPENSE

(a) Income tax expense

	2021	2020
Current income tax expense:		
Chinese mainland	79,459	74,022
Hong Kong SAR and Macau SAR	1,768	1,776
Other overseas jurisdictions	1,950	2,347
	83,177	78,145
Deferred income tax expense	(8,494)	(3,704)
	74,683	74,441

(b) Reconciliation between income tax and accounting profit

PRC statutory income tax rate is 25%. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries/regions in which the Group operates in. The Group has reconciled income tax expense applicable to profit before taxation at the PRC statutory income tax rate to actual income tax expense for the Group as follows:

	2021	2020
Profit before taxation	424,899	392,126
Tax at the PRC statutory income tax rate	106,225	98,032
Effects of different applicable rates of tax prevailing in other countries/regions	(827)	(1,521)
Effects of non-deductible expenses (i)	22,319	20,478
Effects of non-taxable income (ii)	(51,427)	(42,803)
Effects of profits attributable to associates and joint ventures	(717)	(326)
Effects of other	(890)	581
Income tax expense	74,683	74,441

(i) The non-deductible expenses mainly represent non-deductible impairment provision and write-offs.

(ii) The non-taxable income mainly represents interest income arising from the PRC government bonds and municipal debts.

16. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

The consolidated profit attributable to equity holders of the parent company for the year ended 31 December 2021 includes a profit of RMB323,100 million (2020: RMB304,267 million) which has been dealt with in the financial statements of the Bank (Note 51).

17. DIVIDENDS

	2021	2020
Dividends on ordinary shares declared and paid:		
Final dividend on ordinary shares for 2020: RMB0.2660 per share (2019: RMB0.2628 per share)	94,804	93,664
Dividends or interests declared and paid to other equity instrument holders:		
Dividends on preference shares	6,047	5,279
Interests on perpetual bonds	3,560	3,560
	9,607	8,839

	2021	2020
Dividends on ordinary shares proposed for approval (not recognised as at 31 December):		
Final dividend on ordinary shares for 2021: RMB0.2933 per share (2020: RMB0.2660 per share)	104,534	94,804

18. EARNINGS PER SHARE

	2021	2020
Earnings:		
Profit for the year attributable to equity holders of the parent company	348,338	315,906
Less: Profit for the year attributable to other equity instrument holders of the parent company	(9,607)	(8,839)
Profit for the year attributable to ordinary shareholders of the parent company	338,731	307,067
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	356,407	356,407
Basic earnings per share (RMB yuan)	0.95	0.86
Diluted earnings per share (RMB yuan)	0.95	0.86

Basic and diluted earnings per share were calculated using the profit for the year attributable to ordinary shareholders of the parent company divided by the weighted average number of ordinary shares in issue.

19. CASH AND BALANCES WITH CENTRAL BANKS

	31 December 2021	31 December 2020
Cash on hand	62,872	64,833
Balances with central banks		
Mandatory reserves (i)	2,459,402	2,601,657
Surplus reserves (ii)	338,551	619,968
Fiscal deposits and other	236,211	249,836
Accrued interest	1,402	1,501
	3,098,438	3,537,795

(i) The Group is required to place mandatory reserve deposits and other restricted deposits with the PBOC and certain central banks of overseas countries or regions where it has operations. They are not available for use in the Group's daily operations. As at 31 December 2021, the mandatory deposit reserve ratios of the domestic branches of the Bank in respect of customer deposits denominated in RMB and foreign currencies were 10%(31 December 2020: 11%) and 9% (31 December 2020: 5%) respectively. The mandatory reserve funds placed by domestic subsidiaries of the Group are determined by the PBOC. The amounts of mandatory reserve deposits placed with the central banks of those countries or regions outside Chinese mainland are determined by local jurisdictions.

(ii) Surplus reserves with the PBOC include funds for the purpose of cash settlement and other kinds of unrestricted deposits.

20. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2021	31 December 2020
Deposits with banks and other financial institutions:		
Banks operating in Chinese mainland	243,440	433,575
Other financial institutions operating in Chinese mainland	10,508	2,728
Banks and other financial institutions operating outside Chinese mainland	90,511	82,807
Accrued interest	2,347	4,294
	346,806	523,404
Less: Allowance for impairment losses	(349)	(491)
	346,457	522,913
Placements with banks and other financial institutions:		
Banks operating in Chinese mainland	97,106	88,934
Other financial institutions operating in Chinese mainland	188,935	204,585
Banks and other financial institutions operating outside Chinese mainland	192,030	262,922
Accrued interest	3,364	3,279
	481,435	559,720
Less: Allowance for impairment losses	(742)	(736)
	480,693	558,984
	827,150	1,081,897

21. DERIVATIVE FINANCIAL INSTRUMENTS

A derivative is a financial instrument, the value of which changes in response to the changes in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instruments including forwards, swaps, options and futures.

The notional amount of a derivative represents the underlying amount of the specific financial instruments mentioned above. It indicates the volume of business transacted by the Group but does not reflect the risk.

The notional amounts and fair values of derivative financial instruments held by the Group are set out below:

	31 December 2021			31 December 2020		
	Notional amounts	Fair values		Notional amounts	Fair values	
		Assets	Liabilities		Assets	Liabilities
Exchange rate contracts	5,107,815	44,956	(41,578)	5,779,609	95,260	(91,559)
Interest rate contracts	2,018,010	15,706	(15,457)	2,199,849	23,002	(25,248)
Commodity derivatives and other	975,169	15,478	(14,302)	804,987	15,893	(24,166)
	8,100,994	76,140	(71,337)	8,784,445	134,155	(140,973)

(1) Cash flow hedges

The Group's cash flow hedges consist of interest rate swap contracts, currency swap contracts, equity and other derivatives that are used to protect against exposures to variability of future cash flows.

Included in the above derivative financial instruments, those designated as hedging instruments in cash flow hedges are set out below:

	31 December 2021						
	Notional amounts with remaining maturity of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	64	2,878	5,283	127	8,352	8	(146)
Currency swap contracts	47,204	43,049	1,391	–	91,644	436	(948)
Equity and other derivatives	4,383	1,243	49	4	5,679	–	(96)
	51,651	47,170	6,723	131	105,675	444	(1,190)

	31 December 2020						
	Notional amounts with remaining maturity of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	209	15,909	8,730	239	25,087	61	(546)
Currency swap contracts	71,490	77,779	1,211	–	150,480	4,150	(1,243)
Equity derivatives	29	3	33	3	68	–	(15)
	71,728	93,691	9,974	242	175,635	4,211	(1,804)

Details of the Group's hedged risk exposures in cash flow hedges and the corresponding effect on equity are as follows:

	31 December 2021			
	Carrying amount of hedged items		Hedging instruments	
	Assets	Liabilities	Effect on other comprehensive income during the current year	Accumulated effect on other comprehensive income
Debt securities (i)	19,617	(35,786)	192	161
Loans and advances to customers	4,708	–	74	(8)
Other (ii)	14,027	(28,533)	108	(4,416)
	38,352	(64,319)	374	(4,263)

(i) Debt securities are included in financial investments measured at FVTOCI, financial investments measured at amortised cost and debt securities issued.

(ii) Other hedged items are included in due from banks and other financial institutions, other assets, due to banks and other financial institutions, customer deposits and other liabilities.

	31 December 2020			
	Carrying amount of hedged items		Hedging instruments	
	Assets	Liabilities	Effect on other comprehensive income during the current year	Accumulated effect on other comprehensive income
Debt securities (i)	58,998	(14,779)	(62)	(31)
Loans and advances to customers	2,278	–	(65)	(82)
Other (ii)	58,190	(308,298)	(19)	(4,524)
	119,466	(323,077)	(146)	(4,637)

(i) Debt securities are included in financial investments measured at FVTOCI, financial investments measured at amortised cost and debt securities issued.

(ii) Other hedged items are included in due from banks and other financial institutions, other assets, due to banks and other financial institutions, certificates of deposit, customer deposits and other liabilities.

There was no ineffectiveness recognised in profit or loss that arises from the cash flow hedges in 2021 (2020: Nil).

(2) Fair value hedges

Fair value hedges are used by the Group to protect against changes in fair value of financial assets and financial liabilities due to movements in market interest rates. The Group mainly used interest rate swaps as hedging instruments to hedge the interest risk of financial assets and financial liabilities.

The changes in fair value of the hedging instruments and net gains or losses arising from the hedged risk relating to the hedged items are set out below:

	2021	2020
Gain/(loss) arising from fair value hedges, net:		
Hedging instruments	2,207	(1,486)
Hedged risk relating to the hedged items	(2,258)	1,437
	(51)	(49)

Included in the above derivative financial instruments, those designated as hedging instruments in fair value hedges are interest rate swaps and the details are set out below:

	Notional amounts with remaining maturity of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
31 December 2021	4,623	7,187	41,439	21,108	74,357	627	(1,071)
31 December 2020	3,074	31,267	38,119	24,984	97,444	277	(3,119)

Details of the Group's hedged risk exposures in fair value hedges are set out below:

	31 December 2021			
	Carrying amount of hedged items		Accumulated adjustments to the fair value of hedged items	
	Assets	Liabilities	Assets	Liabilities
Debt securities (i)	62,768	(339)	21	(3)
Loans and advances to customers	2,441	–	(21)	–
Other (ii)	955	(6,954)	(1)	59
	66,164	(7,293)	(1)	56

(i) Debt securities are included in financial investments measured at FVTOCI, financial investments measured at amortised cost and debt securities issued.

(ii) Other hedged items are included in due from banks and other financial institutions, repurchase agreements and customer deposits.

	31 December 2020			
	Carrying amount of hedged items		Accumulated adjustments to the fair value of hedged items	
	Assets	Liabilities	Assets	Liabilities
Debt securities (i)	58,827	(5,062)	6,908	(237)
Loans and advances to customers	5,435	–	1,462	–
Other (ii)	13,289	(10,028)	166	68
	77,551	(15,090)	8,536	(169)

(i) Debt securities are included in financial investments measured at FVTOCI, financial investments measured at amortised cost and debt securities issued.

(ii) Other hedged items are included in reverse repurchase agreements, due to banks and other financial institutions, repurchase agreements and certificates of deposit.

(3) Net investment hedges

The Group's consolidated statement of financial position is affected by exchange differences between the functional currency of the Bank and functional currencies of its branches and subsidiaries. The Group hedges such exchange exposures under certain circumstances. Hedging is undertaken by using customer deposits taken in the same currencies as the functional currencies of related branches and subsidiaries which are accounted for as hedges of certain net investments in foreign operations.

As at 31 December 2021, an accumulated net gains from the hedging instrument of RMB1,650 million was recognised in other comprehensive income (31 December 2020: accumulated net gains of RMB889 million). As at 31 December 2021, there was no ineffectiveness in profit or loss that arises from the net investment hedges (31 December 2020: Nil).

(4) Offsetting of financial instruments

In accordance with the principle of offsetting financial instruments, the Group offsets certain derivative financial assets and derivative financial liabilities, and presents the net amounts after offsetting in the financial statements.

	31 December 2021		31 December 2020	
	Gross amounts	Net amounts	Gross amounts	Net amounts
Derivative financial assets	36,220	25,442	48,896	37,045
Derivative financial liabilities	41,792	31,014	51,690	39,839

(5) Counterparty credit risk-weighted assets of derivative financial instruments

The credit risk-weighted assets in respect of the above derivatives of the Group as at the end of the reporting period are as follows:

	31 December 2021	31 December 2020
Counterparty credit default risk-weighted assets	126,653	147,747
Including: Non-netting settled credit default risk-weighted assets	120,128	76,703
Netting settled credit default risk-weighted assets	6,525	71,044
Credit value adjustment risk-weighted assets	67,911	48,366
Central counterparties credit risk-weighted assets	1,751	2,351
	196,315	198,464

The credit risk-weighted assets of derivative financial instruments were calculated with reference to Regulation Governing Capital of Commercial Banks (Provisional).

22. REVERSE REPURCHASE AGREEMENTS

	31 December 2021	31 December 2020
Measured at amortised cost:		
Reverse repurchase agreements-bills	96,863	186,189
Reverse repurchase agreements-securities	409,047	398,535
Accrued interest	59	69
Less: Allowance for impairment losses	(128)	(117)
	505,841	584,676
Measured at FVTPL:		
Reverse repurchase agreements-securities	114,994	126,192
Cash advanced as collateral on securities borrowing	42,661	28,420
	157,655	154,612
	663,496	739,288

(i) Based on master repurchase agreements and related supplementary agreements, the Group offsets certain reverse repurchase agreements and repurchase agreements, and presents net asset (or liability) amounts as reverse repurchase agreements (or repurchase agreements) in the consolidated financial statements in accordance with the accounting policy of offsetting.

	31 December 2021		31 December 2020	
	Gross amounts	Net amounts	Gross amounts	Net amounts
Reverse repurchase agreements	236,536	104,765	203,791	116,390
Repurchase agreements	263,394	131,623	218,583	131,182

(ii) As part of the reverse repurchase agreements, the Group has received securities that it is allowed to sell or repledge in the absence of default by their owners. As at 31 December 2021, the Group had received securities with a fair value of approximately RMB143,559 million on such terms (31 December 2020: RMB184,324 million). Of these, securities with a fair value of approximately RMB107,698 million had been repledged under repurchase agreements (31 December 2020: RMB119,984 million). The Group has an obligation to return the securities to its counterparties at the maturity of the contract. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral.

23. LOANS AND ADVANCES TO CUSTOMERS

23.1 Loans and advances to customers by type of measurement:

	31 December 2021	31 December 2020
Measured at amortised cost:		
Corporate loans and advances	12,181,841	11,087,741
— Loans	12,000,191	10,913,984
— Finance lease	181,650	173,757
Personal loans	7,944,781	7,115,279
Discounted bills	2,370	3,091
Accrued interest	45,707	42,311
	20,174,699	18,248,422
Less: Allowance for impairment losses of loans and advances to customers measured at amortised cost (note 23.2(a))	(603,764)	(530,300)
	19,570,935	17,718,122
Measured at FVTOCI:		
Corporate loans and advances		
— Loans	9,271	11,078
Discounted bills	525,388	403,205
Accrued interest	12	9
	534,671	414,292
Measured at FVTPL:		
Corporate loans and advances		
— Loans	3,594	3,914
	20,109,200	18,136,328

As at 31 December 2021, the Group's allowance for impairment losses on loans and advances to customers measured at FVTOCI was RMB219 million, refer to note 23.2(b) (31 December 2020: RMB861 million).

23.2 Impairment provision

(a) Movements of the allowance for impairment losses on loans and advances to customers measured at amortised cost are as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	223,703	89,151	217,446	530,300
Transfer:				
— to stage 1	17,860	(15,581)	(2,279)	–
— to stage 2	(9,856)	14,056	(4,200)	–
— to stage 3	(3,534)	(35,319)	38,853	–
Charge for the year	41,831	58,906	67,614	168,351
Write-offs and transfer out	–	–	(100,447)	(100,447)
Recoveries of loans and advances previously written off	–	–	9,020	9,020
Other movements	(628)	(564)	(2,268)	(3,460)
Balance at 31 December 2021	269,376	110,649	223,739	603,764

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	215,316	78,494	184,688	478,498
Transfer:				
— to stage 1	24,002	(22,507)	(1,495)	–
— to stage 2	(6,913)	9,311	(2,398)	–
— to stage 3	(4,838)	(53,754)	58,592	–
(Reverse)/charge for the year	(2,984)	78,244	95,941	171,201
Write-offs and transfer out	–	(7)	(120,317)	(120,324)
Recoveries of loans and advances previously written off	–	–	4,977	4,977
Other movements	(880)	(630)	(2,542)	(4,052)
Balance at 31 December 2020	223,703	89,151	217,446	530,300

(b) Movements of the allowance for impairment losses on loans and advances to customers measured at FVTOCI are as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	211	–	650	861
Transfer:				
— to stage 1	–	–	–	–
— to stage 2	–	–	–	–
— to stage 3	–	–	–	–
Reverse for the year	(13)	–	(71)	(84)
Write-offs and transfer out	–	–	(551)	(551)
Other movements	(7)	–	–	(7)
Balance at 31 December 2021	191	–	28	219

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	227	–	5	232
Transfer:				
— to stage 1	–	–	–	–
— to stage 2	–	–	–	–
— to stage 3	–	–	–	–
(Reverse)/charge for the year	(16)	–	645	629
Other movements	(0)	–	–	(0)
Balance at 31 December 2020	211	–	650	861

24. FINANCIAL INVESTMENTS

		31 December 2021	31 December 2020
Financial investments measured at FVTPL	(a)	623,223	784,483
Financial investments measured at FVTOCI	(b)	1,803,604	1,540,988
Financial investments measured at amortised cost	(c)	6,830,933	6,265,668
		9,257,760	8,591,139

(a) Financial investments measured at FVTPL

	31 December 2021	31 December 2020
Financial investments held for trading		
Debt securities, analysed by type of issuers:		
Governments and central banks	97,364	73,219
Policy banks	12,670	14,794
Banks and other financial institutions	58,218	56,114
Corporate entities	92,666	102,630
	260,918	246,757
Equity investments	9,417	10,497
	270,335	257,254
Financial investments designated as at FVTPL		
Debt securities, analysed by type of issuers:		
Governments and central banks	–	12,858
Policy banks	–	1,755
Banks and other financial institutions	–	3,370
Corporate entities	–	19
	–	18,002
Funds and other investments	21,791	154,776
	21,791	172,778
Other financial investments measured at FVTPL		
Debt securities, analysed by type of issuers:		
Policy banks	11,192	11,082
Banks and other financial institutions	143,637	188,144
Corporate entities	4,536	1,827
	159,365	201,053
Equity investments	81,329	83,231
Funds and other investments	90,403	70,167
	331,097	354,451
	623,223	784,483
Analysed into:		
Debt securities:		
Listed in Hong Kong SAR	3,301	2,802
Listed outside Hong Kong SAR	21,164	30,847
Unlisted	395,818	432,163
	420,283	465,812
Equity investments:		
Listed in Hong Kong SAR	1,783	2,493
Listed outside Hong Kong SAR	31,675	20,122
Unlisted	57,288	71,113
	90,746	93,728
Funds and other investments:		
Listed in Hong Kong SAR	4,044	3,349
Listed outside Hong Kong SAR	1,521	1,226
Unlisted	106,629	220,368
	112,194	224,943
	623,223	784,483

(b) Financial investments measured at FVTOCI

	31 December 2021	31 December 2020
Debt securities, analysed by type of issuers:		
Governments and central banks	653,774	479,505
Policy banks	171,130	169,478
Banks and other financial institutions	310,160	281,215
Corporate entities	551,757	509,422
Accrued interest	17,343	19,398
	1,704,164	1,459,018
Equity investments	99,440	81,970
	1,803,604	1,540,988
Analysed into:		
Debt securities:		
Listed in Hong Kong SAR	119,453	172,667
Listed outside Hong Kong SAR	229,406	219,291
Unlisted	1,355,305	1,067,060
	1,704,164	1,459,018
Equity investments:		
Listed in Hong Kong SAR	2,656	2,385
Listed outside Hong Kong SAR	5,414	8,569
Unlisted	91,370	71,016
	99,440	81,970
	1,803,604	1,540,988

The Group designates certain non-trading equity investments as financial investments measured at FVTOCI. In 2021, dividend income from such equity investments was RMB3,388 million (2020: RMB2,355 million). There was RMB291 million dividend income from equity investments derecognised in 2021 (2020: RMB133 million). In 2021, the value of equity investments disposed of was RMB6,963 million (2020: RMB2,247 million) and the cumulative losses transferred into retained earnings from other comprehensive income after disposal was RMB334 million (2020: cumulative gains of RMB221 million).

Movements of the allowance for impairment loss on financial investments measured at FVTOCI are accounted for in the following way. Allowance for impairment losses on financial investments measured at FVTOCI is recognised in other comprehensive income without decreasing the carrying amount of financial investments presented in the consolidated statement of financial position, and any impairment gain or loss is recognised in the profit or loss.

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	2,206	22	240	2,468
Transfer:				
— to stage 1	–	–	–	–
— to stage 2	(12)	12	–	–
— to stage 3	(44)	–	44	–
Charge for the year	585	322	1,070	1,977
Other movements	(61)	(1)	(13)	(75)
Balance at 31 December 2021	2,674	355	1,341	4,370

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	1,778	80	198	2,056
Transfer:				
— to stage 1	78	(78)	–	–
— to stage 2	(2)	2	–	–
— to stage 3	–	–	–	–
Charge for the year	406	18	48	472
Other movements	(54)	–	(6)	(60)
Balance at 31 December 2020	2,206	22	240	2,468

(c) Financial investments measured at amortised cost

	31 December 2021	31 December 2020
Debt securities, analysed by type of issuers:		
Governments and central banks (i)	5,661,784	5,205,346
Policy banks	559,808	528,587
Banks and other financial institutions (ii)	432,980	370,300
Corporate entities	61,257	46,759
Accrued interest	84,598	78,888
	6,800,427	6,229,880
Other investments (iii)	38,341	40,699
Accrued interest	122	162
	38,463	40,861
	6,838,890	6,270,741
Less: Allowance for impairment losses	(7,957)	(5,073)
	6,830,933	6,265,668
Analysed into:		
Debt securities:		
Listed in Hong Kong SAR	31,439	42,226
Listed outside Hong Kong SAR	147,531	79,031
Unlisted	6,615,869	6,106,393
	6,794,839	6,227,650
Other investments:		
Unlisted	36,094	38,018
	36,094	38,018
	6,830,933	6,265,668
Market value of listed securities	179,807	123,820

Movements of the allowance for impairment losses on financial investments measured at amortised cost are as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	2,234	2,718	121	5,073
Transfer:				
— to stage 1	402	(402)	–	–
— to stage 2	–	–	–	–
— to stage 3	–	–	–	–
Charge/(reverse) for the year	3,008	(116)	–	2,892
Other movements	(5)	–	(3)	(8)
Balance at 31 December 2021	5,639	2,200	118	7,957

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	2,255	1,339	127	3,721
Transfer:				
— to stage 1	3	(3)	–	–
— to stage 2	(19)	19	–	–
— to stage 3	–	–	–	–
Charge/(reverse) for the year	16	1,572	(1)	1,587
Other movements	(21)	(209)	(5)	(235)
Balance at 31 December 2020	2,234	2,718	121	5,073

(i) This includes a special government bond, which is a non-negotiable bond with a nominal value of RMB85,000 million (31 December 2020: RMB85,000 million) issued by the Ministry of Finance of the People's Republic of China (the "MOF") to the Bank in 1998. The bond will mature in 2028 and bears interest at a fixed rate of 2.25% per annum.

(ii) This includes Huarong bonds of RMB90,309 million (31 December 2020: RMB90,309 million). Huarong bonds are a series of long-term bonds issued by China Huarong Asset Management Co., Ltd. ("Huarong") in the year of 2000 and 2001 to the Bank, with an aggregate amount of RMB312,996 million. The proceeds from the issuance of the bonds were used to purchase non-performing loans of the Bank. The bonds are non-negotiable, with a tenure of 10 years and bear interest at a fixed rate of 2.25% per annum. The MOF provides funding support for the repayment of principal and interest of the bonds. In 2010, the Bank received a notice from the MOF that the maturity dates of the Huarong bonds were extended for ten years. In 2020, the Bank received a notice from the MOF to adjust the interest rate of the Huarong bonds, starting from 1 January 2020. Interest rate would be determined on yearly basis with reference to the average level of five-year government bond yield in the previous year. In January 2021, the Bank received notice from the MOF that the maturity dates of Huarong bonds were further extended for ten years. As at 31 December 2021, the Bank had received accumulated early repayments amounting to RMB222,687 million (31 December 2020: RMB222,687 million).

(iii) Other investments include debt investment plans, asset management plans and trust plans with fixed or determinable payments. They will mature from January 2022 to November 2032 and bear interest rates ranging from 4.25% to 6.60% per annum.

25. INVESTMENTS IN SUBSIDIARIES

	31 December 2021	31 December 2020
Listed investments, at cost	2,712	2,712
Unlisted investments, at cost	160,571	144,671
	163,283	147,383

Particulars of the Group's principal subsidiaries as at the end of the reporting period are as follows:

Name	Percentage of equity interest %		Nominal value of issued share/ paid-in capital	Amount invested by the Bank	Place of incorporation/ registration and operations	Principal activities
	31 December 2021	31 December 2020	31 December 2021			
Industrial and Commercial Bank of China (Asia) Limited ("ICBC Asia")	100	100	HKD44,188 million	HKD54,738 million	Hong Kong SAR, the PRC	Commercial banking
ICBC International Holdings Limited ("ICBC International")	100	100	HKD5,963 million	HKD5,963 million	Hong Kong SAR, the PRC	Investment banking
Industrial and Commercial Bank of China (Macau) Limited ("ICBC Macau")	89.33	89.33	MOP589 million	MOP12,064 million	Macau SAR, the PRC	Commercial banking
PT. Bank ICBC Indonesia	98.61	98.61	IDR3,706,100 million	USD361 million	Jakarta, Indonesia	Commercial banking
Industrial and Commercial Bank of China (Malaysia) Berhad	100	100	MYR833 million	MYR833 million	Kuala Lumpur, Malaysia	Commercial banking
Industrial and Commercial Bank of China (Thai) Public Company Limited ("ICBC Thai")	97.86	97.86	THB20,132 million	THB23,711 million	Bangkok, Thailand	Commercial banking
Industrial and Commercial Bank of China (Almaty) Joint Stock Company	100	100	KZT8,933 million	KZT8,933 million	Almaty, Kazakhstan	Commercial banking
Industrial and Commercial Bank of China (New Zealand) Limited ("ICBC New Zealand")	100	100	NZD234 million	NZD234 million	Auckland, New Zealand	Commercial banking
Industrial and Commercial Bank of China (Europe) S.A.	100	100	EUR437 million	EUR437 million	Luxembourg	Commercial banking
ICBC (London) PLC	100	100	USD200 million	USD200 million	London, United Kingdom	Commercial banking
ICBC Standard Bank PLC	60	60	USD1,083 million	USD839 million	London, United Kingdom	Banking
Bank ICBC (Joint stock company)	100	100	RUB10,810 million	RUB10,810 million	Moscow, Russia	Commercial banking
ICBC Turkey Bank Anonim Şirketi	92.84	92.84	TRY860 million	USD425 million	Istanbul, Turkey	Commercial banking
ICBC Austria Bank GmbH	100	100	EUR200 million	EUR200 million	Vienna, Austria	Commercial banking
Industrial and Commercial Bank of China (USA) NA	80	80	USD369 million	USD306 million	New York, United States	Commercial banking
Industrial and Commercial Bank of China Financial Services LLC	100	100	USD50 million	USD50.25 million	Delaware and New York, United States	Broker dealer and margin trading
Industrial and Commercial Bank of China (Canada)	80	80	CAD208 million	CAD218.66 million	Toronto, Canada	Commercial banking
Industrial and Commercial Bank of China Mexico S.A.	100	100	MXN1,597 million	MXN1,597 million	Mexico City, Mexico	Commercial banking
Industrial and Commercial Bank of China (Brasil) S.A.	100	100	Real202 million	Real202 million	Sao Paulo, Brazil	Commercial banking
Industrial and Commercial Bank of China (Argentina) S.A	100	100	ARS28,415 million	USD904 million	Buenos Aires, Argentina	Commercial banking
ICBC Peru Bank ("ICBC Peru")	100	100	USD120 million	USD120 million	Lima, Peru	Commercial banking
ICBC Credit Suisse Asset Management Co., Ltd.*	80	80	RMB200 million	RMB433 million	Beijing, the PRC	Fund management
ICBC Financial Leasing Co., Ltd.* ("ICBC Leasing")	100	100	RMB18,000 million	RMB11,000 million	Tianjin, the PRC	Leasing
ICBC-AXA Assurance Co., Ltd.*	60	60	RMB12,505 million	RMB7,980 million	Shanghai, the PRC	Insurance
ICBC Financial Asset Investment Co., Ltd.* ("ICBC Investment")	100	100	RMB27,000 million	RMB27,000 million	Nanjing, the PRC	Financial asset investment
ICBC Wealth Management Co., Ltd.*	100	100	RMB16,000 million	RMB16,000 million	Beijing, the PRC	Wealth management
Zhejiang Pinghu ICBC Rural Bank Co., Ltd.*	60	60	RMB200 million	RMB120 million	Zhejiang, the PRC	Commercial banking
Chongqing Bishan ICBC Rural Bank Co., Ltd.*	100	100	RMB100 million	RMB100 million	Chongqing, the PRC	Commercial banking

* These subsidiaries incorporated in Chinese mainland are all limited liability companies.

As at 31 December 2021 and 31 December 2020, the Group held 97.98% voting rights of ICBC Thai. Apart from ICBC Thai, voting rights of other subsidiaries of the Group are in line with the Group's equity interests.

The above table lists the principal subsidiaries of the Bank. To give details of other subsidiaries would, in the opinion of the management, result in particulars of excessive length.

There is no subsidiary of the Group which has material non-controlling interests during the reporting period.

26. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	31 December 2021	31 December 2020
Interests in associates	60,572	39,776
Interests in joint ventures	1,210	1,430
	61,782	41,206

	31 December 2021	31 December 2020
Share of net assets	47,108	32,110
Goodwill	15,039	9,444
	62,147	41,554
Less: Allowance for impairment losses	(365)	(348)
	61,782	41,206

(a) Carrying value of the Group's associates and joint ventures are as follows:

	31 December 2021	31 December 2020
Standard Bank	24,621	25,415
Other	37,161	15,791
	61,782	41,206

Standard Bank Group Limited ("Standard Bank") is a listed commercial bank registered in Johannesburg, the Republic of South Africa with an issued capital of ZAR162 million and a strategic partner of the Group. As at 31 December 2021 and 31 December 2020, the Group's equity interest and voting rights were 20.06%.

The accounting policies of Standard Bank are consistent with those of the Group. Its financial information is significant to the Group and summarised as follows:

	As at/ year ended 31 December 2021	As at/ year ended 31 December 2020
The associate		
Assets	1,091,181	1,129,310
Liabilities	993,965	1,033,331
Net assets	97,216	95,979
Profit from continuing operations	10,725	5,459
Equity method of the associate		
Net assets of the associate attributable to the parent company	82,364	81,530
Group's effective interest	20.06%	20.06%
Group's share of net assets of the associate	16,522	16,355
Goodwill	8,447	9,408
Balance of the Group's interest in Standard Bank in the consolidated financial statements	24,969	25,763

(b) Movements of associates and joint ventures investments of the Group are as follows:

Name of investee	Balance at beginning of the year	Movements during 2021: Increase in capital	Decrease in capital	Investment income recognised under the equity method	Other comprehensive income	Declared distribution of cash dividends or profits	Others	Balance at end of the year	Balance of allowance for impairment at end of the year
Joint ventures	1,430	7	(193)	72	3	(102)	(7)	1,210	–
Associates									
Standard Bank	25,763	–	–	2,101	537	(875)	(2,557)	24,969	(348)
Other	14,361	21,200	(13)	696	16	(38)	(254)	35,968	(17)
Subtotal	40,124	21,200	(13)	2,797	553	(913)	(2,811)	60,937	(365)
Total	41,554	21,207	(206)	2,869	556	(1,015)	(2,818)	62,147	(365)

27. PROPERTY AND EQUIPMENT

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment and motor vehicles	Aircraft and vessels	Total
Cost:						
At 1 January 2020	161,359	39,752	11,928	76,898	164,941	454,878
Additions	1,221	12,277	1,108	10,012	11,128	35,746
CIP transfer in/(out)	7,806	(16,517)	–	138	8,573	–
Disposals	(2,077)	(301)	(211)	(7,163)	(15,469)	(25,221)
At 31 December 2020 and 1 January 2021	168,309	35,211	12,825	79,885	169,173	465,403
Additions	1,143	8,521	997	9,212	10,527	30,400
CIP transfer in/(out)	19,850	(24,915)	–	51	5,014	–
Disposals	(2,353)	(601)	(232)	(7,516)	(3,769)	(14,471)
At 31 December 2021	186,949	18,216	13,590	81,632	180,945	481,332
Accumulated depreciation and impairment:						
At 1 January 2020	65,704	38	9,983	61,791	30,801	168,317
Depreciation charge for the year	6,099	–	907	6,683	5,554	19,243
Impairment charge for the year	–	–	–	–	3,691	3,691
Disposals	(979)	–	(104)	(6,960)	(4,084)	(12,127)
At 31 December 2020 and 1 January 2021	70,824	38	10,786	61,514	35,962	179,124
Depreciation charge for the year	6,353	–	866	7,377	5,901	20,497
Impairment charge for the year	–	–	–	4	2,282	2,286
Disposals	(1,374)	(4)	(159)	(6,555)	(2,779)	(10,871)
At 31 December 2021	75,803	34	11,493	62,340	41,366	191,036
Carrying amount:						
At 31 December 2020	97,485	35,173	2,039	18,371	133,211	286,279
At 31 December 2021	111,146	18,182	2,097	19,292	139,579	290,296

As at 31 December 2021, the process of obtaining the legal titles for the Group's properties and buildings with an aggregate carrying amount of RMB12,798 million (31 December 2020: RMB11,203 million) was still in progress. Management is of the view that the aforesaid matter would neither affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

As at 31 December 2021, the carrying amount of aircraft and vessels leased out by the Group under operating leases was RMB139,579 million (31 December 2020: RMB133,211 million).

As at 31 December 2021, the carrying amount of aircraft and vessels owned by the Group that have been pledged as security for liabilities due to banks and other financial institutions was RMB92,426 million (31 December 2020: RMB77,858 million).

As at 31 December 2021, the construction in progress for aircraft and vessels was RMB9,101 million (31 December 2020: RMB12,623 million).

28. DEFERRED TAX ASSETS AND LIABILITIES

(a) Analysed by nature

Deferred tax assets:

	31 December 2021		31 December 2020	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Allowance for impairment losses	328,794	81,662	281,442	70,094
Change in fair value of financial instruments measured at FVTPL	(13,823)	(3,455)	(9,858)	(2,470)
Change in fair value of financial instruments measured at FVTOCI	(22,620)	(5,635)	(21,224)	(5,417)
Accrued staff costs	34,823	8,684	26,512	6,628
Other	(7,847)	(1,997)	(5,106)	(1,122)
	319,327	79,259	271,766	67,713

Deferred tax liabilities:

	31 December 2021		31 December 2020	
	Taxable/ (deductible) temporary differences	Deferred tax liabilities/ (assets)	Taxable/ (deductible) temporary differences	Deferred tax liabilities/ (assets)
Allowance for impairment losses	(535)	(268)	(3,273)	(937)
Change in fair value of financial instruments measured at FVTPL	15,692	3,635	7,236	1,809
Change in fair value of financial instruments measured at FVTOCI	2,737	690	4,823	1,149
Other	6,285	1,567	3,465	860
	24,179	5,624	12,251	2,881

(b) Movements of deferred income tax

Deferred tax assets:

	1 January 2021	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2021
Allowance for impairment losses	70,094	11,568	–	81,662
Change in fair value of financial instruments measured at FVTPL	(2,470)	(985)	–	(3,455)
Change in fair value of financial instruments measured at FVTOCI	(5,417)	–	(218)	(5,635)
Accrued staff costs	6,628	2,056	–	8,684
Other	(1,122)	(943)	68	(1,997)
	67,713	11,696	(150)	79,259

Deferred tax liabilities:

	1 January 2021	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2021
Allowance for impairment losses	(937)	669	–	(268)
Change in fair value of financial instruments measured at FVTPL	1,809	1,826	–	3,635
Change in fair value of financial instruments measured at FVTOCI	1,149	–	(459)	690
Other	860	707	–	1,567
	2,881	3,202	(459)	5,624

Deferred tax assets:

	1 January 2020	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2020
Allowance for impairment losses	62,888	7,206	–	70,094
Change in fair value of financial instruments measured at FVTPL	(851)	(1,619)	–	(2,470)
Change in fair value of financial instruments measured at FVTOCI	(5,781)	–	364	(5,417)
Accrued staff costs	6,290	338	–	6,628
Other	(10)	(1,005)	(107)	(1,122)
	62,536	4,920	257	67,713

Deferred tax liabilities:

	1 January 2020	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2020
Allowance for impairment losses	(535)	(402)	–	(937)
Change in fair value of financial instruments measured at FVTPL	636	1,173	–	1,809
Change in fair value of financial instruments measured at FVTOCI	1,357	–	(208)	1,149
Other	415	445	–	860
	1,873	1,216	(208)	2,881

As at 31 December 2021, the Group did not have significant unrecognised deferred tax assets (31 December 2020: Nil).

29. OTHER ASSETS

	31 December 2021	31 December 2020
Settlement and clearing balances	267,342	349,590
Precious metals	267,239	278,429
Right-of-use assets (i)	31,913	34,068
Land use rights	15,593	16,225
Goodwill (ii)	8,518	8,945
Advance payments	8,242	8,878
Repossessed assets	6,211	7,357
Interest receivable	2,283	1,985
Other	110,574	28,858
	717,915	734,335
Less: Allowance for impairment losses	(10,053)	(5,077)
	707,862	729,258

(i) Right-of-use assets

	Leased properties and buildings	Leased aircraft and vessels	Leased office equipment and motor vehicles	Total
Cost:				
At 1 January 2020	22,463	16,534	1,628	40,625
Additions	9,317	1,357	93	10,767
Decreases	(1,251)	(1,341)	(775)	(3,367)
At 31 December 2020 and 1 January 2021	30,529	16,550	946	48,025
Additions	6,926	–	91	7,017
Decreases	(3,191)	(441)	(680)	(4,312)
At 31 December 2021	34,264	16,109	357	50,730
Accumulated depreciation:				
At 1 January 2020	5,720	1,143	104	6,967
Depreciation charge for the year	7,089	623	91	7,803
Decreases	(714)	(39)	(60)	(813)
At 31 December 2020 and 1 January 2021	12,095	1,727	135	13,957
Depreciation charge for the year	7,011	570	116	7,697
Decreases	(2,582)	(222)	(33)	(2,837)
At 31 December 2021	16,524	2,075	218	18,817
Impairment:				
At 1 January 2020	24	173	–	197
Impairment charge for the year	18	101	–	119
At 31 December 2020 and 1 January 2021	42	274	–	316
Decreases	(10)	(55)	–	(65)
At 31 December 2021	32	219	–	251
Carrying amount:				
At 31 December 2020	18,392	14,549	811	33,752
At 31 December 2021	17,708	13,815	139	31,662

(ii) Goodwill

	2021	2020
At 1 January	8,945	9,517
Exchange difference	(427)	(572)
Subtotal	8,518	8,945
Less: Allowance for impairment losses	(349)	(359)
Net carrying amount	8,169	8,586

Goodwill arising from business combinations has been allocated to the Group's CGU, which is not larger than the reportable segment of the Group, for impairment testing.

The recoverable amount of the CGU is determined based on the discounted future cash flows of the CGU. The cash flow projections are based on financial forecasts approved by management of the subsidiaries. The average growth rates are projected based on the similar rates which do not exceed the long-term average growth rate for the business in which the CGU operates in. The discount rate is the before-tax rate and reflects the specific risk associated with the CGU.

30. FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

		31 December 2021	31 December 2020
Interbank wealth management products	(i)	–	4,889
Financial liabilities related to precious metals and account-based investment products	(ii)	64,488	60,704
Debt securities issued	(ii)	18,409	11,574
Other		4,283	10,771
		87,180	87,938

(i) The principal-guaranteed interbank wealth management products issued by the Group and the financial assets which the aforesaid products held form part of a group of financial instruments that were managed together on a fair value basis, and were classified as financial liabilities and financial assets designated as at FVTPL, respectively. As at 31 December 2020, the fair value of the interbank wealth management products was approximately the same as the amount that the Group would be contractually required to pay to the holders of the wealth management products upon maturity.

(ii) Financial liabilities related to precious metals and account-based investment products, and certain issued debt securities have been matched with precious metals and derivatives of the Group as part of a documented risk management strategy to mitigate market risk. An accounting mismatch would arise if these financial liabilities were accounted for at amortised cost, whereas the related precious metals and derivative were measured at fair value with movements in fair value taken through the statement of profit or loss. By designating these financial liabilities at FVTPL, the movement in their fair values is recorded in the statement of profit or loss. As at 31 December 2021 and 31 December 2020, the difference between the fair values of the financial liabilities related to precious metals, account-based investment products and issued debt securities and the amounts that the Group would be contractually required to pay to the holders of the financial liabilities related to precious metals, account-based investment products and issued debt securities upon maturity was not significant.

For 2021 and 2020, there were no significant changes in the credit spread of the Group and therefore the amounts of changes in fair value of the financial liabilities arising from changes in the credit risk and the accumulated amounts as at the end of the respective years were not significant. The changes in fair value of the financial liabilities were mainly attributable to changes in other market factors.

31. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2021	31 December 2020
Deposits:		
Banks and other financial institutions operating in Chinese mainland	2,286,492	2,179,522
Banks and other financial institutions operating outside Chinese mainland	143,928	134,346
Accrued interest	1,269	1,775
	2,431,689	2,315,643
Money market takings:		
Banks and other financial institutions operating in Chinese mainland	226,907	159,590
Banks and other financial institutions operating outside Chinese mainland	258,465	304,413
Accrued interest	3,968	4,613
	489,340	468,616
	2,921,029	2,784,259

32. REPURCHASE AGREEMENTS

	31 December 2021	31 December 2020
Repurchase agreements-bills	8,110	7,874
Repurchase agreements-securities	341,718	274,446
Cash received as collateral on securities lending	16,015	10,924
Accrued interest	100	190
	365,943	293,434

33. CERTIFICATES OF DEPOSIT

Certificates of deposit issued by certain of the Bank's overseas branches and subsidiaries are measured at amortised cost.

34. DUE TO CUSTOMERS

	31 December 2021	31 December 2020
Demand deposits:		
Corporate customers	7,533,110	7,455,160
Personal customers	5,390,582	5,196,607
	12,923,692	12,651,767
Time deposits:		
Corporate customers	5,798,353	5,489,700
Personal customers	7,107,386	6,463,929
	12,905,739	11,953,629
Other	250,349	261,389
Accrued interest	361,994	267,941
	26,441,774	25,134,726

As at 31 December 2021, pledged deposits included in above amounted to RMB228,227 million (31 December 2020: RMB249,915 million).

35. DEBT SECURITIES ISSUED

		31 December 2021	31 December 2020
Subordinated bonds and tier 2 capital bonds	(a)		
Issued by the Bank		458,688	419,032
Issued by subsidiaries		4,116	4,285
Accrued interest		8,002	6,747
		470,806	430,064
Other debt securities	(b)		
Issued by the Bank		188,243	232,356
Issued by subsidiaries		130,558	134,038
Accrued interest		1,768	1,669
		320,569	368,063
		791,375	798,127

As at 31 December 2021, the amount of debt securities issued that were due within one year was RMB124,031 million (31 December 2020: RMB120,429 million).

(a) Subordinated bonds and tier 2 capital bonds

The Bank:

As approved by the PBOC and the CBIRC, the Bank issued callable subordinated bonds and tier 2 capital bonds through open market bidding. These subordinated bonds and tier 2 capital bonds were traded on the National Interbank Bond Market. The relevant information is set out below:

Name	Issue date	Issue price (In RMB)	Issued and nominal amount (In RMB million)	Coupon rate	Value date	Maturity date	Circulation date
11 ICBC 01	29/06/2011	100 Yuan	38,000	5.56%	30/06/2011	30/06/2031	30/08/2011
12 ICBC 01	11/06/2012	100 Yuan	20,000	4.99%	13/06/2012	13/06/2027	13/07/2012
17 ICBC 01 Tier 2 Bond	06/11/2017	100 Yuan	44,000	4.45%	08/11/2017	08/11/2027	10/11/2017
17 ICBC 02 Tier 2 Bond	20/11/2017	100 Yuan	44,000	4.45%	22/11/2017	22/11/2027	23/11/2017
19 ICBC 01 Tier 2 Bond	21/03/2019	100 Yuan	45,000	4.26%	25/03/2019	25/03/2029	26/03/2019
19 ICBC 02 Tier 2 Bond	21/03/2019	100 Yuan	10,000	4.51%	25/03/2019	25/03/2034	26/03/2019
19 ICBC 03 Tier 2 Bond	24/04/2019	100 Yuan	45,000	4.40%	26/04/2019	26/04/2029	28/04/2019
19 ICBC 04 Tier 2 Bond	24/04/2019	100 Yuan	10,000	4.69%	26/04/2019	26/04/2034	28/04/2019
20 ICBC 01 Tier 2 Bond	22/09/2020	100 Yuan	60,000	4.20%	24/09/2020	24/09/2030	25/09/2020
20 ICBC 02 Tier 2 Bond	12/11/2020	100 Yuan	30,000	4.15%	16/11/2020	16/11/2030	17/11/2020
20 ICBC 03 Tier 2 Bond	12/11/2020	100 Yuan	10,000	4.45%	16/11/2020	16/11/2035	17/11/2020
21 ICBC 01 Tier 2 Bond	19/01/2021	100 Yuan	30,000	4.15%	21/01/2021	21/01/2031	22/01/2021
21 ICBC 02 Tier 2 Bond	13/12/2021	100 Yuan	50,000	3.48%	14/12/2021	15/12/2031	15/12/2021
21 ICBC 03 Tier 2 Bond	13/12/2021	100 Yuan	10,000	3.74%	14/12/2021	15/12/2036	15/12/2021

The Bank has the option to redeem these bonds on specific dates at par value in future upon the approval of the relevant regulatory authorities.

In 2015, the Bank issued tier 2 capital bonds denominated in USD. The bonds were approved for listing and dealing by The Stock Exchange of Hong Kong Limited. The relevant information is set out below:

Name	Issue date	Currency	Issued price	Issued amount (In original currency)	Ending balance (In RMB)	Coupon rate	Value date	Maturity date	Circulation date
				(million)	(million)				
15 USD Tier 2 capital bonds	21/09/2015	USD	99.189	2,000	12,700	4.875%	21/09/2015	21/09/2025	22/09/2015

The bonds cannot be redeemed before maturity.

The Bank has not had any defaults in respect of payments of principal or interest or other breaches with respect to the subordinated bonds and tier 2 capital bonds in 2021 (2020: Nil).

Subsidiaries:

On 23 March 2018, ICBC Thai issued a tier 2 capital bond with an aggregate nominal amount of THB5,000 million, bearing a fixed interest rate of 3.5%. The bond will mature on 23 September 2028.

On 12 September 2019, ICBC Macau issued a tier 2 capital bond with an aggregate nominal amount of USD500 million, bearing a fixed interest rate of 2.875% per annum. The bond will mature on 12 September 2029.

The above tier 2 capital bonds are separately listed on the Thai Bond Market Association and The Stock Exchange of Hong Kong Limited. ICBC Thai and ICBC Macau have not had any defaults of principal or interest or other breaches with respect to the tier 2 capital bonds in 2021 (2020: Nil).

(b) Other debt securities issued

The Bank:

(i) Head Office issued debt securities denominated in RMB at fixed interest rates amounting to RMB20,075 million in total with maturities between 2023 and 2024.

(ii) Sydney Branch issued notes denominated in AUD, RMB, HKD and USD at fixed or floating interest rates amounting to an equivalent of RMB11,372 million in total with maturities between 2022 and 2026.

(iii) Singapore Branch issued notes denominated in RMB, USD and EUR at fixed or floating interest rates amounting to an equivalent of RMB48,080 million in total with maturities between 2022 and 2025.

(iv) Tokyo Branch issued notes denominated in JPY at fixed interest rate amounting to an equivalent of RMB249 million in total that will mature in 2022.

(v) New York Branch issued notes denominated in USD at fixed interest rates amounting to an equivalent of RMB14,572 million in total with maturities between 2022 and 2027.

(vi) Luxembourg Branch issued notes denominated in USD and EUR at fixed or floating interest rates amounting to an equivalent of RMB18,114 million in total with maturities between 2022 and 2024.

(vii) Dubai (DIFC) Branch issued notes denominated in USD at floating interest rates amounting to an equivalent of RMB13,415 million in total with maturities between 2022 and 2024.

(viii) Hong Kong Branch issued notes denominated in USD at fixed or floating interest rates amounting to an equivalent of RMB45,726 million in total with maturities between 2022 and 2026.

(ix) London Branch issued notes denominated in GBP, USD and EUR at fixed or floating interest rates amounting to an equivalent of RMB13,401 million in total with maturities between 2022 and 2025.

(x) Macau Branch issued notes denominated in MOP at fixed interest rates amounting to an equivalent of RMB3,239 million in total with maturities between 2022 and 2023.

Subsidiaries:

(i) ICBC Asia issued medium-term debt securities and notes denominated in RMB and USD at fixed or floating interest rates amounting to an equivalent of RMB8,469 million in total with maturities between 2022 and 2024.

(ii) ICBC Leasing issued medium-term debt securities and notes denominated in RMB and USD at fixed or floating interest rates amounting to an equivalent of RMB70,528 million in total with maturities between 2022 and 2031.

(iii) ICBC Thai issued medium-term debt securities and notes denominated in THB at fixed interest rates amounting to an equivalent of RMB8,367 million in total with maturities between 2022 and 2026.

(iv) ICBC International issued medium-term debt securities and notes denominated in USD at fixed interest rates amounting to an equivalent of RMB12,709 million in total with maturities between 2022 and 2025.

(v) ICBC New Zealand issued medium-term debt securities and notes denominated in NZD at fixed or floating interest rates amounting to an equivalent of RMB2,331 million in total with maturities between 2022 and 2024.

(vi) ICBC Investment issued medium-term debt securities and notes denominated in RMB at fixed interest rates amounting to RMB28,000 million in total with maturities between 2022 and 2025.

(vii) ICBC Peru issued short-term debt securities denominated in PEN at fixed interest rates amounting to an equivalent of RMB154 million in total that will mature in 2022.

36. OTHER LIABILITIES

		31 December 2021	31 December 2020
Settlement and clearing balances		317,591	394,880
Insurance contract liabilities		213,457	170,846
Lease liabilities	(i)	28,340	29,825
Provisions for credit commitments		24,449	26,710
Salaries, bonuses, allowances and subsidies payables	(ii)	32,751	24,807
Sundry tax payables		16,454	15,595
Promissory notes		1,081	1,193
Early retirement benefits		32	490
Other		155,200	48,424
		789,355	712,770

(i) Lease liabilities

	31 December 2021	31 December 2020
Less than one year	8,315	8,090
One to two years	6,749	6,515
Two to three years	4,542	5,658
Three to five years	5,210	6,008
More than five years	5,113	6,221
Undiscounted lease liabilities	29,929	32,492
Ending balance of lease liabilities	28,340	29,825

(ii) There were no overdue payment for staff salaries, bonuses, allowances and subsidies payable as at 31 December 2021 (31 December 2020: Nil).

37. SHARE CAPITAL

	31 December 2021		31 December 2020	
	Number of shares (millions)	Nominal value	Number of shares (millions)	Nominal value
Issued and fully paid:				
H shares of RMB1 Yuan each	86,795	86,795	86,795	86,795
A shares of RMB1 Yuan each	269,612	269,612	269,612	269,612
	356,407	356,407	356,407	356,407

Except for the dividends for H shares which are payable in Hong Kong dollars, all of the ordinary A shares and H shares rank pari passu with each other in respect of dividends on ordinary shares.

38. OTHER EQUITY INSTRUMENTS

(1) Preference shares

(a) Preference shares outstanding ("Preference Shares"):

Financial instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount (million shares)	In original currency (million)	In RMB (million)	Maturity	Conversion condition	Conversion
Offshore Preference Shares:										
USD	23/09/2020	Equity	3.58%	20USD/Share	145	2,900	19,716	None	Mandatory	No
Domestic Preference Shares:										
RMB2015	18/11/2015	Equity	4.58%	100RMB/Share	450	45,000	45,000	None	Mandatory	No
RMB2019	19/09/2019	Equity	4.20%	100RMB/Share	700	70,000	70,000	None	Mandatory	No
Total							134,716			
Less: issue fees							(102)			
Book value							134,614			

(b) Main clauses and basic information

(i) Dividend

Offshore and domestic dividends are paid annually.

Offshore and domestic dividends are set at a fixed rate for 5 years after issuance, and are reset every 5 years thereafter to the sum of the benchmark rate and the fixed spread. The fixed spread is equal to the spread between the initial dividend rate and the benchmark rate at the time of issuance. The fixed spread remains unchanged throughout the term of the Preference Shares.

(ii) Conditions to distribution of dividends

The Bank can pay offshore and domestic dividends when it has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Bank's capital adequacy ratios meet regulatory requirements. Preference shareholders of the Bank are senior to the ordinary shareholders in respect of the right to dividends. The order of payment of Domestic Preference Shares is equal to Offshore Preference Shares. The Bank may elect to cancel all or part of offshore and domestic dividends and this shall not constitute a default for any purpose, but such cancellation will require a shareholder's resolution to be passed.

(iii) Dividend stopper and setting mechanism

For Offshore and Domestic Preference Shares, if the Bank cancels all or part of the dividends to the Preference Shares, the Bank shall not make any dividend distribution to ordinary shareholders before the Bank pays the dividends to the preference shareholders in full for the current dividend period.

Non-cumulative dividend is a dividend on Offshore and Domestic Preference Shares which does not cumulate upon omission of payment and the passed or omitted dividend of one year is not carried to the following year. After receiving a dividend at the agreed dividend rate, preference shareholders of the Bank will not participate in the distribution of residual profits with ordinary shareholders.

The Bank shall distribute dividends for Offshore and Domestic Preference Shares in cash, based on the liquidation preference amount for the issued and outstanding Offshore Preference Shares or total amount of issued and outstanding Domestic Preference Shares during the corresponding period (i.e. the product of the issue price of Preference Shares and the number of the issued and outstanding Preference Shares).

(iv) Order of distribution and liquidation method

The offshore preference shareholders and domestic preference shareholders will rank equally for payment. The preference shareholders will be subordinated to the depositors, general creditors and holders of convertible bonds, holders of subordinated debts, holders of tier 2 capital bonds and holders of other tier 2 capital instruments of the Bank, but will be senior to the ordinary shareholders of the Bank.

(v) Mandatory conversion trigger events

For Domestic Preference Shares, upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Bank falling to 5.125% or below), the Bank shall have the right without the need for the consent of the domestic preference shareholders to convert all or part of the outstanding face value of Domestic Preference Shares into A shares, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Bank to above 5.125%. If Domestic Preference Shares were converted into A shares, they cannot be converted to Preference Shares again under any circumstances. Upon the occurrence of a Tier 2 Capital Trigger Event, the Bank shall have the right without the need for the consent of the domestic preference shareholders to convert all the outstanding face value of Domestic Preference Shares into A shares. If Domestic Preference Shares were converted into A share, they cannot be converted to Preference Shares again under any circumstances.

For Offshore Preference Shares, upon the occurrence of any Non-Viability Trigger Event, the Bank shall have the right to irrevocably and compulsorily convert all or part of the outstanding Offshore Preference Shares into H shares, under the consent of the CBIRC but without the need for the consent of the offshore preference shareholders or the ordinary shareholders. If the Offshore Preference Shares were converted into H shares, they cannot be converted to Preference Shares again under any circumstances.

The initial mandatory conversion prices are HKD5.73 for Offshore Preference Shares per H share; RMB3.44 for Domestic 2015 Preference Shares and RMB5.43 for Domestic 2019 Preference Shares. In case of stock dividends distribution of H or A shares of the Bank or other circumstances, the Bank will make cumulative adjustment to the compulsory conversion price in turn.

(vi) Redemption

Subject to obtaining the approval of the CBIRC and satisfying the conditions of redemption, the Bank has the right to redeem all or part of the Offshore Preference Shares at the first call date and subsequent any dividend payment date. Redemption price of Offshore Preference Shares is equal to liquidation preference price plus any declared but unpaid dividend in current period. The first redemption date of Offshore Preference Shares is five years after issuance.

Under the premise of obtaining the approval of the CBIRC and compliance with relevant requirements, the Bank has the right to redeem all or part of Domestic Preference Shares, after five years having elapsed since the date of issuance/the date of closing. The redemption period of Domestic Preference Shares is from the start date of redemption to the date of full redemption or conversion. Redemption price of Domestic Preference Shares is equal to book value plus any declared but unpaid dividend in current period.

(c) Changes in preference shares outstanding

Financial instrument outstanding	1 January 2021			Movement during the year			31 December 2021		
	Amount (million shares)	In original currency (million)	In RMB (million)	Amount (million shares)	In original currency (million)	In RMB (million)	Amount (million shares)	In original currency (million)	In RMB (million)
Offshore Preference Shares:									
EUR	40	600	4,558	(40)	(600)	(4,558)	–	–	–
USD	145	2,900	19,716	–	–	–	145	2,900	19,716
Domestic Preference Shares:									
RMB2015	450	45,000	45,000	–	–	–	450	45,000	45,000
RMB2019	700	70,000	70,000	–	–	–	700	70,000	70,000
Total			139,274			(4,558)			134,716

The Bank redeemed all of the EUR Offshore Preference Shares on 10 December 2021.

(2) Perpetual bond

(a) Perpetual bond outstanding

Financial instrument outstanding	Issue date	Accounting classification	Interest rate	Issue price	Amount (million units)	In original currency (million)	In RMB (million)	Maturity	Conversion condition	Conversion
Offshore										
USD Perpetual bond	24/09/2021	Equity	3.20%	Note (i)	N/A	6,160	39,793	None	None	No
Domestic										
RMB2019										
Perpetual bond	26/07/2019	Equity	4.45%	100RMB/Unit	800	80,000	80,000	None	None	No
RMB2021										
Perpetual bond Series 1	04/06/2021	Equity	4.04%	100RMB/Unit	700	70,000	70,000	None	None	No
RMB2021										
Perpetual bond Series 2	24/11/2021	Equity	3.65%	100RMB/Unit	300	30,000	30,000	None	None	No
Total							219,793			
Less: issue fees							(76)			
Book value							219,717			

(i) Offshore USD Perpetual Bonds were issued in specific denomination of USD200,000 and integral multiplies of USD1,000 in excess thereof at an issue price of 100%.

(b) Main clauses and basic information

With the approvals of relevant regulatory authorities, the Bank issued RMB80 billion, RMB70 billion and RMB30 billion of undated capital bonds on 26 July 2019, 4 June 2021 and 24 November 2021 (hereinafter referred to as "2019 Domestic Perpetual Bond", "2021 Domestic Perpetual Bond Series 1" and "2021 Domestic Perpetual Bond Series 2" respectively, collectively "Domestic Perpetual Bonds") in the National Interbank Bond Market.

The Bank issued USD6.16 billion of undated capital bonds (hereinafter referred to as "Offshore Perpetual Bond") on The Stock Exchange of Hong Kong Limited on 24 September 2021. The funds raised by the Bank from the bonds will be used to supplement additional tier 1 capital of the Bank in accordance with the relevant laws and approvals by regulatory authorities.

(i) Interest

Each Domestic Perpetual Bond has a par value of RMB100, and the interest rate of the bonds for the first five years are 4.45% for 2019 Domestic Perpetual Bond, 4.04% for 2021 Domestic Perpetual Bond Series 1, and 3.65% for 2021 Domestic Perpetual Bond Series 2, resetting every 5 years. The rates are determined by a benchmark rate plus a fixed spread. The initial fixed spreads are the difference between the interest rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined during the duration period. The interest of Domestic Perpetual Bond shall be paid annually.

The interest rate of Offshore Perpetual Bond for the first five years is 3.20%, resetting every 5 years. The rate is determined by a benchmark rate plus a fixed spread. The dividend shall be paid semi-annually.

(ii) Interest stopper and setting mechanism

The interest payment for both the Domestic Perpetual Bonds and Offshore Perpetual Bond is non-cumulative. The Bank shall have the right to cancel, in whole or in part, distributions on the interest payment and any such cancellation shall not constitute an event of default. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. However, the Bank shall not distribute profits to ordinary shareholders until resumption of full interest payment.

(iii) Order of distribution and liquidation method

The claims in respect of Domestic Perpetual Bonds will be subordinated to claims of depositors, general creditors, and subordinated indebtedness that rank senior to Domestic Perpetual Bonds, and will rank in priority to all classes of shares held by shareholders of the Bank. The claims in respect of Offshore Perpetual Bonds will be subordinated to claims of depositors, general creditors, tier 2 capital bond holders and subordinated indebtedness that rank senior to the Offshore Perpetual Bond, and will rank in priority to all classes of shares held by shareholders of the Bank. Domestic Perpetual Bond and Offshore Perpetual Bond will rank pari passu with the claims in respect of any other Additional Tier 1 Capital instruments of the Bank that rank pari passu with the perpetual bonds.

(iv) Write down conditions

For 2019 Domestic Perpetual Bond, upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Bank falling to 5.125% or below), the Bank has the right to write down all or part of the total nominal amount of the outstanding 2019 Domestic Perpetual Bond with the consent of the CBIRC but without the need for the consent of the bond holders, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Bank to above 5.125%. Upon the occurrence of a Tier 2 Capital Trigger Event, without the need for consent of the bond holders, the Bank has the right to write down all of the total nominal amount of the outstanding 2019 Domestic Perpetual Bond.

For 2021 Domestic Perpetual Bond Series 1 and 2021 Domestic Perpetual Bond Series 2, upon the occurrence of a Non-Viability Trigger Event, the Bank has the right to write down all or part of the nominal amount of the outstanding perpetual bonds without the need for the consent of the bond holders.

For Offshore Perpetual Bond, upon the occurrence of a Non-Viability Trigger Event, the Bank has the right to write down all the perpetual bonds issued and outstanding at that time up to the total nominal value without the need for the consent of the bond holders.

(v) Redemption

The duration of the Domestic Perpetual Bonds and Offshore Perpetual Bond is the same as the continuing operation of the Bank. Five years after the issuance date of the Domestic Perpetual Bonds and Offshore Perpetual Bond, the Bank shall have the right to redeem them in whole or in part on each distribution payment date (including the fifth distribution payment date since the issuance). In the event that the perpetual bond is not classified as additional tier 1 capital due to unpredicted changes in regulations, the Bank shall have the right to redeem Domestic Perpetual Bonds and Offshore Perpetual Bond fully instead of partly.

(c) Changes in perpetual bond outstanding

Financial instrument outstanding	1 January 2021			Movement during the year			31 December 2021		
	Amount (million units)	In original currency (million)	In RMB (million)	Amount (million units)	In original currency (million)	In RMB (million)	Amount (million units)	In original currency (million)	In RMB (million)
Offshore									
USD2016 Perpetual bond(i)	1	1,000	6,691	(1)	(1,000)	(6,691)	–	–	–
USD2021 Perpetual bond	–	–	–	N/A	6,160	39,793	N/A	6,160	39,793
Domestic									
RMB2019 Perpetual bond	800	80,000	80,000	–	–	–	800	80,000	80,000
RMB2021 Perpetual bond Series 1	–	–	–	700	70,000	70,000	700	70,000	70,000
RMB2021 Perpetual bond Series 2	–	–	–	300	30,000	30,000	300	30,000	30,000
Total			86,691			133,102			219,793

(i) The Group exercised its call option to redeem all of the outstanding USD2016 Perpetual Bond on 21 July 2021.

(3) Interests attributable to equity instruments' holders

Items		31 December 2021	31 December 2020
1.	Total equity attributable to equity holders of the parent company	3,257,755	2,893,502
	(1) Equity attributable to ordinary shareholders of the parent company	2,903,424	2,667,683
	(2) Equity attributable to other equity instrument holders of the parent company	354,331	225,819
2.	Total equity attributable to non-controlling interests	17,503	16,013
	(1) Equity attributable to ordinary shareholders of non-controlling interests	17,503	16,013
	(2) Equity attributable to other equity instrument holders of non-controlling interests	–	–

39. RESERVES

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value.

(b) Surplus reserves

(i) Statutory surplus reserve

The Bank is required to appropriate 10% of its profit for the year, as determined under the Accounting Standards for Business Enterprises and other relevant requirements ("PRC GAAP"), pursuant to the Company Law of the PRC and the Articles of the Bank to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Bank, if any, and may also be converted into capital of the Bank, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

Pursuant to the resolution of the board of directors' meeting held on 30 March 2022, the total appropriation to surplus reserve of the Bank was RMB32,494 million (2020: RMB30,550 million), among which an appropriation of 10% of the profit of the Bank for the year determined under the PRC GAAP to the statutory surplus reserve, in the amount of RMB32,438 million (2020: RMB30,449 million) was approved and a total surplus reserve made by overseas branches was RMB56 million (2020: RMB101 million) pursuant to the requirements of local authorities.

(ii) Discretionary surplus reserve

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year determined under the PRC GAAP to the discretionary surplus reserve upon approval by the shareholders in general meeting. Subject to the approval by the shareholders, the discretionary surplus reserve may be used to offset accumulated losses of the Bank, if any, and may be converted into capital.

(iii) Other surplus reserve

The Bank's overseas entities appropriate their profits to other surplus reserves or statutory reserve in accordance with the relevant laws and regulations promulgated by the local regulatory bodies.

(c) General reserve

In accordance with the "Administrative Measures for the Provision of Reserves of Financial Enterprises" (Cai Jin [2012] No. 20) issued by the MOF, the Bank maintains a general reserve within equity, through the appropriation of profit, which should not be less than 1.5% of the period-end balance of its risk assets, to partially cover unidentified possible losses.

The Bank's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

Pursuant to the resolution of the board of directors' meeting held on 30 March 2022, the total appropriation to general reserve of the Bank was RMB97,505 million (2020: RMB33,247 million), The general reserve balance of the Bank as at 31 December 2021 amounted to RMB426,714 million, which reached 1.5% of the year-end balance of the Bank's risk assets.

(d) Investment revaluation reserve

The investment revaluation reserve records the fair value changes and impairment provision of financial investments measured at FVTOCI.

(e) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries and branches incorporated outside Chinese mainland.

(f) Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the gains or losses on the hedging instruments.

(g) Other reserves

Other reserves represent reserves other than the items listed above, including other comprehensive income recognised under the equity method.

(h) Distributable profits

The Bank's distributable profit is based on its retained earnings as determined under PRC GAAP and IFRSs, whichever is lower. The amount that the Bank's subsidiaries can legally distribute is determined by referring to their profits as reflected in their financial statements prepared in accordance with the accounting regulations and principles promulgated by the local regulatory bodies. These profits may differ from those dealt with in these financial statements, which are prepared in accordance with IFRSs.

40. OTHER COMPREHENSIVE INCOME

(a) Other comprehensive income attributable to equity holders of the parent company in the consolidated statement of financial position

	Investment revaluation	Foreign currency translation differences	Other	Total
1 January 2020	23,280	(18,568)	(5,978)	(1,266)
Movement during 2020	(903)	(9,314)	1,055	(9,162)
31 December 2020 and 1 January 2021	22,377	(27,882)	(4,923)	(10,428)
Movement during 2021	2,251	(12,117)	1,951	(7,915)
31 December 2021	24,628	(39,999)	(2,972)	(18,343)

(b) Other comprehensive income in the consolidated statement of profit or loss and other comprehensive income

	2021	2020
Items that will not be reclassified to profit or loss:		
(i) Changes in fair value of equity instruments designated as at FVTOCI	(1,180)	1,289
(ii) Other comprehensive income recognised under the equity method	15	(5)
(iii) Other	28	8
Items that may be reclassified subsequently to profit or loss:		
(i) Changes in fair value of debt instruments measured at FVTOCI	5,777	(5,036)
Less: Amount transferred to profit or loss from other comprehensive income and income tax effect	(4,154)	1,994
	1,623	(3,042)
(ii) Credit losses of debt instruments measured at FVTOCI	1,827	1,051
(iii) Reserve from cash flow hedging instruments Gain/(loss) during the year	374	(146)
Less: Income tax effect	68	(107)
	442	(253)
(iv) Other comprehensive income recognised under the equity method	541	14
(v) Foreign currency translation differences	(12,353)	(16,212)
(vi) Other	885	1,311
	(8,172)	(15,839)

41. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash on hand	62,872	64,833
Balances with central banks other than restricted deposits	338,551	619,968
Deposits with banks and other financial institutions with original maturity of three months or less	228,082	241,109
Placements with banks and other financial institutions with original maturity of three months or less	157,323	239,428
Reverse repurchase agreements with original maturity of three months or less	649,929	625,784
	1,436,757	1,791,122

42. INTERESTS IN STRUCTURED ENTITIES

(a) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the products issued by these structured entities. Such structured entities include investment funds, wealth management products, asset management plans and asset-backed securities, trust plans and the Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and are financed through the issuance of investment products to investors.

The following table sets out an analysis of the carrying amounts and maximum exposure of interests held by the Group in the structured entities sponsored by third party institutions:

	31 December 2021		31 December 2020	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Investment funds	36,702	36,702	32,100	32,100
Wealth management products	–	–	311	311
Asset management plans and asset-backed securities	77,997	77,997	257,977	257,977
Trust plans	20,903	20,903	44,204	44,204
	135,602	135,602	334,592	334,592

The maximum loss exposures in the above investment funds, wealth management products, asset management plans and asset-backed securities, trust plans are the carrying amounts which are measured at amortised cost or the fair value of the investments held by the Group at the reporting date.

The following tables set out an analysis of the line items in the consolidated statement of financial position in which assets were recognised relating to the Group's interests in structured entities sponsored by third party institutions:

	31 December 2021		
	Financial investments measured at FVTPL	Financial investments measured at FVTOCI	Financial investments measured at amortised cost
Investment funds	36,702	–	–
Asset management plans and asset-backed securities	18,661	2,740	56,596
Trust plans	1,435	–	19,468
	56,798	2,740	76,064

	31 December 2020		
	Financial investments measured at FVTPL	Financial investments measured at FVTOCI	Financial investments measured at amortised cost
Investment funds	32,100	–	–
Wealth management products	311	–	–
Asset management plans and asset-backed securities	204,344	7,975	45,658
Trust plans	22,807	–	21,397
	259,562	7,975	67,055

(b) Structured entities sponsored by the Group in which the Group does not consolidate but holds an interest

The types of unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products and investment funds. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issuance of investment products to investors. Interest held by the Group includes investments in the products issued by these unconsolidated structured entities and fees charged for providing management services. As at 31 December 2021 and 31 December 2020, the carrying amounts of the investments in the products issued by these structured entities and fee receivables being recognised were not material in the consolidated financial statements. Management income earned by the Group was included in fee and commission income of personal wealth management and private banking services and corporate wealth management services set out in Note 7.

As at 31 December 2021, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and investment funds, which are sponsored by the Group, were RMB2,586,393 million (31 December 2020: RMB2,708,427 million) and RMB1,810,281 million (31 December 2020: RMB1,462,393 million) respectively.

In 2021, the amount of the average exposure of financing transactions through placements and reverse repurchase agreements from the Group with non-principal-guaranteed wealth management products sponsored by the Group was RMB26,699 million (2020: RMB72,587 million). The transactions were conducted in the ordinary course of business under normal terms and conditions and at market rates.

(c) Consolidated structured entities

The consolidated structured entities of the Group are primarily the principal-guaranteed wealth management products, certain investment funds, asset-backed securities and asset management plans issued or initiated and invested by the Group or purchased due to regulatory requirements related to wealth management business. 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.

43. TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the ordinary course of business by which it transfers recognised financial assets to third parties or structured entities. In some cases these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

Repurchase transactions and securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements and debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require additional cash collateral from counterparties or return part of the cash collateral to counterparties. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, it recognises a financial liability for cash received as collateral.

The following table analyses the carrying amount of the aforementioned financial assets transferred to third parties that did not qualify for derecognition and their associated financial liabilities:

	31 December 2021		31 December 2020	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	33,039	32,012	42,124	40,760
Securities lending agreements	361,344	–	255,660	–
	394,383	32,012	297,784	40,760

Securitisation transactions

The Group transfers credit assets to structured entities which issue asset-backed securities to investors. The Group may acquire some asset-backed securities at the subordinated tranche level and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the Group recognises the assets on the consolidated statement of financial position to the extent of the Group's continuing involvement and the rest is derecognised. The extent of the Group's continuing involvement is the extent of the risks and rewards undertaken by the Group with value changes of the transferred financial assets. As at 31 December 2021, loans with an original carrying amount of RMB619,736 million at the time of derecognition (31 December 2020: RMB521,314 million) have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets. The carrying amount of assets that the Group continues to recognise on the consolidated statement of financial position was RMB74,121 million as at 31 December 2021 (31 December 2020: RMB63,808 million).

As at 31 December 2021, the carrying amount of asset-backed securities held by the Group in securitisation transactions that were qualified for derecognition was RMB973 million (31 December 2020: RMB1,029 million), and its maximum exposure approximated to the carrying amount.

With respect to the securitisation of financial assets that do not qualify for derecognition, the relevant financial assets are not derecognised, and the consideration received is recorded as a financial liability. As at 31 December 2021, transferred credit assets that were not qualified for derecognition of the Group amounted to RMB132 million at the time of transfer (31 December 2020: Nil).

44. ASSETS PLEDGED AS SECURITY

Financial assets of the Group including securities and bills have been pledged as collateral for liabilities or contingent liabilities, mainly for repurchase agreements and derivative contracts. As at 31 December 2021, the carrying amount of the financial assets of the Group pledged as collateral amounted to approximately RMB319,877 million (31 December 2020: approximately RMB249,499 million).

45. SHARE APPRECIATION RIGHTS PLAN

The Bank's share appreciation rights plan was approved in 2006, which allows share appreciation rights to be granted to eligible participants including directors, supervisors, senior management and other key personnel designated by the board of directors. The share appreciation rights will be granted and exercised based on the price of the Bank's H shares and will be valid for 10 years. As at the approval date of these financial statements, no share appreciation rights have been granted.

46. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

At the end of the reporting period, the Group had capital commitments as follows:

	31 December 2021	31 December 2020
Contracted but not provided for	31,307	42,797

(b) Credit commitments

The Group has outstanding commitments to extend credit including approved loans and undrawn credit card limits.

The Group provides letters of credit and financial guarantees to guarantee the performance of customers to third parties.

Bank acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan commitments and undrawn credit card limits are under the assumption that the amounts will be fully advanced. The amounts for bank acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognised at the end of the reporting period had the counterparties failed to perform as contracted.

	31 December 2021	31 December 2020
Bank acceptances	449,141	343,233
Guarantees issued		
— Financing letters of guarantees	50,114	54,361
— Non-financing letters of guarantees	444,418	446,460
Sight letters of credit	54,466	51,517
Usance letters of credit and other commitments	114,733	129,015
Loan commitments		
— With an original maturity of under one year	50,199	91,410
— With an original maturity of one year or over	497,892	574,420
Undrawn credit card limits	1,069,406	1,021,038
	2,730,369	2,711,454

	31 December 2021	31 December 2020
Credit risk-weighted assets of credit commitments	1,082,099	1,106,377

(c) Operating leases

At the end of the reporting period, the Group's total future minimum lease receivables in respect of non-cancellable operating leases of assets are as follows:

	31 December 2021	31 December 2020
Within one year	16,451	17,218
Over one year but within two years	15,920	16,043
Over two years but within three years	15,937	18,975
Over three years but within five years	27,840	32,192
Over five years	59,648	73,626
	135,796	158,054

(d) Legal proceedings and arbitrations

The Group is involved in lawsuits and arbitrations during its normal course of operations. As at 31 December 2021, there were a number of legal proceedings and arbitrations outstanding against the Bank and/or its subsidiaries with a total claimed amount of RMB6,165 million (31 December 2020: RMB4,928 million).

In the opinion of management, the Group has made adequate allowance for any probable losses based on the current facts and circumstances, and the ultimate outcome of these lawsuits and arbitrations will not have a significant impact on the financial position or operations of the Group.

(e) Redemption commitments of government bonds and securities underwriting commitments

As an underwriting agent of the MOF, the Bank underwrites certain PRC government bonds and sells the bonds to the general public. The Bank is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. The MOF will not provide funding for the early redemption of these PRC government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity. The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured as at 31 December 2021 were RMB75,553 million (31 December 2020: RMB81,112 million). Management expects that the redemption obligation of these PRC government bonds by the Bank prior to maturity will not be material.

As at 31 December 2021, the Group's outstanding securities underwriting commitments were RMB6,350 million (31 December 2020: Nil).

(f) Designated funds and loans

	31 December 2021	31 December 2020
Designated funds	2,783,961	2,361,366
Designated loans	2,783,778	2,361,289

The designated funds represent the funding that the trustors have instructed the Group to use to make loans to third parties as designated by them. The credit risk remains with the trustors.

The designated loans represent the loans granted to specific borrowers designated by the trustors on their behalf according to the entrust agreements signed by the Group and the trustors. The Group does not bear any risk.

(g) Fiduciary activities

The Group provides custody, trust and asset management services to third parties. Revenue from such activities is included in "net fee and commission income" set out in Note 7. Those assets held in a fiduciary capacity are not included in the Group's consolidated statement of financial position.

47. RELATED PARTY DISCLOSURES

In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the year:

(a) The MOF

The MOF is a ministry under the State Council of the PRC, primarily responsible for, among others, state fiscal revenues, expenses and taxation policies. As at 31 December 2021, the MOF directly owned approximately 31.14% (31 December 2020: approximately 31.14%) of the issued share capital of the Bank. The Group enters into banking transactions with the MOF in its ordinary course of business. Details of the major transactions are as follows:

	31 December 2021	31 December 2020
Balances at end of the year:		
The PRC government bonds and the special government bond	1,563,353	1,495,673

	2021	2020
Transactions during the year:		
Interest income on the government bonds	42,953	43,609

Other related party transactions between the Group and enterprises under the control or joint control of the MOF are disclosed in note 47(i) "transactions with state-owned entities in the PRC".

(b) Huijin

Central Huijin Investment Ltd. ("Huijin") is a wholly-owned subsidiary of China Investment Corporation, and in accordance with the authorisation of the State Government, Huijin makes equity investments in major state-owned financial enterprises, and shall, to the extent of its capital contribution, exercise the rights and perform the obligations as an investor on behalf of the Government in accordance with applicable laws, to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not conduct any other businesses or commercial activities nor intervene in the day-to-day business operations of the financial enterprises in which it invests. Huijin was established on 16 December 2003 with a total registered and paid-in capital of RMB828,209 million. As at 31 December 2021, Huijin directly owned approximately 34.71% (31 December 2020: approximately 34.71%) of the issued share capital of the Bank.

As at 31 December 2021, bonds issued by Huijin ("the Huijin Bonds") held by the Group are of an aggregate face value of RMB63.66 billion (31 December 2020: RMB71.39 billion), with terms ranging from one to thirty years and coupon rates ranging from 2.15% to 4.38% per annum. The Huijin Bonds are government-backed bonds, short-term bills and medium-term notes. The Group's subscription of the Huijin Bonds was conducted in the ordinary course of business, in compliance with relevant regulatory and the corporate governance requirements of the Group.

The Group entered into banking transactions with Huijin in the ordinary course of business under normal commercial terms and the transactions are priced based on market rates. Details of the major transactions are as follows:

	31 December 2021	31 December 2020
Balances at end of the year:		
Debt securities purchased	64,841	72,472
Loans and advances to customers	–	4,005
Due to customers	60,331	15,957

	2021	2020
Transactions during the year:		
Interest income on debt securities purchased	2,306	2,360
Interest income on loans and advances to customers	74	561
Interest expense on amounts due to customers	799	149

Huijin holds equity interests in certain other banks and financial institutions under the direction of the State Government. The Group enters into transactions with these banks and financial institutions in the ordinary course of business under normal commercial terms and the transactions are priced based on market rates. Management considers that these banks and financial institutions are competitors of the Group. Details of major transactions during the year conducted with these banks and financial institutions are as follows:

	31 December 2021	31 December 2020
Balances at end of the year:		
Debt securities purchased	536,655	633,728
Due from banks and other financial institutions	198,607	251,578
Loans and advances to customers	3,794	10,610
Derivative financial assets	7,375	20,669
Due to banks and other financial institutions	289,661	299,691
Derivative financial liabilities	6,318	20,007
Due to customers	917	1,065
Credit commitments	8,750	12,690

	2021	2020
Transactions during the year:		
Interest income on debt securities purchased	17,805	18,634
Interest income on amounts due from banks and other financial institutions	665	582
Interest income on loans and advances to customers	52	110
Interest expense on amounts due to banks and other financial institutions	1,026	1,068
Interest expense on amounts due to customers	10	54

(c) National Council for Social Security Fund of the People's Republic of China

National Council for Social Security Fund (the 'SSF') is a public institution managed by the MOF. It is the management and operating organisation of the national social security fund. As at 31 December 2021, the SSF held 5.69% (31 December 2020: 5.69%) of the Bank's issued share capital. The Group entered into banking transactions with the SSF in the ordinary course of business under normal commercial terms and the transactions are priced based on market rates. Details of the major transactions are as follows:

	31 December 2021	31 December 2020
Balances at end of the year:		
Due to customers	38,000	30,000

	2021	2020
Transactions during the year:		
Interest expense on amounts due to customers	1,284	775

(d) Subsidiaries

	31 December 2021	31 December 2020
Balances at end of the year:		
Financial investments	33,753	30,425
Due from banks and other financial institutions	437,377	375,028
Loans and advances to customers	45,269	45,958
Derivative financial assets	7,897	4,945
Due to banks and other financial institutions	151,307	183,059
Derivative financial liabilities	8,519	5,004
Credit commitments	60,280	53,161

	2021	2020
Transactions during the year:		
Interest income on financial investments	1,386	982
Interest income on amounts due from banks and other financial institutions	728	523
Interest income on loans and advances to customers	653	681
Interest expense on amounts due to banks and other financial institutions	599	993
Fee and commission income	5,636	6,233

The major balances and transactions with subsidiaries have been eliminated in the consolidated financial statements.

(e) Associates and affiliates

	31 December 2021	31 December 2020
Balances at end of the year:		
Debt securities purchased	13,162	12,680
Due from banks and other financial institutions	13,843	8,549
Loans and advances to customers	3,672	983
Derivative financial assets	1,797	3,244
Due to banks and other financial institutions	9,858	6,051
Due to customers	638	3
Derivative financial liabilities	2,436	3,283
Credit commitments	6,145	3,023

	2021	2020
Transactions during the year:		
Interest income on debt securities purchased	387	479
Interest income on amounts due from banks and other financial institutions	181	80
Interest income on loans and advances to customers	33	62
Interest expense on amounts due to banks and other financial institutions	95	186
Interest expense on amounts due to customers	0	0

Transactions between the Group and the associates and their affiliates were conducted under normal commercial terms and conditions and priced based on market rates.

(f) Joint ventures and affiliates

	31 December 2021	31 December 2020
Balances at end of the year:		
Loans and advances to customers	–	65
Due to customers	18	7

	2021	2020
Transactions during the year:		
Interest income on loans and advances to customers	0	2
Interest expense on amounts due to customers	0	0

Transactions between the Group and joint ventures and their affiliates were conducted in the ordinary course of business under normal terms and conditions and priced based on market rates.

(g) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors and the board of supervisors, and executive officers.

The aggregate compensation of key management personnel for the year, other than those disclosed in note 12 above, is as follows:

	2021 In RMB'000	2020 In RMB'000
Salaries and other short-term employment benefits	6,787	9,154
Post-employment benefits	355	216
	7,142	9,370

The above remuneration before tax payable to key management personnel for 2020 represents the total amount of their annual remunerations, which includes the amount disclosed in the 2020 annual report.

The total compensation packages for senior management have not been finalised in accordance with the regulations of the PRC relevant authorities. The total remuneration not yet accrued is not expected to have a significant impact on the Group's 2021 financial statements. The total compensation packages will be further disclosed when determined by the relevant authorities.

Related parties of the Group include key management personnel of the Group and their close relatives, as well as companies controlled, jointly controlled or significantly influenced by key management personnel or their close relatives.

In 2021, there were no material transactions and balances with key management personnel individually or in the aggregate (2020: Immaterial). The Group entered into banking transactions with key management personnel in the ordinary course of business.

The aggregate balance of loans and credit card overdrafts to the persons who are considered as related parties according to the relevant rules of Shanghai Stock Exchange was RMB12.23 million as at 31 December 2021 (31 December 2020: RMB15.29 million).

The transactions between the Group and the aforementioned parties were conducted in the ordinary course of business under normal terms and conditions and priced based on market rates.

(h) Annuity Fund

Apart from the obligations for defined contributions to the Annuity Fund established by the Bank, Annuity Fund held A shares of the Bank with market value of RMB3.16 million (31 December 2020: RMB39.17 million), and bonds issued by the Bank of RMB324.13 million as at 31 December 2021 (31 December 2020: RMB10.00 million).

(i) Transactions with state-owned entities in the PRC

The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the Government through its authorities, affiliates or other organisations (collectively the "state-owned entities"). During the year, the Group entered into extensive banking transactions with these state-owned entities including, but are not limited to, lending and deposit taking, taking and placing of interbank balances, entrusted lending and the provision of intermediary services, the sale, purchase, underwriting and redemption of bonds issued by other state-owned entities, and the sale, purchase, and leasing of properties and other assets.

The transactions with state-owned entities are activities conducted in the ordinary course of business under normal terms and conditions and priced based on market rates, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those state-owned entities are ultimately controlled or owned by the Government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are state-owned entities.

(j) Proportion of major related party transactions

The major balances and transactions with subsidiaries have been eliminated in the consolidated financial statements. When calculating the proportion of related party transactions, transactions with the subsidiaries are excluded.

	31 December 2021		31 December 2020	
	Balance	Percentage	Balance	Percentage
Financial investments	2,178,011	23.53%	2,214,553	25.78%
Due from banks and other financial institutions	212,450	25.68%	260,127	24.04%
Loans and advances to customers	7,466	0.04%	15,663	0.09%
Derivative financial assets	9,172	12.05%	23,913	17.82%
Due to banks and other financial institutions	299,519	10.25%	305,742	10.98%
Derivative financial liabilities	8,754	12.27%	23,290	16.52%
Due to customers	99,904	0.38%	47,032	0.19%
Credit commitments	14,895	0.55%	15,713	0.58%

	2021		2020	
	Amount	Percentage	Amount	Percentage
Interest income	64,456	5.55%	66,479	6.08%
Interest expense	3,214	0.68%	2,232	0.50%

48. SEGMENT INFORMATION

(a) Operating segments

The Group is organised into different operating segments, namely corporate banking, personal banking and treasury operations, based on internal organisation structure, management requirements and internal reporting system.

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit-taking activities, corporate wealth management services, custody activities and various types of corporate intermediary services.

Personal banking

The personal banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans, deposit-taking activities, card business, personal wealth management services and various types of personal intermediary services.

Treasury operations

The treasury operations segment covers the Group's treasury operations which include money market transactions, investment securities, foreign exchange transactions and the holding of derivative positions, for its own accounts or on behalf of customers.

Other

This segment covers the Group's assets, liabilities, income and expenses that are not directly attributable or cannot be allocated to a segment on a reasonable basis.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

Transactions between segments mainly represent the provision of funding to and from individual segments. The internal transfer pricing of these transactions are determined with reference to the market rates and have been reflected in the performance of each segment. Net interest income and expense arising on internal fund transfer are referred to as "internal net interest income or expense". Net interest income and expense relating to third parties are referred to as "external net interest income or expense".

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The basis for allocation is mainly based on occupation of or contribution to resources. Income taxes are managed on a group basis and are not allocated to operating segments.

	2021				
	Corporate banking	Personal banking	Treasury operations	Other	Total
External net interest income	292,402	146,911	251,367	–	690,680
Internal net interest income/(expense)	17,262	148,301	(165,563)	–	–
Net fee and commission income	78,082	53,760	1,182	–	133,024
Other income/(expense), net (i)	10,627	(2,800)	24,292	5,057	37,176
Operating income	398,373	346,172	111,278	5,057	860,880
Operating expenses	(94,823)	(121,173)	(16,885)	(3,346)	(236,227)
Impairment losses on assets	(162,981)	(29,341)	(9,067)	(1,234)	(202,623)
Operating profit	140,569	195,658	85,326	477	422,030
Share of results of associates and joint ventures	–	–	–	2,869	2,869
Profit before taxation	140,569	195,658	85,326	3,346	424,899
Income tax expense					(74,683)
Profit for the year					350,216
Other segment information:					
Depreciation and amortisation	10,452	10,901	3,370	125	24,848
Capital expenditure	18,219	19,027	5,870	215	43,331
	31 December 2021				
Segment assets	12,436,885	8,399,240	14,086,517	169,482	35,092,124
Including: Investments in associates and joint ventures	–	–	–	61,782	61,782
Property and equipment	112,952	120,366	37,432	19,546	290,296
Other non-current assets (ii)	43,468	20,945	6,304	9,944	80,661
Unallocated assets					79,259
Total assets					35,171,383
Segment liabilities	13,960,681	13,213,984	4,425,332	198,061	31,798,058
Unallocated liabilities					98,067
Total liabilities					31,896,125
Other segment information:					
Credit commitments	1,674,769	1,055,600	–	–	2,730,369

(i) Includes net trading income, net gains on financial investments and other net operating income.

(ii) Includes intangible assets, goodwill, long-term deferred expenses, right-of-use assets and other non-current assets.

	2020				
	Corporate banking	Personal banking	Treasury operations	Other	Total
External net interest income	275,644	131,043	240,078	–	646,765
Internal net interest income/(expense)	32,948	131,818	(164,766)	–	–
Net fee and commission income	76,173	53,761	1,281	–	131,215
Other income, net (i)	8,896	1,436	7,338	4,425	22,095
Operating income	393,661	318,058	83,931	4,425	800,075
Operating expenses	(85,731)	(103,482)	(14,730)	(2,642)	(206,585)
Impairment losses on assets	(161,027)	(40,107)	(1,002)	(532)	(202,668)
Operating profit	146,903	174,469	68,199	1,251	390,822
Share of results of associates and joint ventures	–	–	–	1,304	1,304
Profit before taxation	146,903	174,469	68,199	2,555	392,126
Income tax expense					(74,441)
Profit for the year					317,685
Other segment information:					
Depreciation and amortisation	10,360	9,262	3,509	317	23,448
Capital expenditure	22,759	20,475	7,696	600	51,530
	31 December 2020				
Segment assets	11,339,394	7,454,567	14,366,145	117,239	33,277,345
Including: Investments in associates and joint ventures	–	–	–	41,206	41,206
Property and equipment	110,846	101,573	37,244	36,616	286,279
Other non-current assets (ii)	42,553	18,012	6,601	15,357	82,523
Unallocated assets					67,713
Total assets					33,345,058
Segment liabilities	13,733,030	12,126,286	4,376,074	107,487	30,342,877
Unallocated liabilities					92,666
Total liabilities					30,435,543
Other segment information:					
Credit commitments	1,716,094	995,360	–	–	2,711,454

(i) Includes net trading income, net gains or losses on financial investments and other net operating income.

(ii) Includes intangible assets, goodwill, long-term deferred expenses, right-of-use assets and other non-current assets.

(b) Geographical information

The Group operates principally in Chinese mainland, and also has branches and subsidiaries operating outside Chinese mainland. The distribution of the geographical areas is as follows:

Chinese mainland (Head Office and domestic branches)

Head Office ("HO"):	the HO business divisions (including institutions directly managed by the HO and its offices);
Yangtze River Delta:	including Shanghai, Jiangsu, Zhejiang and Ningbo;
Pearl River Delta:	including Guangdong, Shenzhen, Fujian and Xiamen;
Bohai Rim:	including Beijing, Tianjin, Hebei, Shandong and Qingdao;
Central China:	including Shanxi, Henan, Hubei, Hunan, Anhui, Jiangxi and Hainan;
Western China:	including Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang, Inner Mongolia and Tibet; and
Northeastern China:	including Liaoning, Heilongjiang, Jilin and Dalian.

Overseas and other

Branches located outside Chinese mainland, domestic and overseas subsidiaries, and investments in associates and joint ventures.

	2021									
	Chinese mainland (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and other	Eliminations	Total
External net interest income	268,554	79,643	83,851	24,702	77,869	105,129	12,041	38,891	–	690,680
Internal net interest (expense)/income	(202,860)	39,174	11,381	106,166	20,293	12,805	15,066	(2,025)	–	–
Net fee and commission income	47,014	21,368	14,503	17,067	8,623	11,540	2,361	12,120	(1,572)	133,024
Other income/(expense), net (i)	22,780	(3,641)	(2,261)	(2,275)	(1,428)	(2,675)	114	25,059	1,503	37,176
Operating income	135,488	136,544	107,474	145,660	105,357	126,799	29,582	74,045	(69)	860,880
Operating expenses	(32,376)	(34,986)	(26,051)	(37,142)	(33,208)	(38,426)	(12,923)	(21,184)	69	(236,227)
Impairment losses on assets	(45,081)	(17,638)	(21,724)	(44,135)	(25,034)	(22,896)	(15,400)	(10,715)	–	(202,623)
Operating profit	58,031	83,920	59,699	64,383	47,115	65,477	1,259	42,146	–	422,030
Share of results of associates and joint ventures	–	–	–	–	–	–	–	2,869	–	2,869
Profit before taxation	58,031	83,920	59,699	64,383	47,115	65,477	1,259	45,015	–	424,899
Income tax expense										(74,683)
Profit for the year										350,216
Other segment information:										
Depreciation and amortisation	3,910	3,412	2,584	3,939	3,358	4,040	1,450	2,155	–	24,848
Capital expenditure	6,089	4,639	3,845	3,710	4,100	4,625	1,501	14,822	–	43,331

	31 December 2021									
	Chinese mainland (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and other	Eliminations	Total
Assets by geographical areas	8,145,032	8,248,981	5,870,705	5,186,815	3,786,925	4,553,489	1,333,077	4,100,318	(6,133,218)	35,092,124
Including: Investments in associates and joint ventures	–	–	–	–	–	–	–	61,782	–	61,782
Property and equipment	13,971	33,190	13,729	20,726	18,911	23,331	8,865	157,573	–	290,296
Other non-current assets (ii)	16,056	7,371	6,075	7,087	8,457	9,685	2,317	23,613	–	80,661
Unallocated assets										79,259
Total assets										35,171,383
Liabilities by geographical areas	5,470,908	8,944,022	5,645,178	7,928,583	3,568,847	3,745,729	1,539,014	1,088,995	(6,133,218)	31,798,058
Unallocated liabilities										98,067
Total liabilities										31,896,125
Other segment information:										
Credit commitments	1,123,767	1,172,580	791,688	1,001,597	450,171	611,013	147,856	631,815	(3,200,118)	2,730,369

(i) Includes net trading income, net gains on financial investments and other net operating income.

(ii) Includes intangible assets, goodwill, long-term deferred expenses, right-of-use assets and other non-current assets.

	2020									
	Chinese mainland (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and other	Eliminations	Total
External net interest income	270,017	69,071	74,150	20,128	71,669	95,814	13,968	31,948	–	646,765
Internal net interest (expense)/income	(219,971)	41,775	14,623	112,918	20,533	15,508	13,027	1,587	–	–
Net fee and commission income	42,859	23,086	15,433	16,336	8,646	12,950	2,445	10,729	(1,269)	131,215
Other income/(expense), net (i)	14,900	(3,508)	(1,304)	(3,455)	(1,997)	(2,936)	2,902	16,324	1,169	22,095
Operating income	107,805	130,424	102,902	145,927	98,851	121,336	32,342	60,588	(100)	800,075
Operating expenses	(22,438)	(30,917)	(23,339)	(32,781)	(29,820)	(35,113)	(12,127)	(20,161)	111	(206,585)
Impairment losses on assets	(51,286)	(24,212)	(12,180)	(36,824)	(26,376)	(19,625)	(17,622)	(14,543)	–	(202,668)
Operating profit	34,081	75,295	67,383	76,322	42,655	66,598	2,593	25,884	11	390,822
Share of results of associates and joint ventures	–	–	–	–	–	–	–	1,304	–	1,304
Profit before taxation	34,081	75,295	67,383	76,322	42,655	66,598	2,593	27,188	11	392,126
Income tax expense										(74,441)
Profit for the year										317,685
Other segment information:										
Depreciation and amortisation	2,883	3,168	2,533	3,849	3,382	3,931	1,425	2,277	–	23,448
Capital expenditure	4,692	5,269	3,925	6,346	4,072	5,413	1,356	20,457	–	51,530

	31 December 2020									
	Chinese mainland (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and other	Eliminations	Total
Assets by geographical areas	9,665,936	7,183,515	4,935,763	4,994,061	3,334,445	4,249,027	1,246,742	4,024,527	(6,356,671)	33,277,345
Including: Investments in associates and joint ventures	–	–	–	–	–	–	–	41,206	–	41,206
Property and equipment	13,929	32,725	12,791	21,477	18,374	23,164	9,088	154,731	–	286,279
Other non-current assets (ii)	14,352	7,817	6,065	7,534	8,580	9,950	2,256	25,969	–	82,523
Unallocated assets										67,713
Total assets										33,345,058
Liabilities by geographical areas	7,250,493	7,840,257	4,886,621	7,507,515	3,203,936	3,811,490	1,360,916	838,331	(6,356,682)	30,342,877
Unallocated liabilities										92,666
Total liabilities										30,435,543
Other segment information:										
Credit commitments	1,077,366	999,018	683,005	785,796	371,823	565,802	145,460	675,725	(2,592,541)	2,711,454

(i) Includes net trading income, net gains or losses on financial investments and other net operating income.

(ii) Includes intangible assets, goodwill, long-term deferred expenses, right-of-use assets and other non-current assets.

49. FINANCIAL RISK MANAGEMENT

The board of directors (the "Board") has the ultimate responsibility for risk management and oversees the Group's risk management functions through the Risk Management Committee and the Audit Committee of the Board.

The President supervises risk management and reports directly to the Board. He chairs two management committees including the Risk Management Committee and the Asset and Liability Management Committee, which set the risk management strategies and appetite, evaluate and formulate risk management policies and procedures, and make recommendations through the President to the Risk Management Committee of the Board. The Chief Risk Officer assists the President to supervise the Bank's risk management.

The Group has clearly defined the roles of each department in monitoring financial risks within the Group. The Credit and Investment Management Department monitors credit risk, the Risk Management Department together with the Asset and Liability Management Department monitor market and liquidity risks, and the Internal Control and Compliance Department monitors operational risk. The Risk Management Department is primarily responsible for establishing and coordinating a comprehensive risk management framework, preparing consolidated reports on credit risk, market risk and operational risk and reporting directly to the Chief Risk Officer.

The Bank maintains a dual-reporting risk management structure at the branch level. Under this structure, the risk management department of the branches report to both the Group risk management department and the management of the branches.

(a) Credit risk

Definition and scope

Credit risk is the risk of loss arising from a borrower or counterparty's failure to perform its obligations. Operational failures which result in unauthorised or inappropriate guarantees, financial commitments or investments by the Group may also give rise to credit risk. The Group's credit risk is mainly attributable to its loans, due from banks and other financial institutions and financial investments.

The Group is also exposed to credit risk in other areas. The credit risk arising from derivative financial instruments is limited to derivative financial assets recorded in the consolidated statement of financial position. In addition, the Group provides guarantees for customers and may therefore be required to make payments on their behalf. These payments would be recovered from customers in accordance with the terms of the agreement. Therefore, the Group assumes a credit risk similar to that arising from loans and applies the same risk control procedures and policies to reduce risks.

Credit risk assessment method

Stage of financial instruments

The Group classifies financial instruments into three stages and makes provisions for expected credit loss accordingly, depending on whether credit risk on that financial instrument has increased significantly and whether the assets have been impaired since initial recognition. Refer to Note 4(10) Impairment of financial assets for the definition of the three stages.

Significant increase in credit risk

The assessment of significant increase in credit risk and whether the assets have been impaired since initial recognition is performed at least on a quarterly basis for financial instruments held by the Group. The Group takes into consideration all reasonable and supportable information (including forward-looking information) that reflects significant change in credit risk for the purposes of classifying financial instruments. The main considerations are regulatory and operating environment, internal and external credit risk rating, debt-servicing capacity, operating capabilities, contractual terms, and repayment records. The Group compares the risk of default of a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics as at the end of the reporting period and its risk of default at the date of initial recognition to determine changes in the risk of default over the expected lifetime of a financial instrument or a portfolio of financial instruments. In determining whether credit risk of a financial instrument has increased significantly since initial recognition, the Group considers factors indicating whether the probability of default has risen sharply, whether the financial instrument has been past due for more than 30 days, whether the market price has been falling continuously and other indicators.

The Group has provided credit facilities for further extension of deferral in principal repayment and interest payment to the inclusive loans to micro and small-sized businesses in accordance with the government's regulations. The Group classifies the credit risk based on the actual situation of the borrower and the judgement of the substantive risk of the business for those loans with deferred principal repayment and interest payment. However, the temporary deferral in principal repayment and interest payment are not considered as an automatic trigger event for a significant increase in credit risk.

Definition of default

The Group defines a corporate borrower as in default when it meets one or more of the following criteria:

(i) The principal or interest of loan is past due more than 90 days to the Group;

(ii) The corporate borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as liquidation against collateral; or

(iii) The corporate borrower has the matters refer to in (i) or (ii) above in other financial institutions.

The Group defines a retail business borrower as in default when any single credit asset of a borrower meets one or more of the following criteria:

(i) The principal or interest of loan is past due more than 90 days to the Group;

(ii) Write-offs of loan; or

(iii) The Group considers the borrower is unlikely to pay its credit obligations to the Group in full.

Impairment assessment

A financial asset is generally considered to be credit-impaired if:

- It has been overdue for more than 90 days;
- In light of economic, legal or other factors, the Group has made concessions to a borrower in financial difficulties, which would otherwise have been impossible under normal circumstances;
- It is probable that the borrower will be insolvent or carry out other financial restructurings;
- Due to serious financial difficulties, the financial asset cannot continue to be traded in an active market;
- There are other objective evidences that indicate the financial asset is impaired.

Parameters, assumptions and estimation techniques

ECL for a financial instrument is measured at an amount equal to 12-month ECL or lifetime ECL depending on whether a significant increase in credit risk on that financial instrument has occurred since initial recognition and whether an asset is considered to be credit-impaired. The loss allowance for loans and advances to customers, other than those corporate loans and advance to customers which are credit-impaired, is measured using the risk parameters method. The key parameters include Probability of Default ("PD"), Loss Given Default ("LGD"), and Exposure at Default ("EAD"), considering the time value of money.

PD is the possibility that a customer will default on its obligation within a certain period of time in light of forward-looking information. The Group's PD is adjusted based on the results of the Internal Ratings-Based Approach under the New Basel Capital Accord, taking the forward-looking information into account and deducting the prudential adjustment to reflect the debtor's point-in-time PD under the current macro-economic environment.

LGD is the magnitude of the likely loss if there is a default in light of forward-looking information. LGD depends on the type of counterparty, the method and priority of the recourse, and the type of collaterals, taking the forward-looking adjustments into account.

EAD refers to the total amount of on- and off-balance sheet exposures in the event of default and is determined based on the historical repayment records.

The assumptions underlying the ECL calculation, such as how the PDs and LGDs of different maturity profiles change are monitored and reviewed on a quarterly basis by the Group.

There have been no significant changes in estimation techniques or significant assumptions adopted in ECL calculation during the year.

The impairment loss on credit-impaired corporate loans and advance to customers applied discounted cash flow method. If there is objective evidence that an impairment loss on a loan or advance has incurred, the amount of the loss is measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The allowance for impairment loss is deducted in the carrying amount. The impairment loss is recognised in the consolidated statement of profit or loss. In determining allowances on an individual basis, the following factors are considered:

- The sustainability of the borrower's business plan;
- The borrower's ability to improve performance when a financial difficulty arises;
- The estimated recoverable cash flows from projects and liquidation;
- The availability of other financial support and the realisable value of collateral; and
- The timing of the expected cash flows.

It may not be possible to identify a single, or discrete events that result in the impairment, but it may be possible to identify impairment through the combined effect of several events. The impairment losses are evaluated at the end of each reporting period, unless unforeseen circumstances require more careful attention.

Forward-looking information contained in ECL

The calculation of ECL incorporates forward-looking information. The Group has performed historical data analysis and identified Gross Domestic Product ("GDP"), Consumer Price Index ("CPI"), Purchasing Managers' Index ("PMI") and other macro-economic indicators as impacting the ECL for each portfolio. The impact of these economic variables on the PD and LGD has been determined by performing statistical regression analysis to understand the correlations among the historical changes of the economic variables, PD and LGD. Forecasts of these economic variables are carried out at least quarterly by the Group that provide the best estimate view of the economy over the next year.

When calculating the weighted average ECL provision, the Group determines the optimistic, neutral and pessimistic scenarios and their weightings through a combination of macro-statistical analysis and expert judgement.

As at 31 December 2021, the Group has taken into account different macro-economic scenarios, combined with the impact of factors such as COVID-19 on economic development trends, and made forward-looking forecasts of macro-economic indicators. Of which, the year-on-year GDP growth rate used to estimate ECL is 5.5% in the neutral scenario for 2022.

The Group has carried out sensitivity analysis of macro-economic indicators used in forward-looking measurement. As at 31 December 2021, when the key economic indicators in the neutral scenario moved up or down by 10%, the ECL did not change by more than 5% (31 December 2020: less than 5%).

Financial assets contract modification

The Group might modify the terms of loan with a customer based on commercial renegotiations, or when the customer is in financial difficulty, with a view to maximise the recovery of loan.

Such modifications include restructuring the loan to provide extended payment term arrangements, payment holidays or payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue, and reviewed regularly. Such restructures are especially common for medium-term loans. The classification of a rescheduled loan shall not be upgraded unless it has met certain criteria and after an observation period of at least 6 months.

The following table includes carrying amount of rescheduled loans and advance to customers:

	31 December 2021	31 December 2020
Rescheduled loans and advances to customers	19,134	11,960
Impaired loans and advances to customers included in above	7,455	4,504

Collaterals and other credit enhancements

The amount and type of collateral required depends on the assessment of credit risk of the counterparty. Guidelines are in place specifying the types of collateral and valuation parameters which can be accepted.

Reverse repurchase business is mainly collateralised by bills and investment securities. As part of certain reverse repurchase agreements, the Group has received securities that it is allowed to sell or repledge in the absence of default by their owners.

Corporate loans and discounted bills are mainly collateralised by properties or other assets. As at 31 December 2021, the gross carrying amount of corporate loans and discounted bills amounted to RMB12,722,464 million (31 December 2020: RMB11,509,029 million), of which credit exposure covered by collateral amounted to RMB3,849,616 million (31 December 2020: RMB3,534,852 million).

Retail loans are mainly collateralised by residential properties. As at 31 December 2021, the gross carrying amount of retail loans amounted to RMB7,944,781 million (31 December 2020: RMB7,115,279 million), of which credit exposure covered by collateral amounted to RMB7,056,652 million (31 December 2020: RMB6,269,321 million).

The Group prefers more liquid collateral with relatively stable market value and does not accept collateral that is illiquid, with difficulties in registration or high fluctuations in market value. The value of collateral should be appraised and confirmed by the Group or valuation specialists engaged by the Group. The value of collateral should adequately cover the outstanding balance of loans. The Group takes into consideration the types of collateral, state of condition, liquidity, price volatility and realisation cost to determine the loan-to-value ratio of collateral. All collateral has to be registered in accordance with the relevant laws and regulations. The credit officers inspect the collateral and assess the changes in the value of collateral regularly.

The Group monitors the market value of the collaterals and when needed, require additional collateral according to agreements. The Group disposes of repossessed assets in an orderly manner.

In 2021, the Group took possession of collateral held as security with a carrying amount of RMB41 million (2020: RMB377 million).

(i) Maximum exposure to credit risk without taking into account of any collateral and other credit enhancements

As at the end of the reporting period, the maximum credit risk exposure of the Group without taking into account of any collateral and other credit enhancements is set out below:

	31 December 2021	31 December 2020
Balances with central banks	3,035,566	3,472,962
Due from banks and other financial institutions	827,150	1,081,897
Derivative financial assets	76,140	134,155
Reverse repurchase agreements	663,496	739,288
Loans and advances to customers	20,109,200	18,136,328
Financial investments		
— Financial investments measured at FVTPL	465,064	638,485
— Financial investments measured at FVTOCI	1,704,164	1,459,018
— Financial investments measured at amortised cost	6,830,933	6,265,668
Other	294,960	377,563
	34,006,673	32,305,364
Credit commitments	2,730,369	2,711,454
Total maximum credit risk exposure	36,737,042	35,016,818

(ii) Risk concentrations

Credit risk is often greater when counterparties are concentrated in one single industry or geographic location, or have comparable economic features. In addition, different geographic areas and industrial sectors have their unique characteristics in terms of economic development, and could present a different credit risk.

(1) Loans and advances to customers

By geographical distribution

The composition of the Group's gross loans and advances to customers (excluding accrued interest) by geographical distribution is analysed as follows:

	31 December 2021		31 December 2020	
	Amount	Percentage	Amount	Percentage
Head Office	791,994	3.83%	772,372	4.15%
Yangtze River Delta	4,163,732	20.15%	3,582,682	19.24%
Pearl River Delta	3,134,781	15.17%	2,746,019	14.74%
Bohai Rim	3,371,325	16.31%	3,030,552	16.27%
Central China	3,133,539	15.16%	2,789,085	14.98%
Western China	3,746,867	18.13%	3,369,916	18.09%
Northeastern China	895,238	4.33%	841,595	4.52%
Overseas and other	1,429,769	6.92%	1,492,087	8.01%
Total	20,667,245	100.00%	18,624,308	100.00%

By industry distribution

The composition of the Group's gross loans and advances to customers (excluding accrued interest) by industry is analysed as follows:

	31 December 2021	31 December 2020
Transportation, storage and postal services	3,017,397	2,659,916
Manufacturing	1,801,933	1,718,400
Leasing and commercial services	1,739,367	1,517,265
Water, environment and public utility management	1,388,883	1,177,193
Production and supply of electricity, heating, gas and water	1,152,584	1,085,151
Real estate	932,390	958,314
Wholesale and retail	559,559	549,412
Finance	357,229	310,559
Construction	343,860	292,748
Science, education, culture and sanitation	312,352	272,189
Mining	239,155	219,701
Other	349,997	341,885
Subtotal for corporate loans	12,194,706	11,102,733
Personal mortgage and business loans	7,065,126	6,249,953
Other	879,655	865,326
Subtotal for personal loans	7,944,781	7,115,279
Discounted bills	527,758	406,296
Total for loans and advances to customers	20,667,245	18,624,308

By collaterals

The composition of the Group's gross loans and advances to customers (excluding accrued interest) by collaterals is analysed as follows:

	31 December 2021	31 December 2020
Unsecured loans	6,988,877	6,259,230
Guaranteed loans	2,459,887	2,260,445
Loans secured by mortgages	9,497,898	8,703,068
Pledged loans	1,720,583	1,401,565
Total	20,667,245	18,624,308

Overdue loans and advances to customers

The composition of the Group's gross overdue loans and advances to customers (excluding accrued interest) by collaterals is as follows:

	31 December 2021				
	Overdue for 1 to 90 days	Overdue for 91 days to 1 year	Overdue for 1 to 3 years	Overdue for over 3 years	Total
Unsecured loans	22,405	22,502	29,315	3,269	77,491
Guaranteed loans	10,326	15,031	26,406	6,117	57,880
Loans secured by mortgages	38,491	30,029	33,485	8,546	110,551
Pledged loans	1,222	2,495	4,041	1,221	8,979
Total	72,444	70,057	93,247	19,153	254,901

	31 December 2020				
	Overdue for 1 to 90 days	Overdue for 91 days to 1 year	Overdue for 1 to 3 years	Overdue for over 3 years	Total
Unsecured loans	34,753	23,590	16,796	4,107	79,246
Guaranteed loans	19,315	20,100	18,985	7,639	66,039
Loans secured by mortgages	40,909	27,878	31,687	8,161	108,635
Pledged loans	3,986	3,252	4,999	1,350	13,587
Total	98,963	74,820	72,467	21,257	267,507

(2) Debt securities investments

By issuers distribution

The following tables present an analysis of debt securities (excluding accrued interest) by types of issuers and investments:

	31 December 2021			
	Financial investments measured at FVTPL	Financial investments measured at FVTOCI	Financial investments measured at amortised cost	Total
Governments and central banks	97,364	653,774	5,658,676	6,409,814
Policy banks	23,862	171,130	559,727	754,719
Banks and other financial institutions	201,855	310,160	430,758	942,773
Corporate entities	97,202	551,757	61,080	710,039
	420,283	1,686,821	6,710,241	8,817,345

	31 December 2020			
	Financial investments measured at FVTPL	Financial investments measured at FVTOCI	Financial investments measured at amortised cost	Total
Governments and central banks	86,077	479,505	5,203,858	5,769,440
Policy banks	27,631	169,478	528,516	725,625
Banks and other financial institutions	247,628	281,215	369,815	898,658
Corporate entities	104,476	509,422	46,572	660,470
	465,812	1,439,620	6,148,761	8,054,193

By rating distribution

The Group adopts a credit rating approach to manage the credit risk of the debt securities portfolio held. The ratings are obtained from Bloomberg Composite, or major rating agencies where the issuers of debt securities are located. The carrying amounts of debt securities investments (excluding accrued interest) analysed by rating as at the end of the reporting period are as follows:

	31 December 2021					
	Unrated	AAA	AA	A	Below A	Total
Governments and central banks	1,890,581	4,454,127	18,348	18,747	28,011	6,409,814
Policy banks	698,003	38,194	6,324	12,167	31	754,719
Banks and other financial institutions	380,276	382,264	12,010	103,667	64,556	942,773
Corporate entities	165,078	384,700	4,868	98,708	56,685	710,039
	3,133,938	5,259,285	41,550	233,289	149,283	8,817,345

	31 December 2020					
	Unrated	AAA	AA	A	Below A	Total
Governments and central banks	1,826,872	3,878,911	13,444	23,941	26,272	5,769,440
Policy banks	710,867	–	1,703	11,822	1,233	725,625
Banks and other financial institutions	333,991	372,867	23,110	95,765	72,925	898,658
Corporate entities	141,253	369,783	5,317	81,893	62,224	660,470
	3,012,983	4,621,561	43,574	213,421	162,654	8,054,193

(iii) Three-stage analysis of financial instruments' risk exposure

The Group's credit risk stages of financial instruments are as follows:

	31 December 2021							
	Gross carrying amount				Provision for ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and balances with central banks	3,098,438	–	–	3,098,438	–	–	–	–
Due from banks and other financial institutions	828,241	–	–	828,241	(1,091)	–	–	(1,091)
Reverse repurchase agreements	505,969	–	–	505,969	(128)	–	–	(128)
Loans and advances to customers	19,380,019	501,286	293,394	20,174,699	(269,376)	(110,649)	(223,739)	(603,764)
Financial investments	6,832,308	6,425	157	6,838,890	(5,639)	(2,200)	(118)	(7,957)
Precious metal leasing and lending	166,184	298	24	166,506	(1,177)	(58)	(21)	(1,256)
Total	30,811,159	508,009	293,575	31,612,743	(277,411)	(112,907)	(223,878)	(614,196)

	31 December 2021							
	Gross carrying amount				Provision for ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at FVTOCI								
Loans and advances to customers	534,636	–	35	534,671	(191)	–	(28)	(219)
Financial investments	1,703,228	630	306	1,704,164	(2,674)	(355)	(1,341)	(4,370)
Total	2,237,864	630	341	2,238,835	(2,865)	(355)	(1,369)	(4,589)
Credit commitments	2,711,256	17,598	1,515	2,730,369	(19,881)	(3,581)	(987)	(24,449)

	31 December 2020							
	Gross carrying amount				Provision for ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and balances with central banks	3,537,795	–	–	3,537,795	–	–	–	–
Due from banks and other financial institutions	1,073,777	9,347	–	1,083,124	(1,214)	(13)	–	(1,227)
Reverse repurchase agreements	584,793	–	–	584,793	(117)	–	–	(117)
Loans and advances to customers	17,580,020	375,083	293,319	18,248,422	(223,703)	(89,151)	(217,446)	(530,300)
Financial investments	6,262,762	7,819	160	6,270,741	(2,234)	(2,718)	(121)	(5,073)
Precious metal leasing and lending	177,581	951	161	178,693	(479)	(120)	(104)	(703)
Total	29,216,728	393,200	293,640	29,903,568	(227,747)	(92,002)	(217,671)	(537,420)

	31 December 2020							
	Gross carrying amount				Provision for ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at FVTOCI								
Loans and advances to customers	413,633	–	659	414,292	(211)	–	(650)	(861)
Financial investments	1,458,639	326	53	1,459,018	(2,206)	(22)	(240)	(2,468)
Total	1,872,272	326	712	1,873,310	(2,417)	(22)	(890)	(3,329)
Credit commitments	2,682,556	24,509	4,389	2,711,454	(22,021)	(2,957)	(1,732)	(26,710)

(b) Liquidity risk

Liquidity risk is the risk that funds will not be sufficient or funds will not be raised at a reasonable cost in a timely manner to meet the need of asset growth or repayment of debts due, although the Group remains solvent. This may arise from amount or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk through the Asset and Liability Management Department and aims at:

— Optimising the structure of assets and liabilities;

— Maintaining the stability of the deposit base;

— Projecting cash flows and evaluating the level of current assets; and

— Maintaining an efficient internal fund transfer mechanism to ensure sufficient liquidity at branch level.

(i) Maturity analysis of assets and liabilities

The tables below summarise the maturity profile of the Group's assets and liabilities. The Group's expected remaining maturity of its financial instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

	31 December 2021							
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	Over five years	Undated (***)	Total
Assets:								
Cash and balances with central banks	621,110	9,741	1,965	6,220	–	–	2,459,402	3,098,438
Due from banks and other financial institutions (*)	239,523	778,638	225,730	204,230	39,484	3,041	–	1,490,646
Derivative financial assets	261	12,784	14,924	29,509	11,996	6,666	–	76,140
Loans and advances to customers	17,882	1,097,463	849,883	3,116,875	3,219,890	11,723,988	83,219	20,109,200
Financial investments								
— Financial investments measured at FVTPL	88,573	6,662	23,625	163,412	81,410	167,956	91,585	623,223
— Financial investments measured at FVTOCI	–	66,225	206,666	347,980	702,386	380,896	99,451	1,803,604
— Financial investments measured at amortised cost	–	81,718	137,289	748,029	2,831,810	3,029,696	2,391	6,830,933
Investments in associates and joint ventures	–	–	–	–	–	–	61,782	61,782
Property and equipment	–	–	–	–	–	–	290,296	290,296
Other	106,055	279,318	59,652	136,411	80,479	23,055	102,151	787,121
Total assets	1,073,404	2,332,549	1,519,734	4,752,666	6,967,455	15,335,298	3,190,277	35,171,383
Liabilities:								
Due to central banks	–	–	1,111	36,252	2,360	–	–	39,723
Financial liabilities designated as at FVTPL	64,944	622	1,304	12,378	3,689	4,243	–	87,180
Derivative financial liabilities	165	10,670	13,773	26,766	12,768	7,195	–	71,337
Due to banks and other financial institutions (**)	2,268,162	488,000	175,347	278,804	52,944	23,715	–	3,286,972
Certificates of deposit	–	65,193	106,765	109,507	8,877	–	–	290,342
Due to customers	13,002,739	1,546,301	1,491,308	4,409,851	5,972,715	18,860	–	26,441,774
Debt securities issued	–	9,544	28,189	86,298	203,003	464,341	–	791,375
Other	–	301,667	117,672	170,157	173,032	124,894	–	887,422
Total liabilities	15,336,010	2,421,997	1,935,469	5,130,013	6,429,388	643,248	–	31,896,125
Net liquidity gap	(14,262,606)	(89,448)	(415,735)	(377,347)	538,067	14,692,050	3,190,277	3,275,258

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(***) Undated loans and advances to customers and financial investments are impaired or not impaired but overdue for more than one month.

	31 December 2020							
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	Over five years	Undated (***)	Total
Assets:								
Cash and balances with central banks	910,499	2,101	3,238	20,301	–	–	2,601,656	3,537,795
Due from banks and other financial institutions (*)	227,610	866,392	339,155	345,966	36,773	5,289	–	1,821,185
Derivative financial assets	1,139	20,613	25,841	59,392	16,793	10,377	–	134,155
Loans and advances to customers	36,494	943,639	743,562	2,603,777	3,038,875	10,659,555	110,426	18,136,328
Financial investments								
— Financial investments measured at FVTPL	10,868	21,033	27,728	244,359	79,888	240,195	160,412	784,483
— Financial investments measured at FVTOCI	–	77,937	102,340	269,234	683,550	325,957	81,970	1,540,988
— Financial investments measured at amortised cost	–	108,859	199,800	642,382	2,751,810	2,560,607	2,210	6,265,668
Investments in associates and joint ventures	–	–	–	–	–	–	41,206	41,206
Property and equipment	–	–	–	–	–	–	286,279	286,279
Other	324,947	179,867	138,401	28,909	18,471	39,108	67,268	796,971
Total assets	1,511,557	2,220,441	1,580,065	4,214,320	6,626,160	13,841,088	3,351,427	33,345,058
Liabilities:								
Due to central banks	51	–	555	52,373	1,995	–	–	54,974
Financial liabilities designated as at FVTPL	60,714	1,669	5,268	1,212	14,535	4,540	–	87,938
Derivative financial liabilities	1,738	21,579	32,207	58,840	15,722	10,887	–	140,973
Due to banks and other financial institutions (**)	2,130,667	390,573	202,816	272,281	54,030	27,326	–	3,077,693
Certificates of deposit	–	59,478	111,560	154,694	9,944	–	–	335,676
Due to customers	13,499,762	1,233,220	1,336,721	3,849,682	5,194,433	20,908	–	25,134,726
Debt securities issued	–	10,717	19,554	90,158	258,867	418,831	–	798,127
Other	128,581	167,625	81,164	298,621	95,489	33,956	–	805,436
Total liabilities	15,821,513	1,884,861	1,789,845	4,777,861	5,645,015	516,448	–	30,435,543
Net liquidity gap	(14,309,956)	335,580	(209,780)	(563,541)	981,145	13,324,640	3,351,427	2,909,515

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(***) Undated loans and advances to customers and financial investments are impaired or not impaired but overdue for more than one month.

(ii) Maturity analysis of undiscounted contractual cash flows

The tables below summarise the maturity profile of the Group's financial instruments based on the undiscounted contractual cash flows. The balances of some items in the tables below are different from the balances in the consolidated statement of financial position as the tables incorporate all cash flows relating to both principal and interest. The Group's actual cash flows on these instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

	31 December 2021							
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	Over five years	Undated (***)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	621,110	9,748	1,978	6,356	–	–	2,459,402	3,098,594
Due from banks and other financial institutions (*)	239,524	779,758	227,507	208,024	42,720	3,340	–	1,500,873
Loans and advances to customers (**)	22,930	1,194,834	1,025,340	3,837,204	6,198,405	19,491,028	468,472	32,238,213
Financial investments								
— Financial investments measured at FVTPL	88,573	6,717	24,438	173,529	106,924	184,838	92,607	677,626
— Financial investments measured at FVTOCI	–	69,799	212,545	385,083	777,859	444,114	99,726	1,989,126
— Financial investments measured at amortised cost	–	116,381	167,261	919,230	3,404,308	3,666,299	3,147	8,276,626
Other	98,177	279,659	49,188	128,358	83,643	5,041	3	644,069
	1,070,314	2,456,896	1,708,257	5,657,784	10,613,859	23,794,660	3,123,357	48,425,127

(*) Includes reverse repurchase agreements.

(**) The maturity profile of the rescheduled loans' undiscounted contractual cash flows is determined according to the negotiated terms.

(***) Undated loans and advances to customers and financial investments are impaired or not impaired but overdue for more than one month.

	31 December 2021							
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	Over five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Due to central banks	–	1	1,114	36,614	2,360	–	–	40,089
Financial liabilities designated as at FVTPL	64,944	623	1,306	12,476	3,701	4,249	–	87,299
Due to banks and other financial institutions (*)	2,268,538	488,702	175,898	290,018	61,495	24,381	–	3,309,032
Certificates of deposit	–	65,201	106,862	109,863	9,076	–	–	291,002
Due to customers	13,003,897	1,551,479	1,510,507	4,519,399	6,274,552	21,447	–	26,881,281
Debt securities issued	–	10,862	31,300	108,543	298,841	535,026	–	984,572
Other	–	286,731	36,804	16,089	100,695	7,190	–	447,509
	15,337,379	2,403,599	1,863,791	5,093,002	6,750,720	592,293	–	32,040,784
Derivative cash flows:								
Derivative financial instruments settled on net basis	–	215	1,308	2,138	493	260	–	4,414
Derivative financial instruments settled on gross basis								
Including: Cash inflow	65,958	1,097,393	450,359	647,297	179,297	23,254	–	2,463,558
Cash outflow	(65,601)	(1,080,685)	(449,200)	(638,174)	(181,812)	(22,948)	–	(2,438,420)
	357	16,708	1,159	9,123	(2,515)	306	–	25,138

(*) Includes repurchase agreements.

	31 December 2020							
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	Over five years	Undated (***)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	910,499	2,101	6,750	20,301	–	–	2,601,656	3,541,307
Due from banks and other financial institutions (*)	227,824	867,500	341,302	352,359	40,478	298,328	–	2,127,791
Loans and advances to customers (**)	41,245	1,041,610	983,897	3,570,003	6,424,534	17,121,574	527,557	29,710,420
Financial investments								
— Financial investments measured at FVTPL	10,953	21,431	28,274	227,824	115,710	271,393	150,441	826,026
— Financial investments measured at FVTOCI	–	82,953	104,163	290,770	765,296	386,509	75,956	1,705,647
— Financial investments measured at amortised cost	–	109,760	207,927	761,694	3,331,990	3,136,236	3,150	7,550,757
Other	595,580	27,405	19,349	8,449	9,248	88	791	660,910
	1,786,101	2,152,760	1,691,662	5,231,400	10,687,256	21,214,128	3,359,551	46,122,858

(*) Includes reverse repurchase agreements.

(**) The maturity profile of the rescheduled loans' undiscounted contractual cash flows is determined according to the negotiated terms.

(***) Undated loans and advances to customers and financial investments are impaired or not impaired but overdue for more than one month.

	31 December 2020							
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	Over five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Due to central banks	52	–	526	52,403	1,987	–	–	54,968
Financial liabilities designated as at FVTPL	61,159	1,671	5,278	1,212	14,658	4,540	–	88,518
Due to banks and other financial institutions (*)	2,167,704	391,443	203,992	276,707	58,071	32,352	–	3,130,269
Certificates of deposit	–	59,707	113,008	154,446	10,474	–	–	337,635
Due to customers	13,506,194	1,233,820	1,376,867	3,957,547	5,401,402	21,395	–	25,497,225
Debt securities issued	–	11,012	23,469	112,222	353,643	495,458	–	995,804
Other	498,427	9,467	5,647	14,894	62,143	28,620	–	619,198
	16,233,536	1,707,120	1,728,787	4,569,431	5,902,378	582,365	–	30,723,617
Derivative cash flows:								
Derivative financial instruments settled on net basis	–	2,743	(1,860)	6,822	(581)	(47)	–	7,077
Derivative financial instruments settled on gross basis								
Including: Cash inflow	97,545	980,305	655,210	1,119,090	189,256	26,883	–	3,068,289
Cash outflow	(95,502)	(873,719)	(494,113)	(846,380)	(179,399)	(25,437)	–	(2,514,550)
	2,043	106,586	161,097	272,710	9,857	1,446	–	553,739

(*) Includes repurchase agreements.

(iii) Analysis of credit commitments by contractual expiry date

Management does not expect all of the commitments to be drawn down before the expiry of the commitments.

	31 December 2021						
	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	Over five years	Total
Credit commitments	1,211,830	105,556	215,011	497,709	420,178	280,085	2,730,369

	31 December 2020						
	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	Over five years	Total
Credit commitments	1,179,024	113,370	214,884	528,653	361,217	314,306	2,711,454

(c) Market risk

Market risk is the risk of loss, in respect of the Group's on- and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading businesses.

The Group is primarily exposed to structural interest rate risk arising from commercial banking and interest rate risk arising from treasury business positions. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities. The analysis of the interest rate risk in the banking book is disclosed in note 49(d).

The Group's currency risk mainly results from the risk arising from exchange rate fluctuations on its foreign exchange exposures. Foreign exchange exposures include the mismatch of foreign currency assets and liabilities, and off-balance sheet foreign exchange positions arising from derivative transactions.

The Group considers the market risk arising from stock price fluctuations in respect of its investment portfolios to be immaterial.

Sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major market risk management tools used by the Group. The Bank monitors market risk separately in respect of trading and other non-trading portfolios. The Value-at-risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolios. The following sections include a VaR analysis by risk type of the Group's trading portfolios and a sensitivity analysis based on the Group's currency risk exposure and interest rate risk exposure (both trading and non-trading portfolios).

(i) VaR

VaR analysis is a statistical technique which estimates the potential maximum losses that could occur on risk positions taken due to movements in interest rates, foreign exchange rates or prices over a specified time horizon and at a specified level of confidence. The Bank adopts a historical simulation model to calculate and monitor trading portfolio VaR with 250 days' historical market data (with a 99% confidence level, and one-day holding period) on a daily basis.

A summary of VaRs by risk type of trading portfolios is as follows:

	2021			
	Year end	Average	Maximum	Minimum
Interest rate risk	72	88	153	46
Currency risk	95	172	288	71
Commodity risk	14	37	105	12
Total portfolio VaR	144	198	347	80

	2020			
	Year end	Average	Maximum	Minimum
Interest rate risk	64	49	161	29
Currency risk	230	157	268	62
Commodity risk	41	40	94	14
Total portfolio VaR	264	171	284	73

VaR for each risk factor is the derived largest potential loss due to fluctuations solely in that risk factor. As there is a diversification effect due to the correlation amongst the risk factors, the individual VaRs do not add up to the total portfolio VaR.

Although VaR is an important tool for measuring market risk under normal market environment, the assumptions on which the model is based do give rise to some limitations, mainly including the following:

(1) VaR does not reflect liquidity risk. In the VaR model, a one-day holding period assumes that it is possible to hedge or dispose positions within that period without restriction, the price of the financial instruments will fluctuate in the specified range, and the correlation between these market prices will remain unchanged. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully;

(2) Even though positions may change throughout the day, VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level; and

(3) VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, especially those of an exceptional nature due to significant market moves.

(ii) Currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD, and other currencies to a lesser extent. The exchange rate of RMB to USD is managed under a floating exchange rate system. The HKD exchange rate has been pegged to the USD and therefore the exchange rate of RMB to HKD has fluctuated in line with the changes in the exchange rate of RMB to USD. Transactions in foreign currencies mainly arise from the Group's foreign currency treasury operations, foreign exchange dealings and overseas investments.

The Group manages its currency risk through various methods, including limit management and risk hedging to hedge currency risk, and performs currency risk sensitivity analysis and stress testing regularly.

The tables below indicate a sensitivity analysis of exchange rate changes to which the Group had significant on- and off-balance sheet exposure on its monetary assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on profit before taxation and equity. A negative amount in the table reflects a potential net reduction in profit before taxation or equity, while a positive amount reflects a potential net increase. While the table below indicates the effect on profit before taxation and equity of a 1% depreciation of USD and HKD against RMB, there will be an opposite effect with the same amount if the currencies appreciate by the same percentage. This effect, however, is based on the assumption that the Group's foreign exchange exposures as at the end of the reporting period are kept unchanged and, therefore, have not incorporated actions that would be taken by the Group to mitigate the adverse impact of this currency risk.

		Effect on profit before taxation		Effect on equity	
Currency	Change in currency rate	31 December 2021	31 December 2020	31 December 2021	31 December 2020
USD	-1%	(210)	(155)	(448)	(402)
HKD	-1%	566	306	(1,331)	(1,552)

A breakdown of the assets and liabilities analysed by currency is as follows:

	31 December 2021				
	RMB	USD (in RMB equivalent)	HKD (in RMB equivalent)	Other (in RMB equivalent)	Total (in RMB equivalent)
Assets:					
Cash and balances with central banks	2,724,409	174,831	66,652	132,546	3,098,438
Due from banks and other financial institutions (*)	871,298	515,224	25,637	78,487	1,490,646
Derivative financial assets	24,951	33,808	5,804	11,577	76,140
Loans and advances to customers	18,705,303	780,912	319,687	303,298	20,109,200
Financial investments					
— Financial investments measured at FVTPL	565,961	37,844	6,913	12,505	623,223
— Financial investments measured at FVTOCI	1,300,499	338,301	54,886	109,918	1,803,604
— Financial investments measured at amortised cost	6,641,400	106,016	6,607	76,910	6,830,933
Investments in associates and joint ventures	35,768	1,010	130	24,874	61,782
Property and equipment	143,897	143,589	673	2,137	290,296
Other	454,407	79,085	23,585	230,044	787,121
Total assets	31,467,893	2,210,620	510,574	982,296	35,171,383
Liabilities:					
Due to central banks	37,360	–	–	2,363	39,723
Financial liabilities designated as at FVTPL	611	6,719	–	79,850	87,180
Derivative financial liabilities	18,897	35,831	5,687	10,922	71,337
Due to banks and other financial institutions (**)	2,354,265	702,938	42,953	186,816	3,286,972
Certificates of deposit	41,707	177,383	20,490	50,762	290,342
Due to customers	24,914,524	864,226	366,861	296,163	26,441,774
Debt securities issued	528,377	227,278	593	35,127	791,375
Other	741,923	117,020	9,600	18,879	887,422
Total liabilities	28,637,664	2,131,395	446,184	680,882	31,896,125
Net long position	2,830,229	79,225	64,390	301,414	3,275,258
Credit commitments	2,085,604	395,773	76,881	172,111	2,730,369

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

	31 December 2020				
	RMB	USD (in RMB equivalent)	HKD (in RMB equivalent)	Other (in RMB equivalent)	Total (in RMB equivalent)
Assets:					
Cash and balances with central banks	3,258,416	143,125	21,381	114,873	3,537,795
Due from banks and other financial institutions (*)	1,083,840	591,437	23,981	121,927	1,821,185
Derivative financial assets	77,834	31,640	10,693	13,988	134,155
Loans and advances to customers	16,643,324	822,891	337,456	332,657	18,136,328
Financial investments					
— Financial investments measured at FVTPL	736,199	30,251	5,377	12,656	784,483
— Financial investments measured at FVTOCI	1,089,386	311,551	29,136	110,915	1,540,988
— Financial investments measured at amortised cost	6,078,227	107,089	10,743	69,609	6,265,668
Investments in associates and joint ventures	14,354	1,019	169	25,664	41,206
Property and equipment	147,506	136,037	713	2,023	286,279
Other	381,037	157,713	6,613	251,608	796,971
Total assets	29,510,123	2,332,753	446,262	1,055,920	33,345,058
Liabilities:					
Due to central banks	50,796	523	–	3,655	54,974
Financial liabilities designated as at FVTPL	13,183	6,207	179	68,369	87,938
Derivative financial liabilities	84,174	32,326	10,787	13,686	140,973
Due to banks and other financial institutions (**)	2,182,407	686,933	32,959	175,394	3,077,693
Certificates of deposit	39,224	178,537	23,957	93,958	335,676
Due to customers	23,571,992	883,119	377,699	301,916	25,134,726
Debt securities issued	478,569	272,067	4,744	42,747	798,127
Other	583,037	196,560	11,170	14,669	805,436
Total liabilities	27,003,382	2,256,272	461,495	714,394	30,435,543
Net long/(short) position	2,506,741	76,481	(15,233)	341,526	2,909,515
Credit commitments	2,001,018	464,057	70,784	175,595	2,711,454

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(d) Interest rate risk in the banking book

Interest rate risk in the banking book is defined as the risk of loss in the overall return and the economic value of the banking book arising from adverse movements in interest rate and term structure. This type of risk may occur in the following situations:

- The repricing period of different financial instruments are different when the interest rate changes;
- Despite the similarities in maturity periods, changes in the benchmark interest rate vary among on- and off-balance sheet business with different pricing benchmark interest rates;
- The Bank or the counterparty can elect to change the level or the maturity of future cash flows of financial instruments when the Bank holds equity derivative or when there are embedded option terms or implied options in the on- and off-banking book businesses; and
- Due to changes in expected default levels or market liquidity, the market's assessment of the credit quality of financial instruments changes, leading to changes in credit spreads.

The Group manages the interest rate risk in the banking book through the Asset and Liability Management Department, and the following methods have been adopted:

- Interest rate prediction: analysing the macro-economic factors that may impact the PBOC benchmark interest rates and market interest rates;
- Duration management: optimising the differences in timing between contractual repricing (maturities) of interest-generating assets and interest-bearing liabilities;
- Pricing management: managing the deviation of the pricing of interest-generating assets and interest-bearing liabilities from the benchmark interest rates or market interest rates;
- Limit management: optimising the positions of interest-generating assets and interest-bearing liabilities and controlling the impact on profit or loss and equity; and
- Hedging: using interest rate derivatives for hedging management in a timely manner.

The Group measures interest rate risk mainly by analysing the sensitivity of projected net interest income under various interest rate movements (scenario analysis). The Group aims to mitigate the impact of prospective interest rate movements which might reduce future net interest income, while balancing the cost of hedging on the current revenue.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, on the Group's net interest income and equity.

The effect on net interest income is the impact of the assumed changes in interest rates on the net interest income, arising from the financial assets and financial liabilities held at the end of the reporting period that are subject to repricing within the coming year, including the effect of hedging instruments. The effect on equity is the impact of the assumed changes in interest rates on other comprehensive income, calculated by revaluing fixed rate financial assets measured at FVTOCI held at the end of the reporting period, including the effect of any associated hedges.

	31 December 2021			
	Increased by 100 basis points		Decreased by 100 basis points	
Currency	Effect on net interest income	Effect on equity	Effect on net interest income	Effect on equity
RMB	(27,350)	(39,969)	27,350	43,662
USD	1,551	(5,873)	(1,551)	6,126
HKD	(958)	(140)	958	142
Other	1,029	(1,661)	(1,029)	1,694
Total	(25,728)	(47,643)	25,728	51,624

	31 December 2020			
	Increased by 100 basis points		Decreased by 100 basis points	
Currency	Effect on net interest income	Effect on equity	Effect on net interest income	Effect on equity
RMB	(27,286)	(31,709)	27,286	34,753
USD	(169)	(7,340)	169	7,345
HKD	(1,734)	(68)	1,734	68
Other	(30)	(1,766)	30	1,769
Total	(29,219)	(40,883)	29,219	43,935

The interest rate sensitivities set out in the tables above are for illustration only and are based on simplified scenarios. The figures represent the effect of the expected movements in net interest income and equity based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions other than hedging that would be taken by management to mitigate the impact of interest rate risk. The projections above also assume that interest rates of all maturities move by the same degree and, therefore, do not reflect the potential impact on net interest income and equity in the case where some rates change while others remain unchanged.

The tables below summarise the contractual repricing or maturity dates, whichever is earlier, of the Group's assets and liabilities.

	31 December 2021					
	Less than three months	Three months to one year	One to five years	Over five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	2,786,830	–	–	–	311,608	3,098,438
Due from banks and other financial institutions (*)	1,207,522	202,551	36,170	3,041	41,362	1,490,646
Derivative financial assets	–	–	–	–	76,140	76,140
Loans and advances to customers	7,520,367	11,830,293	386,803	327,354	44,383	20,109,200
Financial investments						
— Financial investments measured at FVTPL	33,045	150,390	69,283	164,957	205,548	623,223
— Financial investments measured at FVTOCI	334,480	340,866	642,215	369,260	116,783	1,803,604
— Financial investments measured at amortised cost	350,431	735,724	2,718,515	2,939,372	86,891	6,830,933
Investments in associates and joint ventures	–	–	–	–	61,782	61,782
Property and equipment	–	–	–	–	290,296	290,296
Other	–	4,385	70,493	–	712,243	787,121
Total assets	12,232,675	13,264,209	3,923,479	3,803,984	1,947,036	35,171,383
Liabilities:						
Due to central banks	1,108	36,252	2,360	–	3	39,723
Financial liabilities designated as at FVTPL	1,069	7,214	1,066	–	77,831	87,180
Derivative financial liabilities	–	–	–	–	71,337	71,337
Due to banks and other financial institutions (**)	2,919,746	302,294	31,688	1,547	31,697	3,286,972
Certificates of deposit	174,720	109,344	5,947	–	331	290,342
Due to customers	15,457,811	4,353,175	5,951,386	18,530	660,872	26,441,774
Debt securities issued	116,340	62,391	146,410	456,464	9,770	791,375
Other	1,968	9,834	86,118	7,133	782,369	887,422
Total liabilities	18,672,762	4,880,504	6,224,975	483,674	1,634,210	31,896,125
Interest rate mismatch	(6,440,087)	8,383,705	(2,301,496)	3,320,310	N/A	N/A

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

The data set out in the above table includes trading book data.

	31 December 2020					
	Less than three months	Three months to one year	One to five years	Over five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	3,190,119	–	–	–	347,676	3,537,795
Due from banks and other financial institutions (*)	1,405,431	345,048	35,806	5,289	29,611	1,821,185
Derivative financial assets	–	–	–	–	134,155	134,155
Loans and advances to customers	6,912,607	10,463,879	406,172	336,693	16,977	18,136,328
Financial investments						
— Financial investments measured at FVTPL	117,682	130,810	71,188	147,550	317,253	784,483
— Financial investments measured at FVTOCI	272,625	258,282	614,011	314,100	81,970	1,540,988
— Financial investments measured at amortised cost	384,141	638,819	2,688,862	2,553,846	–	6,265,668
Investments in associates and joint ventures	–	–	–	–	41,206	41,206
Property and equipment	–	–	–	–	286,279	286,279
Other	3,121	70	–	–	793,780	796,971
Total assets	12,285,726	11,836,908	3,816,039	3,357,478	2,048,907	33,345,058
Liabilities:						
Due to central banks	574	52,373	1,992	–	35	54,974
Financial liabilities designated as at FVTPL	4,972	63	11,618	14	71,271	87,938
Derivative financial liabilities	–	–	–	–	140,973	140,973
Due to banks and other financial institutions (**)	2,715,947	268,836	52,264	27,239	13,407	3,077,693
Certificates of deposit	174,300	154,366	7,010	–	–	335,676
Due to customers	15,597,045	3,808,680	5,137,289	20,242	571,470	25,134,726
Debt securities issued	169,119	60,501	149,678	418,829	–	798,127
Other	2,625	5,987	16,703	6,426	773,695	805,436
Total liabilities	18,664,582	4,350,806	5,376,554	472,750	1,570,851	30,435,543
Interest rate mismatch	(6,378,856)	7,486,102	(1,560,515)	2,884,728	N/A	N/A

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

The data set out in the above table includes trading book data.

(e) Capital management

The Group has set the following capital management objectives:

- Maintain sound capital adequacy to meet regulatory requirements on capital, keep stable capital base to ensure the Group's business growth and the implementation of business development and strategic plans in order to achieve comprehensive, balanced, and sustainable development;
- Adopt the advanced capital measurement approach, improve the internal capital adequacy assessment process (ICAAP), publicly disclose information on capital management, cover all types of material risks, and ensure stable operations of the Group;
- Leverage on the results of quantitative assessments of material risks for daily risk management, establish a bank-wide value management mechanism with a core of economic capital, improve the aligned policies, processes, and applications in business management, strengthen the capital constraints and capital incentives mechanism, enhance the product pricing and decision-making support, and improve the capital allocation efficiency; and
- Make effective use of various capital instruments, continuously enhance capital strengths, refine the capital structure, improve capital quality, reduce capital costs, and maximise shareholders' returns.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the risk profiles of its business operations. In order to maintain or adjust the capital structure, the Group may adjust its profit distribution policies, issue or repurchase its own shares, qualified additional tier 1 capital instruments, eligible tier 2 capital instruments, or convertible bonds.

The management monitors the capital adequacy ratios regularly based on regulations issued by the CBIRC. The required information is semi-annually and quarterly filed with the CBIRC by the Group and the Bank.

Since 1 January 2013, the Group commenced calculating the capital adequacy ratios in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) and other relevant regulations. In April 2014, the CBIRC officially approved the Bank to adopt the advanced capital management approach. Within the approved scope of risk exposures that meet the regulatory requirements, the Bank can adopt the foundation internal ratings-based (IRB) approach for its corporate credit risk exposures, the IRB approach for its retail credit risk exposures, the internal model approach (IMA) for its market risk exposures, and the standardised approach for its operational risk exposures.

According to Regulation Governing Capital of Commercial Banks (Provisional), Measures for the Assessment of Systemically Important Banks, Additional Regulation of Systemically Important Banks (Provisional), and the capital surcharge applied to global systemically important banks as required by the Basel Committee on Banking Supervision, the minimum core tier 1 capital adequacy ratio, the tier 1 capital adequacy ratio and the capital adequacy ratio shall not be lower than 9%, 10% and 12% respectively. In addition, overseas entities are directly regulated by local banking regulators, and the required capital adequacy ratios differ by countries or regions.

The Group calculates the following core tier 1 capital adequacy ratio, the tier 1 capital adequacy ratio and the capital adequacy ratio in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) and relevant requirements. The requirements pursuant to these regulations may be different from those applicable in Hong Kong SAR and other jurisdictions.

The capital adequacy ratios and related components of the Group are calculated based on the statutory financial statements of the Group prepared under the PRC GAAP. During the year, the Group has complied in full with all its externally imposed regulatory capital requirements.

The core tier 1 capital adequacy ratio, the tier 1 capital adequacy ratio and the capital adequacy ratio calculated after implementation of the advanced capital measurement approaches approved by the CBIRC are as follows:

	31 December 2021	31 December 2020
Core tier 1 capital	2,903,516	2,669,055
Paid-in capital	356,407	356,407
Valid portion of capital reserve	148,597	148,534
Surplus reserve	356,849	322,692
General reserve	438,640	339,486
Retained profits	1,618,142	1,508,562
Valid portion of minority interests	3,539	3,552
Other	(18,658)	(10,178)
Core tier 1 capital deductions	17,138	16,053
Goodwill	7,691	8,107
Other intangible assets other than land use rights	5,669	4,582
Cash flow hedge reserve that relates to the hedging of items that are not fair-valued on the balance sheet	(4,202)	(4,616)
Investments in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	7,980
Net core tier 1 capital	2,886,378	2,653,002
Additional tier 1 capital	354,986	219,790
Additional tier 1 capital instruments and related premiums	354,331	219,143
Valid portion of minority interests	655	647
Net tier 1 capital	3,241,364	2,872,792
Tier 2 capital	668,305	523,394
Valid portion of tier 2 capital instruments and related premiums	418,415	351,568
Surplus provision for loan impairment	248,774	170,712
Valid portion of minority interests	1,116	1,114
Net capital base	3,909,669	3,396,186
Risk-weighted assets (i)	21,690,349	20,124,139
Core tier 1 capital adequacy ratio	13.31%	13.18%
Tier 1 capital adequacy ratio	14.94%	14.28%
Capital adequacy ratio	18.02%	16.88%

(i) Refers to risk-weighted assets after the capital floor and adjustments.

50. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group has established policies and internal controls with respect to the measurement of fair values, specifically the framework of fair value measurement of financial instruments, fair value measurement methodologies and procedures. Fair value measurement policies specify valuation techniques, parameter selection and relevant concepts, models and parameter-seeking methods. Operating procedures specify measurement procedures, timing of valuation, market parameter selection and corresponding allocation of responsibilities. In the process of fair value measurement, front office is responsible for daily transaction management. The Financial Accounting Department plays a lead role in formulating accounting policies of fair value measurement, valuation methodologies and system implementation. The Risk Management Department is responsible for verifying trade details and validating models.

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1 inputs: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2 inputs: valuation techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3 inputs: valuation techniques for which certain inputs that have a significant effect on the recorded fair value are not based on observable market data.

The following is a description of the fair value of financial instruments measured at fair value which are determined using valuation techniques. They incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Financial investments

Financial investments that use valuation techniques for their valuation include debt securities, asset-backed securities and unlisted equity instruments. The Group values such securities by incorporating either only observable data or both observable and unobservable data. Observable inputs include assumptions regarding current interest rates; unobservable inputs include assumptions regarding expected future default rates, prepayment rates and market liquidity discounts.

The majority of the debt securities classified as level 2 are RMB bonds. The fair value of these bonds are determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

Derivatives

Derivatives that use valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forwards, swaps and options. The most frequently applied valuation techniques include discounted cash flow model and Black-Scholes model. The models incorporate various inputs including foreign exchange spot and forward rates, foreign exchange rate volatility, interest rate yield curves.

Structured products are mainly valued using dealer's quotations.

Loans and advances to customers

The loans and advances to customers that use valuation techniques are mainly the bill business and discounted cash flow model is used. For bank acceptance bill, based on the different credit risk of the acceptor, interest rate yield curve is set up using the actual market data; for commercial bill, based on the interbank offered rate, interest rate yield curve is constructed according to the credit risk and liquidity point difference adjustment.

Other liabilities at fair value through profit or loss

For unquoted other liabilities at FVTPL, discounted cash flow model is used based on current yield curve appropriate for the remaining term to maturity adjusted for market liquidity and credit spreads; and Heston model is applied based on parameters including yields, foreign exchange forward rates, foreign exchange rate volatilities, which are calibrated by active market quotes of standard European option with the same underlying items.

(a) Financial instruments measured at fair value

	31 December 2021			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial assets	4,440	70,634	1,066	76,140
Reverse repurchase agreements measured at FVTPL	–	157,655	–	157,655
Loans and advances to customers measured at FVTPL	–	3,488	106	3,594
Loans and advances to customers measured at FVTOCI	–	534,671	–	534,671
Financial investments measured at FVTPL				
Debt securities	24,430	392,013	3,840	420,283
Equity investments	15,308	16,751	58,687	90,746
Funds and other investments	52,995	26,400	32,799	112,194
	92,733	435,164	95,326	623,223
Financial investments measured at FVTOCI				
Debt securities	293,759	1,407,578	2,827	1,704,164
Equity investments	5,855	39,746	53,839	99,440
	299,614	1,447,324	56,666	1,803,604
	396,787	2,648,936	153,164	3,198,887
Financial liabilities:				
Due to customers	–	296,128	–	296,128
Financial liabilities designated as at FVTPL	15	86,598	567	87,180
Derivative financial liabilities	4,822	65,089	1,426	71,337
	4,837	447,815	1,993	454,645

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial assets	4,691	127,773	1,691	134,155
Reverse repurchase agreements measured at FVTPL	–	154,612	–	154,612
Loans and advances to customers measured at FVTPL	–	3,586	328	3,914
Loans and advances to customers measured at FVTOCI	–	414,292	–	414,292
Financial investments measured at FVTPL				
Debt securities	7,580	392,186	66,046	465,812
Equity investments	17,300	2,718	73,710	93,728
Funds and other investments	24,128	175,252	25,563	224,943
	49,008	570,156	165,319	784,483
Financial investments measured at FVTOCI				
Debt securities	349,978	1,108,576	464	1,459,018
Equity investments	8,504	14,250	59,216	81,970
	358,482	1,122,826	59,680	1,540,988
	412,181	2,393,245	227,018	3,032,444
Financial liabilities:				
Due to customers	–	693,173	–	693,173
Financial liabilities designated as at FVTPL	331	86,992	615	87,938
Derivative financial liabilities	5,846	133,531	1,596	140,973
	6,177	913,696	2,211	922,084

(b) Movement of level 3 financial instruments measured at fair value

The following table shows the movement of level 3 financial assets and financial liabilities measured at fair value during the year:

	1 January 2021	Total (losses)/gains recorded in profit or loss	Total effects in other comprehensive income	Additions	Disposals and settlements	Transfer in/(out) of level 3	31 December 2021
Financial assets:							
Derivative financial assets	1,691	(191)	–	57	(589)	98	1,066
Loans and advances to customers measured at FVTPL	328	(9)	–	–	(213)	–	106
Financial investments measured at FVTPL							
Debt securities	66,046	(154)	–	1,001	(356)	(62,697)	3,840
Equity investments	73,710	(2,826)	–	1,878	(9,187)	(4,888)	58,687
Funds and other investments	25,563	4,220	–	9,976	(5,559)	(1,401)	32,799
Financial investments measured at FVTOCI							
Debt securities	464	–	(39)	2,092	(311)	621	2,827
Equity investments	59,216	–	(2,898)	10,733	(6,894)	(6,318)	53,839
	227,018	1,040	(2,937)	25,737	(23,109)	(74,585)	153,164
Financial liabilities:							
Financial liabilities designated as at FVTPL	(615)	48	–	–	–	–	(567)
Derivative financial liabilities	(1,596)	(82)	–	(28)	203	77	(1,426)
	(2,211)	(34)	–	(28)	203	77	(1,993)

	1 January 2020	Total gains/(losses) recorded in profit or loss	Total effect in other comprehensive income	Additions	Disposals and settlements	Transfer in/(out) of level 3	31 December 2020
Financial assets:							
Derivative financial assets	1,010	782	–	33	(345)	211	1,691
Loans and advances to customers measured at FVTPL	1,149	(61)	–	–	(760)	–	328
Financial investments measured at FVTPL							
Debt securities	52,913	1,679	–	13,909	(2,436)	(19)	66,046
Equity investments	64,172	1,319	–	12,604	(2,203)	(2,182)	73,710
Funds and other investments	55,444	(117)	–	6,575	(24,268)	(12,071)	25,563
Financial investments measured at FVTOCI							
Debt securities	47	–	–	464	(47)	–	464
Equity investments	44,895	–	(528)	18,298	(2,025)	(1,424)	59,216
	219,630	3,602	(528)	51,883	(32,084)	(15,485)	227,018
Financial liabilities:							
Financial liabilities designated as at FVTPL	(592)	(23)	–	–	–	–	(615)
Derivative financial liabilities	(1,052)	108	–	(2)	377	(1,027)	(1,596)
	(1,644)	85	–	(2)	377	(1,027)	(2,211)

Net gains or losses on level 3 financial instruments are set out below:

	2021	2020
Realised	296	1,012
Unrealised	710	2,675
	1,006	3,687

(c) Transfers between levels

(i) Transfers between level 1 and level 2

Due to changes in market conditions for certain securities, quoted prices in active markets were available for these securities. Therefore, these securities were transferred from level 2 to level 1 of the fair value hierarchy as at the end of the reporting period.

Due to changes in market conditions for certain securities, quoted prices in active markets were no longer available for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities were transferred from level 1 to level 2 of the fair value hierarchy as at the end of the reporting period.

In 2021, the transfers between level 1 and level 2 of the fair value hierarchy for financial assets and liabilities of the Group were not significant.

(ii) Transfers between level 2 and level 3

At the end of the reporting period, certain financial instruments were transferred out from level 2 to level 3 of the fair value hierarchy for financial assets and liabilities when significant inputs used in their fair value measurements, which was previously observable became unobservable.

At the end of the reporting period, certain financial instruments were transferred out from level 3 of the fair value hierarchy for financial assets and liabilities, when significant inputs used in their fair value measurements, which was previously unobservable became observable, or when there was a change in valuation technique.

(d) Valuation of financial instruments with significant unobservable inputs

Financial instruments valued with significant unobservable inputs primarily include certain structured derivatives, certain debt securities and asset-backed securities. These financial instruments are valued using discounted cash flow model. The models incorporate various unobservable assumptions such as discount rates and market rate volatilities.

As at 31 December 2021, the effects of changing the significant unobservable assumptions to reasonably possible alternative assumptions were not significant (31 December 2020: not significant).

(e) Fair value of financial assets and financial liabilities not carried at fair value

There are no significant differences between the carrying amount and the fair value of financial assets and financial liabilities not measured at fair value, except for the following items:

	31 December 2021				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost	6,830,933	6,886,188	29,158	6,644,213	212,817
Financial liabilities					
Subordinated bonds and tier 2 capital bonds	470,806	481,954	–	481,954	–

	31 December 2020				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost	6,265,668	6,299,526	88,094	6,072,770	138,662
Financial liabilities					
Subordinated bonds and tier 2 capital bonds	430,064	432,954	–	432,954	–

Subject to the existence of an active market such as an authorised stock exchange, the market value is the best reflection of the fair value of a financial instrument. As there is no available market value for certain financial assets held and financial liabilities issued by the Group, discounted cash flow or other valuation methods described below are adopted to determine the fair values of these financial assets and financial liabilities:

(i) The fair values of financial investments measured at amortised cost relating to the restructuring of the Bank are estimated on the basis of the stated interest rates and the consideration of the relevant special clauses of the instruments evaluated in the absence of any other relevant observable market data, and the fair values approximate to their carrying amounts. The fair values of financial investments measured at amortised cost irrelevant to the restructuring of the Bank are determined based on the available market values. If quoted market prices are not available, fair values are estimated on the basis of pricing models or discounted cash flows.

(ii) The fair values of subordinated bonds and tier 2 capital bonds are determined with reference to the available market values. If quoted market prices are not available, fair values are estimated on the basis of pricing models or discounted cash flows.

All of the aforementioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's financial assets and financial liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

51. STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK

The statement of financial position of the Bank are set out below.

	31 December 2021	31 December 2020
ASSETS		
Cash and balances with central banks	2,959,034	3,459,273
Due from banks and other financial institutions	998,406	1,242,972
Derivative financial assets	47,218	90,669
Reverse repurchase agreements	523,897	560,271
Loans and advances to customers	19,310,688	17,307,271
Financial investments	8,562,631	7,948,361
— Financial investments measured at FVTPL	396,261	574,295
— Financial investments measured at FVTOCI	1,522,578	1,265,920
— Financial investments measured at amortised cost	6,643,792	6,108,146
Investments in subsidiaries	163,283	147,383
Investments in associates	35,042	34,242
Property and equipment	133,698	131,865
Deferred tax assets	76,066	65,858
Other assets	630,440	642,714
TOTAL ASSETS	33,440,403	31,630,879
LIABILITIES		
Due to central banks	39,648	54,304
Financial liabilities designated as at FVTPL	70,256	70,938
Derivative financial liabilities	39,994	94,891
Due to banks and other financial institutions	2,821,165	2,707,115
Repurchase agreements	178,256	90,113
Certificates of deposit	238,632	277,683
Due to customers	25,659,484	24,338,306
Income tax payable	91,029	87,273
Debt securities issued	655,515	658,765
Other liabilities	503,623	461,743
TOTAL LIABILITIES	30,297,602	28,841,131
EQUITY		
Share capital	356,407	356,407
Other equity instruments	354,331	219,143
Reserves	945,798	816,623
Retained earnings	1,486,265	1,397,575
TOTAL EQUITY	3,142,801	2,789,748
TOTAL LIABILITIES AND EQUITY	33,440,403	31,630,879

Chen Siqing
Chairman

Liao Lin
Vice Chairman and President

Liu Yagan
General Manager of
Finance and Accounting Department

The statement of changes in equity of the Bank are set out below.

			Reserves									
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal	Retained earnings	Total equity
Balance as at 1 January 2020	356,407	199,456	153,303	287,353	295,962	23,949	(76)	(4,239)	(89)	756,163	1,259,397	2,571,423
Profit for the year	–	–	–	–	–	–	–	–	–	–	304,267	304,267
Other comprehensive income	–	–	–	–	–	(1,396)	(2,021)	157	152	(3,108)	–	(3,108)
Total comprehensive income	–	–	–	–	–	(1,396)	(2,021)	157	152	(3,108)	304,267	301,159
Dividends — ordinary shares 2019 final (note 17)	–	–	–	–	–	–	–	–	–	–	(93,664)	(93,664)
Distributions to other equity instrument holders (note 17)	–	–	–	–	–	–	–	–	–	–	(8,839)	(8,839)
Appropriation to surplus reserve (i)	–	–	–	30,550	–	–	–	–	–	30,550	(30,550)	–
Appropriation to general reserve (ii)	–	–	–	–	33,247	–	–	–	–	33,247	(33,247)	–
Capital injection by other equity instrument holders	–	19,687	–	–	–	–	–	–	–	–	–	19,687
Other comprehensive income transferred to retained earnings	–	–	–	–	–	(211)	–	–	–	(211)	211	–
Other	–	–	(18)	–	–	–	–	–	–	(18)	–	(18)
Balance as at 31 December 2020 and 1 January 2021	356,407	219,143	153,285	317,903	329,209	22,342	(2,097)	(4,082)	63	816,623	1,397,575	2,789,748
Profit for the year	–	–	–	–	–	–	–	–	–	–	323,100	323,100
Other comprehensive income	–	–	–	–	–	1,764	(2,676)	86	(61)	(887)	–	(887)
Total comprehensive income	–	–	–	–	–	1,764	(2,676)	86	(61)	(887)	323,100	322,213
Dividends — ordinary shares 2020 final (note 17)	–	–	–	–	–	–	–	–	–	–	(94,804)	(94,804)
Distributions to other equity instrument holders (note 17)	–	–	–	–	–	–	–	–	–	–	(9,607)	(9,607)
Appropriation to surplus reserve (i)	–	–	–	32,494	–	–	–	–	–	32,494	(32,494)	–
Appropriation to general reserve (ii)	–	–	–	–	97,505	–	–	–	–	97,505	(97,505)	–
Capital injection by other equity instrument holders	–	139,730	–	–	–	–	–	–	–	–	–	139,730
Capital reduction by other equity instrument holders	–	(4,542)	63	–	–	–	–	–	–	63	–	(4,479)
Balance as at 31 December 2021	356,407	354,331	153,348	350,397	426,714	24,106	(4,773)	(3,996)	2	945,798	1,486,265	3,142,801

(i) Includes the appropriation made by overseas branches in the amount of RMB56 million (2020: RMB101 million).

(ii) Includes the appropriation made by overseas branches in the amount of RMB47 million (2020: RMB11 million).

52. EVENTS AFTER THE REPORTING PERIOD

A final dividend of RMB0.2933 (pre-tax) per share after the appropriation of statutory surplus reserve and general reserve, was approved at the board of directors' meeting held on 30 March 2022, and is subject to the approval of the Bank's shareholders at the forthcoming annual general meeting. Based on the number of ordinary shares issued as at 31 December 2021, the final dividend amounted to approximately RMB104,534 million in total. The dividend payable was not recognised as a liability in the consolidated financial statements.

53. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year's presentation.

54. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on 30 March 2022.

Unaudited Supplementary Information To The Consolidated Financial Statements

For the year ended 31 December 2021
(In RMB millions, unless otherwise stated)

1. Statement of differences between the financial statements prepared under IFRSs and those prepared in accordance with PRC GAAP

There are no differences between the profit attributable to equity holders of the parent company under PRC GAAP and IFRSs for year ended 31 December 2021 and 2020. There are no differences between the equity attributable to equity holders of the parent company under PRC GAAP and IFRSs as at 31 December 2021 and 31 December 2020.

2. Currency concentrations

	31 December 2021			
	USD	HKD	Other	Total
Spot assets	2,066,021	509,771	955,285	3,531,077
Spot liabilities	(2,115,377)	(446,184)	(680,182)	(3,241,743)
Forward purchases	2,112,979	166,543	385,249	2,664,771
Forward sales	(2,210,989)	(153,095)	(580,802)	(2,944,886)
Net option position	1,342	2,443	32	3,817
Net (short)/long position	(146,024)	79,478	79,582	13,036
Net structural position	128,581	803	26,055	155,439

	31 December 2020			
	USD	HKD	Other	Total
Spot assets	2,195,697	445,380	1,028,233	3,669,310
Spot liabilities	(2,240,038)	(461,495)	(713,341)	(3,414,874)
Forward purchases	2,856,506	327,221	457,654	3,641,381
Forward sales	(2,864,682)	(208,738)	(754,429)	(3,827,849)
Net option position	(14,060)	3,651	(1,597)	(12,006)
Net (short)/long position	(66,577)	106,019	16,520	55,962
Net structural position	120,822	882	26,634	148,338

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority. The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

- property and equipment, net of depreciation charges;
- capital and statutory reserves of overseas branches; and
- investments in overseas subsidiaries, associates and joint ventures.

3. Loans and advances to customers (excludes accrued interest)

(i) Overdue loans and advances to customers

	31 December 2021	31 December 2020
Gross loans and advances to customers of the Group which have been overdue with respect to either principal or interest for periods of:		
Between 3 and 6 months	28,208	32,328
Between 6 and 12 months	41,849	42,492
Over 12 months	112,400	93,724
	182,457	168,544
As a percentage of the total gross loans and advances to customers:		
Between 3 and 6 months	0.14%	0.17%
Between 6 and 12 months	0.20%	0.23%
Over 12 months	0.54%	0.50%
	0.88%	0.90%

The definition of overdue loans and advances to customers is set out as follows:

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

For loans and advances repayable by regular instalments, if part of the instalments is overdue, the whole amount of the loans and advances would be classified as overdue.

(ii) Overdue loans and advances to customers by geographical distribution

	31 December 2021	31 December 2020
Head Office	35,969	36,358
Bohai Rim	50,790	46,167
Western China	33,400	40,207
Central China	37,461	38,411
Pearl River Delta	28,978	28,398
Yangtze River Delta	30,210	41,772
Northeastern China	27,324	25,489
Overseas and other	10,769	10,705
	254,901	267,507

(iii) Rescheduled loans and advances to customers

	31 December 2021		31 December 2020	
		% of total loans and advances		% of total loans and advances
Rescheduled loans and advances	19,134	0.09%	11,960	0.06%
Less: Rescheduled loans and advances overdue for more than three months	(2,301)	(0.01%)	(2,055)	(0.01%)
Rescheduled loans and advances overdue for less than three months	16,833	0.08%	9,905	0.05%

4. Exposures to non-bank entities in Chinese mainland

The Bank is a commercial bank incorporated in Chinese mainland with its banking business primarily conducted in Chinese mainland. As at 31 December 2021 and 31 December 2020, substantial amounts of the Bank's exposures arose from businesses with entities or individuals in Chinese mainland. Analyses of various types of exposures by counterparty have been disclosed in the respective notes to the financial statements.

5. Correspondence between balance sheet in published financial statements and capital composition

The disclosure of correspondence between balance sheet in published financial statements and capital composition is based on the Notice on Issuing Regulatory Documents on Capital Regulation for Commercial Banks (Yin Jian Fa, No. 33, 2013) Appendix 2 Notice on Enhancing Disclosure Requirements for Composition of Capital.

(i) Capital composition

Item		31 December 2021	31 December 2020	Reference
Core tier 1 capital:				
1	Paid-in capital	356,407	356,407	X18
2	Retained earnings	2,413,631	2,170,740	
2a	Surplus reserve	356,849	322,692	X21
2b	General reserve	438,640	339,486	X22
2c	Retained profits	1,618,142	1,508,562	X23
3	Accumulated other comprehensive income (and other public reserve)	129,939	138,356	
3a	Capital reserve	148,597	148,534	X19
3b	Other	(18,658)	(10,178)	X24
4	Valid portion to core tier 1 capital during the transition period (only applicable to non-joint stock companies. Fill in 0 for joint stock banks)	–	–	
5	Valid portion of minority interests	3,539	3,552	X25
6	**Core tier 1 capital before regulatory adjustments**	**2,903,516**	**2,669,055**	
Core tier 1 capital: Regulatory adjustments				
7	Prudential valuation adjustments	–	–	
8	Goodwill (net of deferred tax liabilities)	7,691	8,107	X16
9	Other intangible assets other than land use rights (net of deferred tax liabilities)	5,669	4,582	X14–X15
10	Deferred tax assets that rely on future profits excluding those arising from temporary differences (net of deferred tax liabilities)	–	–	
11	Cash flow hedge reserve that relates to the hedging of items that are not fair-valued on the balance sheet	(4,202)	(4,616)	X20
12	Shortfall of provision for loan impairment	–	–	
13	Gain on sales related to asset securitisation	–	–	
14	Unrealised gains and losses due to changes in own credit risk on fair-valued liabilities	–	–	
15	Defined-benefit pension fund net assets (net of deferred tax liabilities)	–	–	
16	Direct or indirect investments in own ordinary shares	–	–	
17	Reciprocal cross-holdings in core tier 1 capital between banks, or between banks and other financial institutions	–	–	

Item		31 December 2021	31 December 2020	Reference
18	Deductible amount of non-significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
19	Deductible amount of significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
20	Mortgage servicing rights	N/A	N/A	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of deferred tax liabilities)	–	–	
22	Deductible amount exceeding the 15% threshold for significant minority capital investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation and undeducted portion of deferred tax assets arising from temporary differences (net of deferred tax liabilities)	–	–	
23	Including: Deductible amount of significant minority investments in core tier 1 capital instruments issued by financial institutions	–	–	
24	Including: Deductible amount of mortgage servicing rights	N/A	N/A	
25	Including: Deductible amount in deferred tax assets arising from temporary differences	–	–	
26a	Investments in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	7,980	X11
26b	Shortfall in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
26c	Other that should be deducted from core tier 1 capital	–	–	
27	Undeducted shortfall that should be deducted from additional tier 1 capital and tier 2 capital	–	–	
28	**Total regulatory adjustments to core tier 1 capital**	**17,138**	**16,053**	
29	**Core tier 1 capital**	**2,886,378**	**2,653,002**	
Additional tier 1 capital:				
30	Additional tier 1 capital instruments and related premiums	354,331	219,143	
31	Including: Portion classified as equity	354,331	219,143	X28+X32
32	Including: Portion classified as liabilities	–	–	
33	Invalid instruments to additional tier 1 capital after the transition period	–	–	
34	Valid portion of minority interests	655	647	X26
35	Including: Invalid portion to additional tier 1 capital after the transition period	–	–	
36	**Additional tier 1 capital before regulatory adjustments**	**354,986**	**219,790**	
Additional tier 1 capital: Regulatory adjustments				
37	Direct or indirect investments in own additional tier 1 instruments	–	–	

Item		31 December 2021	31 December 2020	Reference
38	Reciprocal cross-holdings in additional tier 1 capital between banks, or between banks and other financial institutions	–	–	
39	Deductible amount of non-significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
40	Significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
41a	Investments in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
41b	Shortfall in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
41c	Other that should be deducted from additional tier 1 capital	–	–	
42	Undeducted shortfall that should be deducted from tier 2 capital	–	–	
43	**Total regulatory adjustments to additional tier 1 capital**	**–**	**–**	
44	**Additional tier 1 capital**	**354,986**	**219,790**	
45	**Tier 1 capital (core tier 1 capital + additional tier 1 capital)**	**3,241,364**	**2,872,792**	
Tier 2 capital:				
46	Tier 2 capital instruments and related premiums	418,415	351,568	X17
47	Invalid instruments to tier 2 capital after the transition period	20,285	40,570	
48	Valid portion of minority interests	1,116	1,114	X27
49	Including: Invalid portion to tier 2 capital after the transition period	–	–	
50	Valid portion of surplus provision for loan impairment	248,774	170,712	X02+X04
51	**Tier 2 capital before regulatory adjustments**	**668,305**	**523,394**	
Tier 2 capital: Regulatory adjustments				
52	Direct or indirect investments in own tier 2 instruments	–	–	
53	Reciprocal cross-holdings in tier 2 capital between banks, or between banks and other financial institutions	–	–	
54	Deductible portion of non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
55	Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	–	X31
56a	Investments in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
56b	Shortfall in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	

Item		31 December 2021	31 December 2020	Reference
56c	Other that should be deducted from tier 2 capital	–	–	
57	**Total regulatory adjustments to tier 2 capital**	**–**	**–**	
58	**Tier 2 capital**	**668,305**	**523,394**	
59	**Total capital (tier 1 capital+ tier 2 capital)**	**3,909,669**	**3,396,186**	
60	**Total risk-weighted assets**	**21,690,349**	**20,124,139**	
Requirements for capital adequacy ratio and reserve capital				
61	Core tier 1 capital adequacy ratio	13.31%	13.18%	
62	Tier 1 capital adequacy ratio	14.94%	14.28%	
63	Capital adequacy ratio	18.02%	16.88%	
64	Institution specific buffer requirements	4.0%	4.0%	
65	Including: Capital conservation buffer requirements	2.5%	2.5%	
66	Including: Countercyclical buffer requirements	–	–	
67	Including: G-SIB buffer requirements	1.5%	1.5%	
68	Percentage of core tier 1 capital meeting buffers to risk-weighted assets	8.31%	8.18%	
Domestic minima for regulatory capital				
69	Core tier 1 capital adequacy ratio	5.0%	5.0%	
70	Tier 1 capital adequacy ratio	6.0%	6.0%	
71	Capital adequacy ratio	8.0%	8.0%	
Amounts below the thresholds for deduction				
72	Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	155,815	138,247	X05+X07+X08+ X09+X12+X29+X30
73	Undeducted portion of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	28,773	32,452	X06+X10+X13
74	Mortgage servicing rights (net of deferred tax liabilities)	N/A	N/A	
75	Deferred tax assets arising from temporary differences (net of deferred tax liabilities)	74,611	65,719	
Valid caps of surplus provision for loan impairment in tier 2 capital				
76	Provision for loan impairment under the weighted approach	24,545	23,204	X01
77	Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach	15,909	7,802	X02
78	Surplus provision for loan impairment under the internal ratings-based approach	579,219	507,096	X03
79	Valid cap of surplus provision for loan impairment in tier 2 capital under the internal ratings-based approach	232,865	162,910	X04
Capital instruments subject to phase-out arrangements				
80	Valid cap to core tier 1 capital instruments for the current period due to phase-out arrangements	–	–	
81	Excluded from core tier 1 capital due to cap	–	–	
82	Valid cap to additional tier 1 capital instruments for the current period due to phase-out arrangements	–	–	
83	Excluded from additional tier 1 capital due to cap	–	–	
84	Valid cap to tier 2 capital instruments for the current period due to phase-out arrangements	20,285	40,570	
85	Excluded from tier 2 capital for the current period due to cap	37,740	67,463	

(ii) Consolidated financial statements

	31 December 2021 Consolidated balance sheet as in published financial statements*	31 December 2021 Balance sheet under regulatory scope of consolidation*	31 December 2020 Consolidated balance sheet as in published financial statements*	31 December 2020 Balance sheet under regulatory scope of consolidation*
Assets				
Cash and balances with central banks	3,098,438	3,098,438	3,537,795	3,537,795
Due from banks and other financial institutions	346,457	301,191	522,913	489,231
Precious metals	265,962	265,962	277,705	277,705
Placements with banks and other financial institutions	480,693	480,693	558,984	558,984
Derivative financial assets	76,140	76,140	134,155	134,155
Reverse repurchase agreements	663,496	662,544	739,288	738,958
Loans and advances to customers	20,109,200	20,107,266	18,136,328	18,134,777
Financial investments	9,257,760	9,060,427	8,591,139	8,429,328
— Financial investments measured at FVTPL	623,223	560,683	784,483	732,478
— Financial investments measured at FVTOCI	1,803,604	1,743,097	1,540,988	1,498,008
— Financial investments measured at amortised cost	6,830,933	6,756,647	6,265,668	6,198,842
Long-term equity investments	61,782	69,762	41,206	49,186
Fixed assets	270,017	269,952	249,067	249,008
Construction in progress	18,182	18,172	35,173	35,166
Deferred tax assets	79,259	79,259	67,713	67,713
Other assets	443,997	430,485	453,592	440,548
Total assets	35,171,383	34,920,291	33,345,058	33,142,554
Liabilities				
Due to central banks	39,723	39,723	54,974	54,974
Due to banks and other financial institutions	2,431,689	2,431,689	2,315,643	2,315,643
Placements from banks and other financial institutions	489,340	489,340	468,616	468,616
Financial liabilities measured at FVTPL	87,180	87,180	87,938	87,938
Derivative financial liabilities	71,337	71,337	140,973	140,973
Repurchase agreements	365,943	351,049	293,434	282,458
Certificates of deposit	290,342	290,342	335,676	335,676
Due to customers	26,441,774	26,441,774	25,134,726	25,134,726
Employee benefits payable	41,083	40,659	32,460	32,073
Taxes payable	108,897	108,871	105,380	105,356
Debt securities issued	791,375	791,375	798,127	798,127
Deferred tax liabilities	5,624	4,648	2,881	1,994
Other liabilities	731,818	508,191	664,715	483,519
Total liabilities	31,896,125	31,656,178	30,435,543	30,242,073

(*) Prepared in accordance with PRC GAAP.

	31 December 2021 Consolidated balance sheet as in published financial statements*	31 December 2021 Balance sheet under regulatory scope of consolidation*	31 December 2020 Consolidated balance sheet as in published financial statements*	31 December 2020 Balance sheet under regulatory scope of consolidation*
Equity				
Share capital	356,407	356,407	356,407	356,407
Other equity instruments	354,331	354,331	225,819	225,819
Capital reserve	148,597	148,597	148,534	148,534
Other comprehensive income	(18,343)	(18,658)	(10,428)	(10,178)
Surplus reserve	357,169	356,849	322,911	322,692
General reserve	438,952	438,640	339,701	339,486
Retained profits	1,620,642	1,618,142	1,510,558	1,508,562
Equity attributable to equity holders of the parent company	3,257,755	3,254,308	2,893,502	2,891,322
Minority interests	17,503	9,805	16,013	9,159
Total equity	3,275,258	3,264,113	2,909,515	2,900,481

(*) Prepared in accordance with PRC GAAP.

(iii) Description of related items

Item	31 December 2021 Balance sheet under regulatory scope of consolidation	Reference
Loans and advances to customers	20,107,266	
Total loans and advances to customers	20,711,030	
Less: Provision for loan impairment under the weighted approach	24,545	X01
Including: Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach	15,909	X02
Less: Provision for loan impairment under the internal ratings-based approach	579,219	X03
Including: Valid cap of surplus provision for loan impairment in tier 2 capital under the internal ratings-based approach	232,865	X04
Financial investments		
Financial investments measured at FVTPL	560,683	
Including: Non-significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	206	X05
Including: Significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	21	X06
Including: Non-significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	X07
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	140,871	X08

Item	31 December 2021 Balance sheet under regulatory scope of consolidation	Reference
Financial investments measured at FVTOCI	1,743,097	
Including: Non-significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	13,052	X09
Including: Significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	2,468	X10
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	X29
Financial investments measured at amortised cost	6,756,647	
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	X30
Including: Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	X31
Long-term equity investments	69,762	
Including: Investments in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	X11
Including: Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	1,686	X12
Including: Undeducted portion of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	26,284	X13
Other asset	430,485	
Interest receivable	2,283	
Intangible assets	21,175	X14
Including: Land use rights	15,506	X15
Other receivables	274,468	
Goodwill	7,691	X16
Long-term deferred expenses	5,541	
Repossessed assets	3,946	
Other	115,381	
Debt securities issued	791,375	
Including: Valid portion of tier 2 capital instruments and their premiums	418,415	X17
Share capital	356,407	X18
Other equity instruments	354,331	
Including: Preference shares	134,614	X28
Including: Perpetual bonds	219,717	X32
Capital reserve	148,597	X19
Other comprehensive income	(18,658)	X24
Reserve for changes in fair value of financial assets	24,435	
Reserve for cash flow hedging	(4,243)	
Including: Cash flow hedge reserve that relates to the hedging of items that are not fair-valued on the balance sheet	(4,202)	X20

Item	31 December 2021 Balance sheet under regulatory scope of consolidation	Reference
Changes in share of other owners' equity of associates and joint ventures	(752)	
Foreign currency translation reserve	(39,707)	
Other	1,609	
Surplus reserve	356,849	X21
General reserve	438,640	X22
Retained profits	1,618,142	X23
Minority interests	9,805	
Including: Valid portion of core tier 1 capital	3,539	X25
Including: Valid portion of additional tier 1 capital	655	X26
Including: Valid portion of tier 2 capital	1,116	X27

(iv) Main features of eligible capital instruments

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Domestic)
Issuer	The Bank	The Bank	The Bank
Unique identifier	601398	1398	360011
Governing law(s) of the instrument	Securities Law of the People's Republic of China/China	Securities and Futures Ordinance of Hong Kong/ Hong Kong SAR, China	Company Law of the People's Republic of China, Securities Law of the People's Republic of China. Guidance of the State Council on Launch of Preference Shares Pilot, Trial Administrative Measures on Preference Shares, Guidance on the Issuance of Preference Shares of Commercial Banks to Replenish Tier 1 Capital/China
Regulatory treatment			
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Domestic)
Including: Eligible to the parent company/ group level	Parent company/ Group	Parent company/ Group	Parent company/ Group
Instrument type	Core tier 1 capital instrument	Core tier 1 capital instrument	Additional tier 1 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB336,554	RMB168,374	RMB44,947
Par value of instrument (in millions)	RMB269,612	RMB86,795	RMB45,000
Accounting treatment	Share capital, capital reserve	Share capital, capital reserve	Other equity
Original date of issuance	19 October 2006	19 October 2006	18 November 2015
Perpetual or dated	Perpetual	Perpetual	Perpetual
Including: Original maturity date	No maturity date	No maturity date	No maturity date
Issuer call (subject to prior supervisory approval)	No	No	Yes
Including: Optional call date, contingent call dates and redemption amount	N/A	N/A	The First Redemption Date is 18 November 2020, in full or partial amount
Including: Subsequent call dates, if applicable	N/A	N/A	Commences on the First Redemption Date (18 November 2020) and ends on the completion date of redemption or conversion of all the Domestic Preference Shares
Coupons/dividends			
Including: Fixed or floating dividend/coupon	Floating	Floating	Fixed to floating
Including: Coupon rate and any related index	N/A	N/A	4.5% (dividend rate) before 23 November 2020, 4.58% (dividend rate) between 23 November 2020 and 22 November 2025
Including: Existence of a dividend stopper	N/A	N/A	Yes
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Fully discretionary	Fully discretionary	Fully discretionary
Including: Redemption incentive mechanism	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	No	No	Yes

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Domestic)
Including: If convertible, conversion trigger(s)	N/A	N/A	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event
Including: If convertible, fully or partially	N/A	N/A	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs
Including: If convertible, conversion rate	N/A	N/A	The initial conversion price is equal to the average trading price of the A shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan
Including: If convertible, mandatory or optional conversion	N/A	N/A	Mandatory
Including: If convertible, specify instrument type convertible into	N/A	N/A	Core tier 1 capital
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	The Bank
Write-down feature	No	No	No
Including: If write-down, write-down trigger(s)	N/A	N/A	N/A
Including: If write-down, full or partial	N/A	N/A	N/A
Including: If write-down, permanent or temporary	N/A	N/A	N/A
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor, general creditor, creditor of the subordinated debts and preference shareholders	Subordinated to depositor, general creditor, creditor of the subordinated debts and preference shareholders	Subordinated to deposits, general debts, subordinated debts, tier 2 capital bonds and undated additional tier 1 capital bonds
Non-compliant transitioned features	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A

Main features of regulatory capital instrument	Preference shares (Domestic)	Preference shares (Offshore)	Undated additional tier 1 capital bonds (Domestic)
Issuer	The Bank	The Bank	The Bank
Unique identifier	360036	4620	1928018
Governing law(s) of the instrument	Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Guidance of the State Council on Launch of Preference Shares Pilot, Trial Administrative Measures on Preference Shares, Guidance on the Issuance of Preference Shares of Commercial Banks to Replenish Tier 1 Capital/China	The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents/China
Regulatory treatment			
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Including: Eligible to the parent company/group level	Parent company/Group	Parent company/Group	Parent company/Group
Instrument type	Additional tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB69,981	RMB equivalent 19,687	RMB79,987
Par value of instrument (in millions)	RMB70,000	USD2,900	RMB80,000
Accounting treatment	Other equity	Other equity	Other equity
Original date of issuance	19 September 2019	23 September 2020	26 July 2019
Perpetual or dated	Perpetual	Perpetual	Perpetual
Including: Original maturity date	No maturity date	No maturity date	No maturity date
Issuer call (subject to prior supervisory approval)	Yes	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	The First Redemption Date is 24 September 2024, in full or partial amount	The First Redemption Date is 23 September 2025, in full or partial amount	The First Redemption Date is 30 July 2024, in full or partial amount

Main features of regulatory capital instrument	Preference shares (Domestic)	Preference shares (Offshore)	Undated additional tier 1 capital bonds (Domestic)
Including: Subsequent call dates, if applicable	Commences on the First Redemption Date (24 September 2024) and ends on the completion date of redemption or conversion of all the Domestic Preference Shares	23 September in each year after the First Redemption Date	Redemption of present bonds in full or in part on each Distribution Payment Date since the First Redemption Date (30 July 2024). The Issuer has the right to redeem the present bonds in full rather than in part if the present bonds are no longer qualified as additional tier 1 capital after they are issued due to unpredictable changes in regulatory rules
Coupons/dividends			
Including: Fixed or floating dividend/coupon	Fixed to floating	Fixed to floating	Fixed to floating
Including: Coupon rate and any related index	4.2% (dividend rate) before 24 September 2024	3.58% (dividend rate) before 23 September 2025	4.45% (interest rate) before 30 July 2024
Including: Existence of a dividend stopper	Yes	Yes	Yes
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Fully discretionary	Fully discretionary	Fully discretionary
Including: Redemption incentive mechanism	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Yes	Yes	No
Including: If convertible, conversion trigger(s)	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	Non-viability Trigger Event	N/A
Including: If convertible, fully or partially	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs	Fully or partially convertible when a Non-viability Trigger Event occurs	N/A

Main features of regulatory capital instrument	Preference shares (Domestic)	Preference shares (Offshore)	Undated additional tier 1 capital bonds (Domestic)
Including: If convertible, conversion rate	The initial conversion price is equal to the average trading price of the A shares of the Bank for the 20 trading days preceding 30 August 2018, the date of publication of the Board resolution in respect of the issuance plan	The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 30 August 2018, the date of publication of the Board resolution in respect of the issuance plan	N/A
Including: If convertible, mandatory or optional conversion	Mandatory	Mandatory	N/A
Including: If convertible, specify instrument type convertible into	Core tier 1 capital	Core tier 1 capital	N/A
Including: If convertible, specify issuer of instrument it converts into	The Bank	The Bank	N/A
Write-down feature	No	No	Yes
Including: If write-down, write-down trigger(s)	N/A	N/A	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event
Including: If write-down, full or partial	N/A	N/A	Full or partial write-down when an Additional Tier 1 Capital Trigger Event occurs; full write-down when a Tier 2 Capital Trigger Event occurs
Including: If write-down, permanent or temporary	N/A	N/A	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to deposits, general debts, subordinated debts, tier 2 capital bonds and undated additional tier 1 capital bonds	Subordinated to deposits, general debts, subordinated debts, tier 2 capital bonds and undated additional tier 1 capital bonds	Subordinated to deposits, general debts, subordinated debts and tier 2 capital bonds
Non-compliant transitioned features	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A

Main features of regulatory capital instrument	Undated additional tier 1 capital bonds (Domestic)	Undated additional tier 1 capital bonds (Offshore)	Undated additional tier 1 capital bonds (Domestic)
Issuer	The Bank	The Bank	The Bank
Unique identifier	2128021	Regulation S ISIN: XS2383421711	2128044
Governing law(s) of the instrument	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents/China	The Notes and any other non-contractual obligations arising out of or in connection with them shall be governed by and construed in accordance with English law. However, the provisions in the terms and conditions of the Notes relating to subordination of the Notes shall be governed by and construed in accordance with PRC law and regulations	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents/China
Regulatory treatment			
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Including: Eligible to the parent company/group level	Parent company/Group	Parent company/Group	Parent company/Group
Instrument type	Additional tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB69,992	RMB equivalent 39,742	RMB29,997
Par value of instrument (in millions)	RMB70,000	USD6,160	RMB30,000
Accounting treatment	Other equity	Other equity	Other equity
Original date of issuance	4 June 2021	24 September 2021	24 November 2021
Perpetual or dated	Perpetual	Perpetual	Perpetual
Including: Original maturity date	No maturity date	No maturity date	No maturity date
Issuer call (subject to prior supervisory approval)	Yes	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	The First Redemption Date is 8 June 2026, in full or partial amount	The First Redemption Date is 24 September 2026, in full or partial amount	The First Redemption Date is 26 November 2026 in full or partial amount
Including: Subsequent call dates, if applicable	Redemption of present bonds in full or in part on each Distribution Payment Date since the First Redemption Date (8 June 2026). The Issuer has the right to redeem the present bonds in full rather than in part if the present bonds are no longer qualified as additional tier 1 capital after they are issued due to unpredictable changes in regulatory rules	Redemption of present bonds in full or in part on each Distribution Payment Date since the First Redemption Date (24 September 2026). The Issuer has the right to redeem the present bonds in full rather than in part if the present bonds are no longer qualified as additional tier 1 capital after they are issued due to unpredictable changes in regulatory rules	Redemption of present bonds in full or in part on each Distribution Payment Date since the First Redemption Date (26 November 2026). The Issuer has the right to redeem the present bonds in full rather than in part if the present bonds are no longer qualified as additional tier 1 capital after they are issued due to unpredictable changes in regulatory rules

Main features of regulatory capital instrument	Undated additional tier 1 capital bonds (Domestic)	Undated additional tier 1 capital bonds (Offshore)	Undated additional tier 1 capital bonds (Domestic)
Coupons/dividends			
Including: Fixed or floating dividend/coupon	Fixed to floating	Fixed to floating	Fixed to floating
Including: Coupon rate and any related index	4.04% (interest rate) before 8 June 2026	3.20% (interest rate) before 24 September 2026	3.65% (interest rate) before 26 November 2026
Including: Existence of a dividend stopper	Yes	Yes	Yes
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Fully discretionary	Fully discretionary	Fully discretionary
Including: Redemption incentive mechanism	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	No	No	No
Including: If convertible, conversion trigger(s)	N/A	N/A	N/A
Including: If convertible, fully or partially	N/A	N/A	N/A
Including: If convertible, conversion rate	N/A	N/A	N/A
Including: If convertible, mandatory or optional conversion	N/A	N/A	N/A
Including: If convertible, specify instrument type convertible into	N/A	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
Write-down feature	Yes	Yes	Yes
Including: If write-down, write-down trigger(s)	Non-viability Trigger Event	Non-viability Trigger Event	Non-viability Trigger Event
Including: If write-down, full or partial	Full or partial write-down when a Non-viability Trigger Event occurs	Full or partial write-down when a Non-viability Trigger Event occurs	Full or partial write-down when a Non-viability Trigger Event occurs
Including: If write-down, permanent or temporary	Permanent write-down	Permanent write-down	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to deposits, general debts, subordinated debts and tier 2 capital bonds	Subordinated to deposits, general debts, subordinated debts and tier 2 capital bonds	Subordinated to deposits, general debts, subordinated debts and tier 2 capital bonds
Non-compliant transitioned features	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Issuer	The Bank	The Bank	The Bank
Unique identifier	Rule 144A ISIN: US455881AD47 Regulation S ISIN: USY39656AC06	1728021	1728022
Governing law(s) of the instrument	The Notes and the Fiscal Agency Agreement shall be governed by, and shall be construed in accordance with New York law, except that the provisions of the Notes relating to subordination shall be governed by, and construed in accordance with PRC law	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents
Regulatory treatment			
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Eligible to the parent company/group level	Parent company/Group	Parent company/Group	Parent company/Group
Instrument type	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB equivalent 10,127	RMB44,000	RMB44,000
Par value of instrument (in millions)	USD2,000	RMB44,000	RMB44,000
Accounting treatment	Debt securities issued	Debt securities issued	Debt securities issued
Original date of issuance	21 September 2015	6 November 2017	20 November 2017
Perpetual or dated	Dated	Dated	Dated
Including: Original maturity date	21 September 2025	8 November 2027	22 November 2027
Issuer call (subject to prior supervisory approval)	No	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	N/A	8 November 2022, in full amount	22 November 2022, in full amount
Including: Subsequent call dates, if applicable	N/A	N/A	N/A
Coupons/dividends			
Including: Fixed or floating dividend/coupon	Fixed	Fixed	Fixed
Including: Coupon rate and any related index	4.875%	4.45%	4.45%
Including: Existence of a dividend stopper	No	No	No
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Mandatory	Mandatory	Mandatory
Including: Redemption incentive mechanism	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Convertible or non-convertible	No	No	No
Including: If convertible, conversion trigger(s)	N/A	N/A	N/A
Including: If convertible, fully or partially	N/A	N/A	N/A
Including: If convertible, conversion rate	N/A	N/A	N/A
Including: If convertible, mandatory or optional conversion	N/A	N/A	N/A
Including: If convertible, specify instrument type convertible into	N/A	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
Write-down feature	Yes	Yes	Yes
Including: If write-down, write-down trigger(s)	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable
Including: If write-down, full or partial	Partial or full write-down	Partial or full write-down	Partial or full write-down
Including: If write-down, permanent or temporary	Permanent write-down	Permanent write-down	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor and general creditor, pari passu with other subordinated debts	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds
Non-compliant transitioned features	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Issuer	The Bank	The Bank	The Bank
Unique identifier	1928006	1928007	1928011
Governing law(s) of the instrument	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents
Regulatory treatment			
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Eligible to the parent company/group level	Parent company/Group	Parent company/Group	Parent company/Group
Instrument type	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB45,000	RMB10,000	RMB45,000
Par value of instrument (in millions)	RMB45,000	RMB10,000	RMB45,000
Accounting treatment	Debt securities issued	Debt securities issued	Debt securities issued
Original date of issuance	21 March 2019	21 March 2019	24 April 2019
Perpetual or dated	Dated	Dated	Dated
Including: Original maturity date	25 March 2029	25 March 2034	26 April 2029
Issuer call (subject to prior supervisory approval)	Yes	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	25 March 2024, in full amount	25 March 2029, in full amount	26 April 2024, in full amount
Including: Subsequent call dates, if applicable	N/A	N/A	N/A
Coupons/dividends			
Including: Fixed or floating dividend/coupon	Fixed	Fixed	Fixed
Including: Coupon rate and any related index	4.26%	4.51%	4.40%
Including: Existence of a dividend stopper	No	No	No
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Mandatory	Mandatory	Mandatory
Including: Redemption incentive mechanism	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	No	No	No
Including: If convertible, conversion trigger(s)	N/A	N/A	N/A
Including: If convertible, fully or partially	N/A	N/A	N/A
Including: If convertible, conversion rate	N/A	N/A	N/A
Including: If convertible, mandatory or optional conversion	N/A	N/A	N/A
Including: If convertible, specify instrument type convertible into	N/A	N/A	N/A

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
Write-down feature	Yes	Yes	Yes
Including: If write-down, write-down trigger(s)	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable
Including: If write-down, full or partial	Partial or full write-down	Partial or full write-down	Partial or full write-down
Including: If write-down, permanent or temporary	Permanent write-down	Permanent write-down	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds
Non-compliant transitioned features	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Issuer	The Bank	The Bank	The Bank	The Bank
Unique identifier	1928012	2028041	2028049	2028050
Governing law(s) of the instrument	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents
Regulatory treatment				
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Eligible to the parent company/group level	Parent company/Group	Parent company/Group	Parent company/Group	Parent company/Group
Instrument type	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB10,000	RMB60,000	RMB30,000	RMB10,000
Par value of instrument (in millions)	RMB10,000	RMB60,000	RMB30,000	RMB10,000
Accounting treatment	Debt securities issued	Debt securities issued	Debt securities issued	Debt securities issued
Original date of issuance	24 April 2019	22 September 2020	12 November 2020	12 November 2020
Perpetual or dated	Dated	Dated	Dated	Dated
Including: Original maturity date	26 April 2034	24 September 2030	16 November 2030	16 November 2035
Issuer call (subject to prior supervisory approval)	Yes	Yes	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	26 April 2029, in full amount	24 September 2025, in full amount	16 November 2025, in full amount	16 November 2030, in full amount
Including: Subsequent call dates, if applicable	N/A	N/A	N/A	N/A
Coupons/dividends				
Including: Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed
Including: Coupon rate and any related index	4.69%	4.20%	4.15%	4.45%
Including: Existence of a dividend stopper	No	No	No	No
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Mandatory	Mandatory	Mandatory	Mandatory

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Including: Redemption incentive mechanism	No	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	No	No	No	No
Including: If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A
Including: If convertible, fully or partially	N/A	N/A	N/A	N/A
Including: If convertible, conversion rate	N/A	N/A	N/A	N/A
Including: If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
Including: If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A
Write-down feature	Yes	Yes	Yes	Yes
Including: If write-down, write-down trigger(s)	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable
Including: If write-down, full or partial	Partial or full write-down	Partial or full write-down	Partial or full write-down	Partial or full write-down
Including: If write-down, permanent or temporary	Permanent write-down	Permanent write-down	Permanent write-down	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds
Non-compliant transitioned features	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Issuer	The Bank	The Bank	The Bank
Unique identifier	2128002	2128051	2128052
Governing law(s) of the instrument	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents
Regulatory treatment			
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Eligible to the parent company/group level	Parent company/Group	Parent company/Group	Parent company/Group
Instrument type	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB30,000	RMB50,000	RMB10,000
Par value of instrument (in millions)	RMB30,000	RMB50,000	RMB10,000
Accounting treatment	Debt securities issued	Debt securities issued	Debt securities issued
Original date of issuance	19 January 2021	13 December 2021	13 December 2021

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Perpetual or dated	Dated	Dated	Dated
Including: Original maturity date	21 January 2031	15 December 2031	15 December 2036
Issuer call (subject to prior supervisory approval)	Yes	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	21 January 2026, in full amount	15 December 2026, in full amount	15 December 2031, in full amount
Including: Subsequent call dates, if applicable	N/A	N/A	N/A
Coupons/dividends			
Including: Fixed or floating dividend/coupon	Fixed	Fixed	Fixed
Including: Coupon rate and any related index	4.15%	3.48%	3.74%
Including: Existence of a dividend stopper	No	No	No
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Mandatory	Mandatory	Mandatory
Including: Redemption incentive mechanism	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	No	No	No
Including: If convertible, conversion trigger(s)	N/A	N/A	N/A
Including: If convertible, fully or partially	N/A	N/A	N/A
Including: If convertible, conversion rate	N/A	N/A	N/A
Including: If convertible, mandatory or optional conversion	N/A	N/A	N/A
Including: If convertible, specify instrument type convertible into	N/A	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
Write-down feature	Yes	Yes	Yes
Including: If write-down, write-down trigger(s)	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable
Including: If write-down, full or partial	Partial or full write-down	Partial or full write-down	Partial or full write-down
Including: If write-down, permanent or temporary	Permanent write-down	Permanent write-down	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds
Non-compliant transitioned features	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A

6. Disclosure of Leverage Ratio

The following information is disclosed in accordance with the Administrative Measures for Leverage Ratio of Commercial Banks (Revised) (CBRC No.1, 2015).

(i) Correspondence between Regulatory Leverage Ratio Items and Accounting Items and their differences

S/N	Item	31 December 2021	31 December 2020
1	Total consolidated assets as per published financial statements	35,171,383	33,345,058
2	Consolidated adjustments for accounting purposes but outside the scope of regulatory consolidation	(251,092)	(202,504)
3	Adjustments for fiduciary assets	–	–
4	Adjustments for derivative financial instruments	104,865	85,324
5	Adjustment for securities financing transactions	40,027	29,188
6	Adjustment for off-balance sheet items	2,244,477	2,059,325
7	Other adjustments	(17,138)	(16,053)
8	Balance of adjusted on- and off-balance sheet assets	37,292,522	35,300,338

(ii) Leverage Ratio, Net Tier 1 Capital, Balance of Adjusted On- and Off-balance Sheet Assets and Related Information

S/N	Item	31 December 2021	31 December 2020
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	34,436,056	32,598,277
2	Less: Asset amounts deducted in determining Basel III tier 1 capital	(17,138)	(16,053)
3	Balance of adjusted on-balance sheet assets (excluding derivatives and SFTs)	34,418,918	32,582,224
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	84,898	146,069
5	Add-on amounts for PFE associated with all derivatives transactions	91,940	67,843
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	–	–
7	Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions	–	–
8	Less: Exempted CCP leg of client-cleared trade exposures	(128)	(12,330)
9	Effective notional amount of written credit derivatives	37,702	42,669
10	Less: Adjusted effective notional deductions for written credit derivatives	(33,407)	(12,858)
11	Total derivative exposures	181,005	231,393
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	408,095	398,208
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	CCR exposure for SFT assets	40,027	29,188
15	Agent transaction exposures	–	–
16	Total securities financing transaction exposures	448,122	427,396
17	Off-balance sheet exposure at gross notional amount	6,328,760	5,727,987
18	Less: Adjustments for conversion to credit equivalent amounts	(4,084,283)	(3,668,662)
19	Balance of adjusted off-balance sheet assets	2,244,477	2,059,325
20	Net tier 1 capital	3,241,364	2,872,792
21	Balance of adjusted on- and off-balance sheet assets	37,292,522	35,300,338
22	Leverage ratio	8.69%	8.14%

7. Quantitative Information Disclosure of Liquidity Coverage Ratio Using Advanced Capital Management Approach

The Group discloses liquidity coverage ratio using Advanced Capital Management Approach in accordance with Measures for the Disclosure of Information on Liquidity Coverage Ratio by Commercial Banks (Yin Jian Fa [2015] No. 52).

		Fourth-quarter 2021	
S/N	Item	Total unweighted value	Total weighted value
High-quality liquid assets			
1	Total high-quality liquid assets (HQLA)		5,840,091
Cash outflows			
2	Retail deposits and deposits form small business customers of which:	13,206,445	1,317,060
3	Stable deposits	56,472	2,063
4	Less stable deposits	13,149,973	1,314,997
5	Unsecured wholesale funding, of which:	14,765,584	4,798,151
6	Operational deposits (excluding those generated from correspondent banking activities)	8,996,693	2,187,318
7	Non-operational deposits (all counterparties)	5,699,530	2,541,472
8	Unsecured debt	69,361	69,361
9	Secured funding		11,893
10	Additional requirements, of which:	3,070,500	1,261,208
11	Outflows related to derivative exposures and other collateral requirements	1,111,158	1,111,158
12	Outflows related to loss of funding on debt products	–	–
13	Credit and liquidity facilities	1,959,342	150,050
14	Other contractual funding obligations	77,534	77,512
15	Other contingent funding obligations	5,289,975	106,897
16	Total cash outflows		7,572,721
Cash inflows			
17	Secured lending (including reverse repos and securities borrowing)	528,439	292,256
18	Inflows from fully performing exposures	1,501,023	963,271
19	Other cash inflows	1,112,279	1,109,461
20	Total cash inflows	3,141,741	2,364,988
			Total Adjusted Value
21	Total HQLA		5,840,091
22	Total net cash outflows		5,207,733
23	Liquidity coverage ratio (%)		112.20%

Data of the above table are the simple arithmetic average of the 92 calendar days' figures of the recent quarter.

8. Quantitative Information Disclosure of Net Stable Funding Ratio (NSFR) Using Advanced Capital Management Approach

The Group discloses net stable funding ratio information in accordance with Measures for the Disclosure of Information on Net Stable Funding Ratio by Commercial Banks (Yin Bao Jian Fa [2019] No. 11).

		31 December 2021				
		Unweighted value				
No.	Item	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value
Available stable funding (ASF) item						
1	Capital:	3,514,552	–	–	418,412	3,932,964
2	Regulatory capital	3,514,552	–	–	418,412	3,932,964
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from small business customers:	6,534,836	7,093,483	17,538	10,164	12,295,976
5	Stable deposits	37,393	42,896	10,502	6,973	93,225
6	Less stable deposits	6,497,443	7,050,587	7,036	3,191	12,202,751
7	Wholesale funding:	8,598,100	6,565,799	309,032	226,568	7,450,606
8	Operational deposits	8,253,459	574,876	14,226	4,293	4,425,573
9	Other wholesale funding	344,641	5,990,923	294,806	222,275	3,025,033
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	10,434	1,002,488	24,738	654,537	629,422
12	NSFR derivative liabilities				47,918	
13	All other liabilities and equities not included in the above categories	10,434	1,002,488	24,738	606,619	629,422
14	Total ASF					24,308,968
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					979,487
16	Deposits held at other financial institutions for operational purposes	165,913	37,813	1,457	914	104,314
17	Loans and securities:	1,266	3,844,322	2,622,168	16,955,026	17,156,499
18	Loans to financial institutions secured by Level 1 HQLA	–	479,994	1,701	136	72,421
19	Loans to financial institutions secured by non-Level 1 HQLA and unsecured loans to financial institutions	–	745,042	247,457	171,280	406,765
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and PSEs, of which:	–	2,327,769	2,194,968	9,550,942	10,295,054
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	491,444	360,373	298,663	607,380

		31 December 2021				
		Unweighted value				
No.	Item	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value
22	Residential mortgages, of which:	–	2,093	3,384	6,376,331	5,419,938
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	428	429	14,451	10,029
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	1,266	289,424	174,658	856,337	962,321
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets:	329,722	418,055	37,139	148,589	775,134
27	Physical traded commodities, including gold	16,881				14,349
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				4,638	3,942
29	NSFR derivative assets				61,801	13,883
30	NSFR derivative liabilities with additional variation margin posted				56,602*	11,320
31	All other assets not included in the above categories	312,841	418,055	37,139	82,150	731,640
32	Off-balance sheet items				8,033,526	247,195
33	Total RSF					19,262,629
34	Net Stable Funding Ratio (%)					126.20%

(*) The amount of derivative liabilities shall be filled in for this item, which is the amount of NSFR derivative liabilities without regard to maturity before deducting variation margin. It is excluded from the item 26 "Other assets".

		30 September 2021				
		Unweighted value				
No.	Item	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value
Available stable funding (ASF) item						
1	Capital:	3,379,104	–	–	358,573	3,737,677
2	Regulatory capital	3,379,104	–	–	358,573	3,737,677
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from small business customers:	6,408,762	7,201,693	11,731	10,364	12,275,079
5	Stable deposits	39,189	50,721	5,065	6,613	96,838
6	Less stable deposits	6,369,573	7,150,972	6,666	3,751	12,178,241
7	Wholesale funding:	8,877,598	6,778,034	286,206	228,739	7,724,111
8	Operational deposits	8,523,272	590,924	6,131	1,459	4,561,622
9	Other wholesale funding	354,326	6,187,110	280,075	227,280	3,162,489
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	12,026	893,556	32,890	655,168	637,737
12	NSFR derivative liabilities				45,902	
13	All other liabilities and equities not included in the above categories	12,026	893,556	32,890	609,266	637,737
14	Total ASF					24,374,604
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					928,319
16	Deposits held at other financial institutions for operational purposes	169,469	47,218	2,362	828	110,594
17	Loans and securities:	1,204	3,989,223	2,716,285	16,646,113	16,962,615
18	Loans to financial institutions secured by Level 1 HQLA	–	474,018	177	1,589	72,037
19	Loans to financial institutions secured by non-Level 1 HQLA and unsecured loans to financial institutions	–	869,764	338,972	150,690	450,640
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and PSEs, of which:	–	2,285,305	2,251,951	9,481,714	10,237,311
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	387,544	380,370	292,979	562,690
22	Residential mortgages, of which:	–	1,811	2,854	6,174,334	5,248,281
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	428	426	16,370	12,105

		30 September 2021				
		Unweighted value				
No.	Item	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	1,204	358,325	122,331	837,786	954,346
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets:	338,265	398,452	33,460	127,440	767,339
27	Physical traded commodities, including gold	46,394				39,435
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				35,643	30,297
29	NSFR derivative assets				63,978	18,076
30	NSFR derivative liabilities with additional variation margin posted				50,086*	10,017
31	All other assets not included in the above categories	291,871	398,452	33,460	27,819	669,514
32	Off-balance sheet items				8,051,576	246,740
33	Total RSF					19,015,607
34	Net Stable Funding Ratio (%)					128.18%

(*) The amount of derivative liabilities shall be filled in for this item, which is the amount of NSFR derivative liabilities without regard to maturity before deducting variation margin. It is excluded from the item 26 "Other assets".

List of Domestic and Overseas Branches and Offices

Domestic Institutions

ANHUI BRANCH
Address: No. 189 Wuhu Road, Hefei City, Anhui Province, China
Postcode: 230001
Tel: 0551-62869178/62868101
Fax: 0551-62868077

BEIJING BRANCH
Address: Tower B, Tianyin Mansion, No. 2 Fuxingmen South Street, Xicheng District, Beijing, China
Postcode: 100031
Tel: 010-66410579
Fax: 010-66410579

CHONGQING BRANCH
Address: No. 61 Taichang Road, Nan'an District, Chongqing, China
Postcode: 400061
Tel: 023-62918002
Fax: 023-62918059

DALIAN BRANCH
Address: No. 5 Zhongshan Square, Dalian City, Liaoning Province, China
Postcode: 116001
Tel: 0411-82378888
Fax: 0411-82808377

FUJIAN BRANCH
Address: No. 108 Gutian Road, Fuzhou City, Fujian Province, China
Postcode: 350005
Tel: 0591-88087819/88087000
Fax: 0591-83353905/83347074

GANSU BRANCH
Address: No. 408 Qingyang Road, Chengguan District, Lanzhou City, Gansu Province, China
Postcode: 730030
Tel: 0931-8434172
Fax: 0931-8435166

GUANGDONG BRANCH
Address: No. 123 Yanjiang West Road, Guangzhou City, Guangdong Province, China
Postcode: 510120
Tel: 020-81308130
Fax: 020-81308789

GUANGXI BRANCH
Address: No. 15-1 Jiaoyu Road, Nanning City, Guangxi Zhuang Autonomous Region, China
Postcode: 530022
Tel: 0771-5316617
Fax: 0771-5316617/2806043

GUIZHOU BRANCH
Address: No. 200 Zhonghua North Road, Yunyan District, Guiyang City, Guizhou Province, China
Postcode: 550001
Tel: 0851-88606280/88620018
Fax: 0851-85963911

HAINAN BRANCH
Address: No. 54 Heping South Road, Haikou City, Hainan Province, China
Postcode: 570203
Tel: 0898-65303138/65342829
Fax: 0898-65342986

HEBEI BRANCH
Address: Tower B, Zhonghua Shangwu Tower, No. 188 Zhongshan West Road, Shijiazhuang City, Hebei Province, China
Postcode: 050051
Tel: 0311-66000001
Fax: 0311-66000002

HENAN BRANCH
Address: No. 99 Jingsan Road, Zhengzhou City, Henan Province, China
Postcode: 450011
Tel: 0371-65776888/65776808
Fax: 0371-65776889/65776988

HEILONGJIANG BRANCH
Address: No. 218 Zhongyang Street, Daoli District, Harbin City, Heilongjiang Province, China
Postcode: 150010
Tel: 0451-84668023/84668577
Fax: 0451-84698115

HUBEI BRANCH
Address: No. 31 Zhongbei Road, Wuchang District, Wuhan City, Hubei Province, China
Postcode: 430071
Tel: 027-69908676/69908658
Fax: 027-69908040

HUNAN BRANCH
Address: No. 619 Furong Middle Road Yi Duan, Changsha City, Hunan Province, China
Postcode: 410011
Tel: 0731-84428833/84420000
Fax: 0731-84430039

JILIN BRANCH
Address: No. 9559 Renmin Avenue, Changchun City, Jilin Province, China
Postcode: 130022
Tel: 0431-89569718/89569007
Fax: 0431-88923808

JIANGSU BRANCH
Address: No. 408 Zhongshan South Road, Nanjing City, Jiangsu Province, China
Postcode: 210006
Tel: 025-52858000
Fax: 025-52858111

JIANGXI BRANCH
Address: No. 233, Fuhe North Road, Nanchang City, Jiangxi Province, China
Postcode: 330008
Tel: 0791-86695682/86695018
Fax: 0791-86695230

LIAONING BRANCH
Address: No. 88 Nanjing North Road, Heping District, Shenyang City, Liaoning Province, China
Postcode: 110001
Tel: 024-23491600
Fax: 024-23491609

INNER MONGOLIA BRANCH
Address: No. 10 East 2nd Ring Road, Xincheng District, Hohhot City, Inner Mongolia Autonomous Region, China
Postcode: 010060
Tel: 0471-6940833/6940297
Fax: 0471-6940048

NINGBO BRANCH
Address: No. 218 Zhongshan West Road, Ningbo City, Zhejiang Province, China
Postcode: 315010
Tel: 0574-87361162
Fax: 0574-87361190

NINGXIA BRANCH
Address: No. 67 Zhonghai Road, Jinfeng District, Yinchuan City, Ningxia Autonomous Region, China
Postcode: 750002
Tel: 0951-5890912
Fax: 0951-5890917

QINGDAO BRANCH
Address: No. 25 Shandong Road, Shinan District, Qingdao City, Shandong Province, China
Postcode: 266071
Tel: 0532-66211001
Fax: 0532-85814711

QINGHAI BRANCH
Address: No. 2 Shengli Road, Xining City, Qinghai Province, China
Postcode: 810001
Tel: 0971-6169722/6152326
Fax: 0971-6152326

SHANDONG BRANCH
Address: No. 310 Jingsi Road, Jinan City, Shandong Province, China
Postcode: 250001
Tel: 0531-66681114
Fax: 0531-87941749/66681200

SHANXI BRANCH
Address: No. 145 Yingze Street, Taiyuan City, Shanxi Province, China
Postcode: 030001
Tel: 0351-6248888/6248011
Fax: 0351-6248004

SHAANXI BRANCH
Address: No. 395 Dongxin Street, Xi'an City, Shaanxi Province, China
Postcode: 710004
Tel: 029-87602608/87602630
Fax: 029-87602999

SHANGHAI BRANCH
Address: No. 8 Yincheng Road, Pudong New District, Shanghai, China
Postcode: 200120
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